Accounting trends and techniques, 12th annual survey, 1958 edition

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ACCOUNTING TRENDS AND TECHNIQUES

TWELFTH EDITION
1958

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
270 Madison Avenue New York 16, N. Y.

ACCOUNTING TRENDS AND TECHNIQUES

In Published Corporate Annual Reports • Twelfth Edition • 1958

Twelfth 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 500 additional reports. The reports analyzed are those with fiscal years ending within the calendar year 1957.

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PREFACE

Accounting Trends and Techniques in Published Corporate Annual Reports—1958 is the Twelfth 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 Ralph Bullick, C.P.A., a member of the 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 1957 reports. *These illustrations are not presented as recommended methods for handling specific items but are of an informative and objective nature.* About 500 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. The list of corporations included remains fairly stable from year to year with the exception of eliminations occurring as a result of corporate liquidations, mergers, etc., and the addition of new companies as substitutes.

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CARMAN G. BLOUGH, *Director of Research*
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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 statements covered by the auditors' reports, but also the summaries and supplementary schedules contained in the annual reports.

FINANCIAL STATEMENTS COVERED BY AUDITORS' REPORTS

Customary Statements

The customary 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 financial statements in its annual report for 1957.

Of the 600 survey companies, 598 presented two or more of the customary statements. The remaining two companies (*Co. Nos. 268 and 428) 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 (215 companies in 1957). The more frequent use of the combined income and retained earnings statement accounts for the continuing increase in this classification. Table 1 also summarizes in detail the various other combinations of customary financial statements presented by the survey companies in the 1957 reports. This table shows in comparative form, for the years 1946, 1950, and 1953 to 1957, inclusive, the various combinations of customary statements.

*Refer to Company Appendix Section.

Notes to Financial Statements

Notes to financial statements were included by 568 of the 600 survey companies in their 1957 annual reports, an increase of 21 companies as compared with reporting companies included in the previous survey.

The form of presentation varied among the 568 companies. Of this total, 422 companies included notes to the financial statements with direct reference to related balance sheet or income statement captions; 79 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"; 44 companies included notes by placement within the statements or at the foot of the statements; 17 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"; 6 companies provided notes separately to which there was no general reference. (32 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 595 of the 600 survey companies in their 1957 annual reports. The trend towards the adoption of the combined statement of income and retained earnings continued in the current year with an increase of 8 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 1957 annual reports. The increased use of the combined statement of retained earnings and income

TABLE 1: CUSTOMARY FINANCIAL STATEMENTS

Combination of Statements	1957	1956	1955	1954	1953	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statements (*Co. No. 40, 98, 275, 309, 480, 522)	215	205	202	194	194	168	141
Balance Sheet, Income, and Retained Earnings Statements (*Co. Nos. 45, 192, 206, 372, 418, 590)	158	149	167	168	175	191	157
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements (*Co. Nos. 16, 42, 110, 292, 379, 465)	152	164	149	148	144	149	198
Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings Statements (*Co. Nos. 141, 174, 342, 489)	4	4	4	7	6	15	30
Balance Sheet, Income, and Stockholders' Equity Statements (*Co. Nos. 18, 88, 225, 272, 300, 552)	20	17	20	20	18	15	6
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements (*Co. Nos. 1, 7, 96, 290, 383, 562)	30	32	23	22	20	20	22
Balance Sheet and Income Statements (*Co. Nos. 25, 55, 68, 336, 424, 495)	12	17	19	25	25	21	20
Balance Sheet, Income, and Unclassified Surplus Statements (*Co. Nos. 56, 94, 143, 440)	4	6	8	9	10	14	15
Balance Sheet and Combined Income & Unclassified Surplus Statements (*Co. Nos. 322, 422)	2	2	4	3	4	2	2
Balance Sheet—alone or in other combinations of statements not mentioned above (*Co. Nos. 210, 268, 428)	3	4	4	4	4	5	9
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

continued in the current year, with 245 of the 600 survey companies presenting this form of statement as compared with 187 companies for the year 1950.

CAPITAL SURPLUS PRESENTATION IN THE REPORTS

Capital surplus was disclosed in the annual reports of 480 of the 600 survey companies. Separate statements of capital surplus either alone or in combination with retained earnings were presented by 186 companies. Capital surplus was shown as an item within the balance sheet by 274 companies, of which 124 companies either stated or indicated that there had been no changes in the account during the current year.

These and other methods of presentation as disclosed in the reports of the survey companies are shown in Table 4.

*Refer to Company Appendix Section.

TITLE OF THE INCOME STATEMENT

The terminology used in the income statement titles of the 1957 annual reports is summarized in Table 5. The 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 is indicated. However, the term "earnings" also continues to be favored by many (144 companies in 1957), while the use of the term "profit and loss" continues to decline.

Changes in 1957

Some of the principal changes made by the survey companies in the terminology of their income statements for the year 1957 are summarized as follows:

Five companies *adopted* the term "income" as the key word in the title of their 1957 income statements. One company (*Co. No. 116) had formerly used the wording "results of operations"; and three companies (*Co. Nos. 306,

TABLE 2: INCOME PRESENTATION IN REPORTS

Manner of Presentation*	1957	1956	1955	1954	1953	1950	1946
A: As a separate statement of income	350	357	367	377	378	407	427
B: As a combined statement of income and retained earnings	245	237	225	216	214	187	164
C: As a combined statement of income and unclassified surplus	2	2	4	3	4	2	2
D: As a section within the statement of stockholders' equity	—	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 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. 24, 46, 167, 305, 360, 565; B: Co. Nos. 126, 149, 249, 290, 481, 589; C: Co. Nos. 322, 422; E: Co. No. 268; F: Co. No. 428; G: Co. No. 515.

310, and 579) had used the wording "profit and loss"; while one company (*Co. No. 280) changed from "income and profit and loss."

The term "earnings" was *adopted* by 4 companies. Of these companies, three (*Co. Nos. 48, 463, and 587) had formerly used the term "income"; while one company (*Co. No. 202) had used the wording "net profit." On the other hand, one company (*Co. No. 205) changed from "earnings" to "operations."

One company (*Co. No. 339) changed from "profit and loss" to "loss"; and another company (*Co. No. 492) changed from "income" to "loss." Another company (*Co. No. 437) *adopted* the term "statement of operations" instead of "profit and loss" as previously used.

TABLE 3: RETAINED EARNINGS PRESENTATION IN REPORTS

Manner of Presentation	1957	1956	1955	1954	1953	1950	1946
As a separate statement of retained earnings (*Co. Nos. 84, 251, 296, 400, 496, 579)	310	314	318	317	323	341	356
As a combined statement of retained earnings and income (*Co. Nos. 22, 28, 96, 295, 443, 577)	245	237	225	216	214	187	164
As a combined statement of retained earnings and capital surplus (*Co. Nos. 99, 174, 342, 489)	4	4	4	7	6	17	30
As a section within the statement of stockholders' equity (See Table 15) (*Co. Nos. 18, 88, 278, 300, 415, 552)	20	17	20	20	18	14	5
As a section within the balance sheet (*Co. Nos. 25, 55, 68, 268, 424, 540)	12	15	12	17	15	19	22
As an item within the balance sheet (*Co. Nos. 278, 336, 428)	3	4	7	9	8	6	4
As a combined statement of income and net worth	—	1	2	2	2	1	1
Total Retained Earnings	594	592	588	588	586	585	582
Surplus not classified	6	8	12	12	14	15	18
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

Examples

Examples of the various titles of the income statements contained in the 1957 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—(368 Companies):

"Statement of Income" (*Co. Nos. 157, 386)
"Statement of Income and *Earned Surplus*" (*Co. No. 326)
"Statement of Income and *Earnings Retained*" (*Co. No. 598)
"Statement of Income and *Income Retained in the Business*" (*Co. No. 481)

TABLE 4: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation	1957	1956	1955	1954	1953	1950	1946
As a separate statement of capital surplus (*Co. Nos. 78, 213, 301, 429, 491, 527)	182	196	182	170	164	170	224
As a combined statement of capital surplus and retained earnings (*Co. Nos. 141, 174, 342, 489)	4	4	4	7	6	16	31
Total	186	200	186	177	170	186	255
As a section within the statement of stockholders' equity (See Table 15) (*Co. Nos. 225, 232, 272, 483, 518, 552)	20	17	20	20	18	15	6
As an item within the balance sheet and changes set forth:							
Under balance sheet caption (*Co. Nos. 119, 282, 298, 476, 482, 516)	24	16	17	21	15	28	12
In notes to financial statements (*Co. Nos. 86, 116, 178, 374, 399, 589)	90	95	77	64	53	17	13
In other statements covered by auditors' reports (*Co. Nos. 82, 231, 446, 538, 577)	5	2	3	—	1	1	1
In other statements	—	—	1	—	1	—	—
In letter to stockholders (*Co. Nos. 22, 75, 127, 554)	4	3	1	2	6	2	—
Not set forth in report (*Co. Nos. 80, 184, 286, 355, 373, 473)	27	22	32	27	15	6	1
As an item within the balance sheet:							
Stated to be "Not changed during the year" (*Co. Nos. 47, 102, 168, 367, 492, 566)	27	30	38	42	53	54	54
Indicated to be not changed during year (*Co. Nos. 8, 58, 196, 288, 484, 585)	97	84	88	103	115	119	88
Total	274	252	257	259	259	227	169
Set forth within statement of capital (showing capital stock and capital surplus)—no details given	—	—	1	1	—	—	—
Set forth in notes to financial statements	—	—	—	2	3	2	—
Number of Companies							
Presenting capital surplus	480	469	464	459	450	430	430
Not presenting capital surplus (*Co. Nos. 28, 87, 191, 425, 551, 572)	114	123	124	129	136	156	156
Not classifying surplus (*Co. Nos. 94, 141, 143, 322, 340, 440)	6	8	12	12	14	14	14
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 5: INCOME STATEMENT TITLE

Terminology Used	1957	1956	1955	1954	1953	1950	1946
Income	368	367	363	345	343	329	317
Earnings	144	141	133	134	126	92	10
Profit and Loss	39	44	55	72	81	127	236
Operations	34	33	32	32	30	30	10
Income and Expense	3	4	5	5	6	8	5
Profit	2	3	3	4	4	4	1
Income and Profit and Loss	1	2	2	2	2	1	10
Operating Results	3	3	3	2	2	3	3
Income, Costs	1	1	1	1	1	1	—
Profits and Income	—	—	—	—	1	—	1
Loss	2	—	1	—	1	1	—
Total	597	598	598	597	597	596	593
No income statement	3	2	2	3	3	4	7
	600	600	600	600	600	600	600

"Condensed Statement of Income and *Earned Surplus*" (*Co. No. 399)
"Statement of Income and *Earnings Invested in the Business*" (*Co. No. 449)
"Consolidated Statement of Income and *Earned Surplus*" (*Co. Nos. 111, 249, 319)
"Statements of Consolidated Income and *Expense*" (*Co. No. 406)
"Statement of Consolidated Income" (*Co. Nos. 256, 378)
"Consolidated Income Statements" (*Co. No. 581)
"Consolidated Statement of Income and *Accumulated Net Income Retained for Use in the Business*" (*Co. No. 382)
"Statement of Consolidated Income and *Earned Surplus*" (*Co. No. 474)
"Consolidated Statement of Income and *Income Employed in the Business*" (*Co. No. 596)
"Statements of Consolidated Income and *Accumulated Earnings Retained in the Business*" (*Co. No. 359)
"Summary of Consolidated Income and *Earned Surplus*" (*Co. No. 66)
"Consolidated Statement of Income and *Retained Earnings*" (*Co. No. 1)

Earnings—(144 Companies):
"Earnings" (*Co. Nos. 81, 453)
"Statement of Earnings" (*Co. Nos. 341, 475)
"Consolidated Earnings" (*Co. No. 436)
"Statement of Consolidated Earnings" (*Co. Nos. 2, 293, 305, 456, 459, 561, 597)
"Consolidated Earnings Statement" (*Co. No. 441)
"Consolidated Statement of Earnings" (*Co. No. 297, 498)
"Consolidated Statement of Net Earnings" (*Co. Nos. 144, 396)
"Consolidated Statements of Net Earnings and *Earnings Retained for Use in the Business*" (*Co. No. 176)
"Statement of Consolidated Earnings and *Balance of Consolidated Earnings Retained in the Business*" (*Co. No. 377)

*Refer to Company Appendix Section.

"Statement of Comparative Consolidated Earnings" (*Co. No. 418)

Profit and Loss—(39 Companies):
"Profit and Loss" (*Co. No. 138)
"Statement of Profit and Loss" (*Co. Nos. 55, 153, 291)
"Statement of Profit and Loss and *Net Income Retained in the Business*" (*Co. No. 486)
"Consolidated Profit and Loss" (*Co. Nos. 16, 129)
"Consolidated Profit and Loss Account" (*Co. No. 17)
"Consolidated Profit and Loss and *Reinvested Earnings*" (*Co. No. 60)
"Consolidated Profit and Loss Statement" (*Co. Nos. 150, 189)
"Statement of Consolidated Profit and Loss" (*Co. No. 177)
"Consolidated Statement of Profit and Loss" (*Co. Nos. 25, 183, 251)
"Statements of Consolidated Profit and Loss and *Earned Surplus*" (*Co. No. 208)
"Consolidated *Surplus* and Profit and Loss Account" (*Co. No. 572)
"Comparative Consolidated Profit and Loss" (*Co. No. 264)
"Comparative Statement of Consolidated Profit and Loss and *Earned Surplus*" (Co. No. 568)

Operations—(34 Companies):
"Statement of Operations" (*Co. Nos. 14, 35, 90, 273, 582)
"Statement of Operations and *Retained Earnings*" (*Co. No. 98)
"Consolidated Operations" (*Co. No. 488)
"Consolidated Operating Statement" (*Co. No. 26)
"Consolidated Results of Operations" (*Co. No. 149)
"Consolidated Statement of Operations" (*Co. Nos. 30, 43, 206, 290, 594)
"Consolidated Statement of Operations and *Income Invested in the Business*" (*Co. No. 119)
"Consolidated Statement of Operations and *Reinvested Earnings*" (*Co. No. 137)

"Consolidated Statement of Operations and *Earnings Reinvested in the Business*" (*Co. No. 205)
"Consolidated Statement of Operations and *Earned Surplus*" (*Co. No. 528)
"Consolidated Statements of Operations and *Retained Earnings*" (*Co. No. 560)
"Consolidated Statements of Operations and *Income Retained in the Business*" (*Co. No. 589)

Various Other—(12 Companies):
"Statement of Income and Expenses" (*Co. Nos. 62, 447)
"Statement of Profit and of Retained Earnings" (*Co. No. 217)
"Statement of Income and Profit and Loss" (*Co. No. 121)
"Statement of Net Loss" (*Co. No. 339)
"Consolidated Statement of Income and Expense" (*Co. No. 185)
"Consolidated Statement of Loss" (*Co. No. 492)
"Consolidated Results of Operations" (*Co. Nos. 131, 188, 576)
"Summary of Profit" (*Co. No. 109)
"Income, Costs, and Changes in Capital Investment" (*Co. No. 515)

*Refer to Company Appendix Section.

FORM OF THE INCOME STATEMENT

In the published annual reports of the 600 survey companies, the form of the 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 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 1957 annual reports of the survey companies, Table 6 shows a continuing trend over the past twelve years toward the adoption of the single-step form.

Changes During 1957

The survey, this year, reveals that fourteen companies *adopted* the use of the single-step form of the income statement (*Co. Nos. 110, 178, 179, 230, 301, 432, 487, 509, 595).

TABLE 6: INCOME STATEMENT FORM

Form of Statement	1957	1956	1955	1954	1953	1950	1946
Multiple-step form	235	247	258	258	250	302	263
Multiple-step form with a separate last section presenting:							
Nonrecurring tax items	11	16	25	33	47	41	63
Nonrecurring tax and non-tax items	22	16	25	31	29	10	57
Nonrecurring non-tax items	37	41	23	23	26	31	85
Total	305	320	331	345	352	384	468
Single-step form	251	239	218	205	203	177	76
Single-step form with a separate last section presenting:							
Nonrecurring tax items	17	11	22	20	18	13	13
Nonrecurring tax and non-tax items	9	6	8	12	9	7	20
Nonrecurring non-tax items	15	22	19	15	15	15	16
Total	292	278	267	252	245	212	125
No income statement presented	3	2	2	3	3	4	7
	600	600	600	600	600	600	600
Current year Federal income tax estimate:							
Listed among operating items	144	138	139	145	142	159	100
Presented in separate last section	414	424	439	425	436	422	450
Total	558	562	578	570	578	581	550
Current estimate not required	39	36	20	27	19	15	43
No income statement presented	3	2	2	3	3	4	7
Total	600	600	600	600	600	600	600

TITLE OF THE BALANCE SHEET

The term "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity was used by 464 of the 600 survey companies, as indicated in Table 7. The use of the titles "financial position" and "financial condition," while increasing from 99 companies in 1950 to 131 companies in 1957, has remained fairly constant in the last three years. In this connection it may be of interest to note that the number of companies using the financial position form of balance sheet has remained unchanged during the past few years (See Table 8).

Examples

The terms "balance sheet," "financial position," "financial condition," and other terms as 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 1957 reports of the 600 survey companies:

Balance Sheet—(Customary form: 464 Companies)
"Balance Sheet" (*Co. Nos. 11, 20, 262, 294, 427, 523)
"Balance Sheets" (*Co. Nos. 14, 22, 34, 112, 179, 241)
"Comparative Balance Sheet" (*Co. Nos. 54, 121, 248)
"Comparative Balance Sheets" (*Co. No. 89, 259)
"Comparative Consolidated Balance Sheet" (*Co. Nos. 31, 88, 95, 103, 167)
"Comparative Consolidated Balance Sheets" (*Co. Nos. 165, 166, 378)
"Condensed Comparative Balance Sheets" (*Co. No. 62)
"Condensed Consolidated Balance Sheet" (*Co. No. 96)
"Consolidated Balance Sheet" (*Co. Nos. 124, 249, 251, 270, 361, 362)
"Consolidated Comparative Balance Sheet" (*Co. No. 68)
"Consolidated Balance Sheets" (*Co. Nos. 21, 27, 28, 267, 366, 554)

Financial Position—(Customary form: 37 Companies)
"Financial Position" (*Co. No. 475)
"Statement of Financial Position" (*Co. Nos. 6, 153, 273)
"Statements of Financial Position" (*Co. Nos. 91, 200)
"Statement of Consolidated Financial Position" (*Co. Nos. 59, 269, 437, 514, 597)
"Consolidated Financial Position" (*Co. Nos. 73, 510)
"Consolidated Statement of Financial Position" (*Co. Nos. 12, 30, 110, 409, 530)
"Comparative Statement of Financial Position" (*Co. No. 570)

Financial Position—(Financial position form: 59 Companies)
"Financial Position" (*Co. Nos. 81, 255)
"Statement of Financial Position" (*Co. Nos. 1, 19, 98, 116, 178, 300)

*Refer to Company Appendix Section.

"Statement of Consolidated Financial Position" (*Co. Nos. 10, 113, 293)
"Consolidated Financial Position" (*Co. Nos. 52, 149)
"Consolidated Statement of Financial Position" (*Co. Nos. 29, 41, 64)
"Comparative Statement of Financial Position" (*Co. No. 18)

Financial Condition—(Customary form: 20 Companies)
"Statement of Financial Condition" (*Co. Nos. 35, 130, 146, 172, 322)
"Statement of Consolidated Financial Condition" (*Co. Nos. 284, 377, 497)
"Consolidated Statement of Financial Condition" (*Co. Nos. 158, 290)

Financial Condition—(Financial position form: 15 Companies)
"Statement of Financial Condition" (*Co. Nos. 36, 108, 312)
"Consolidated Statement of Financial Condition" (*Co. Nos. 75, 119, 512, 594)

Assets and Liabilities—(Customary form: 3 Companies)
"Statement of Consolidated Assets and Liabilities" (*Co. No. 181)
"Consolidated Statement of Assets and Liabilities" (*Co. No. 185)
"Assets, Liabilities and Capital Investment" (*Co. No. 515)

Other Captions—(Financial position form: 2 Companies)
"Assets, Liabilities and Capital" (*Co. No. 192)
"Investment" (*Co. No. 320)

FORM OF THE BALANCE SHEET

The 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 (Form A in Table 8). In five instances in the 1957 reports, the customary form of balance sheet is varied to show *total* assets less *total* liabilities equaling stockholders' equity (Form B in Table 8). In the 1957 reports, 522 of the survey companies presented the customary form of balance sheet.

The remaining 78 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 C in Table 8). Variations in the financial position form of presentation are shown in Forms D, E, and F in Table 8.

TABLE 7: BALANCE SHEET TITLE

Terminology Applied	1957	1956	1955	1954	1953	1950	1946
Balance Sheet, used with:							
Customary form (*Co. Nos. 230, 352, 430, 466, 497, 572)	464	461	466	469	473	492	578
Financial position form	—	—	—	1	1	—	—
	464	461	466	470	474	492	578
Financial Position, used with:							
Customary form (*Co. Nos. 113, 137, 204, 206, 293, 525)	37	34	33	29	29	13	3
Financial position form (*Co. Nos. 180, 331, 471, 486, 522, 533)	59	60	59	59	59	52	9
	96	94	92	88	88	65	12
Financial Condition, used with:							
Customary form (*Co. Nos. 183, 336, 428, 459, 495, 531)	20	23	20	19	16	15	1
Financial position form (*Co. Nos. 75, 194, 212, 453, 470, 564)	15	16	16	16	16	19	5
	35	39	36	35	32	34	6
Assets and Liabilities** (*Co. Nos. 181, 185, 515)	3	3	3	4	3	4	2
"Assets, Liabilities, and Capital Investment"**	—	1	1	1	1	1	—
"Statement of Ownership"	—	—	—	—	—	1	—
"Investment"*** (*Co. No. 320)	1	1	1	1	1	2	1
"Assets, Liabilities and Capital"*** (*Co. No. 192)	1	1	1	1	1	1	1
	5	6	6	7	6	9	4
	600	600	600	600	600	600	600

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

Changes During 1957

There were no changes in the number of companies presenting the customary form of balance sheet in the 1957 annual reports of the 600 survey companies, as will be noted in Table 8. This form predominates and has remained constant for the past five years. Such changes as have occurred were limited to the variations in presentation of the financial position form.

TITLE OF THE "STOCKHOLDERS' EQUITY" SECTION

Table 9 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" or a title incorporating such terms. 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 1957 annual reports of the survey companies:

"Capital stock and surplus" (*Co. Nos. 24, 156, 294, 366, 474, 600)

"Capital stock, surplus, and reserve" (*Co. No. 342)

"Capital and surplus" (*Co. Nos. 25, 280, 355, 583)

"Capital stock and retained earnings" (*Co. Nos. 6, 147, 248, 593)

"Capital stock and accumulated earnings" (*Co. No. 536)

"Capital stock and accumulated income" (*Co. No. 289)
"Capital stock and earnings reinvested" (*Co. No. 309)
"Capital and retained earnings" (*Co. Nos. 26, 329, 448, 558)
"Capital and accumulated earnings" (*Co. No. 106)
"Capital" (*Co. Nos. 96, 124, 268, 336, 492, 581)
"Capital structure" (*Co. No. 185)
"Ownership" (*Co. Nos. 131, 146)
"Ownership evidenced by" (*Co. Nos. 254, 331)
"Ownership interest" (*Co. No. 278)
"Ownership of net assets" (*Co. Nos. 19, 212)
"Source from which capital was obtained" (*Co. Nos. 122, 312)
"Sources from which net assets were obtained" (*Co. No. 407)
"Stockholders' equity" (*Co. Nos. 40, 199, 260, 357, 414, 550)
"Stockholders' investment" (*Co. Nos. 72, 168, 243, 300, 506, 577)
"Stockholders' ownership" (*Co. Nos. 138, 244, 501)
"Stockholders' interest" (*Co. Nos. 201, 301)
"Stockholders' capital" (*Co. No. 381)
"Shareholders' equity" (*Co. Nos. 123, 281, 393, 462, 588)
"Shareholders' investment" (*Co. Nos. 178, 223, 328)
"Shareholders' ownership" (*Co. No. 12)
"Shareholders' interest" (*Co. Nos. 470, 590)
"Shareowners' equity" (*Co. Nos. 91, 211, 370)
"Shareowners' investment" (*Co. Nos. 35, 512)
"Represented by" (*Co. Nos. 75, 217, 332, 596)
"Provided by" (*Co. No. 488)
"Derived from" (*Co. Nos. 417, 560)
"Net worth" (*Co. No. 433)

"CAPITAL SURPLUS" CAPTION IN THE BALANCE SHEET

Accounting Terminology Bulletin Number 1, Review and Résumé (1953) 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

*Refer to Company Appendix Section.

TABLE 8: BALANCE SHEET FORM

Customary Form*	1957	1956	1955	1954	1953	1950	1946
A: Assets *equal* liabilities plus stockholders' equity	517	517	517	518	517	523	584
B: Assets less liabilities *equal* stockholders' equity	5	5	5	4	5	3	—
Total	522	522	522	522	522	526	584
Financial Position Form*							
C: Current assets less current liabilities, plus other assets less other liabilities, less long-term indebtedness *equal* stockholders' equity	40	49	51	48	47	32	7
D: Current assets less current liabilities, plus other assets less other liabilities, *equal* long-term indebtedness plus stockholders' equity	13	10	8	8	8	6	—
E: Current assets less current liabilities plus other assets less other liabilities *equal* stockholders' equity (long-term indebtedness not shown)	23	17	17	20	21	34	9
F: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	2	2	2	2	2	2	—
Total	78	78	78	78	78	74	16
Total	600	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 249, 267, 294, 361, 466, 554; B: Co. Nos. 62, 254, 341, 417, 589; C: Co. Nos. 1, 19, 160, 282, 332, 407; D: Co. Nos. 10, 178, 369, 398, 481, 584; E: Co. Nos. 52, 122, 212, 331, 486, 522; F: Co. Nos. 108, 119.

TABLE 9: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1957	1956	1955
Capital stock and surplus	130	134	143
Capital stock and earned surplus	—	2	1
Capital stock, surplus, and reserve	1	1	1
Capital and surplus	8	8	8
Capital stock and retained earnings	11	11	10
Capital stock and accumulated earnings	1	1	1
Capital stock and accumulated (earnings, income) [retained, invested]	1	1	2
Capital stock and (earnings, retained profits) [invested, reinvested]	4	3	3
Capital and retained earnings	11	10	14
(Equity, stated) capital and retained earnings	—	1	2
Capital and (accumulated earnings, profit retained and employed)	2	2	—
Capital	59	62	66
Capitalization	—	—	1
Capital (accounts, invested, investment, structure)	5	4	5
Net worth	1	1	1
Ownership	3	1	1
Ownership evidenced by	3	3	3
Ownership (equities, interest)	1	2	2
Ownership of net assets	3	3	3
Source from which capital was obtained	4	3	3
Sources from which net assets were obtained	1	2	1
Sources from which capital was derived	—	1	—
Represented by	12	12	16
Derived from	3	4	3
Provided by	1	1	1
Stockholders' equity	153	139	123
Stockholders' investment	44	44	44
Stockholders' ownership	6	7	7
Stockholders' interest	4	4	2
Stockholders' capital	1	1	1
Shareholders' equity	64	60	55
Shareholders' investment	15	15	10
Shareholders' ownership	1	—	1
Shareholders' interest	2	2	3
Shareholders' capital	—	1	1
Derived from shareholders	—	1	—
Shareowners' equity	9	8	7
Shareowners' investment	5	5	6
Investors' equities	—	1	1
Total	569	561	552
No title set forth	31	39	48
	600	600	600

elimination of the term "surplus" with 14 additional companies replacing the term. In 1957, 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 10. The number of survey companies not presenting such accounts decreased to 114 this year, as compared with 155 companies in 1948.

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 11 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 1957 annual reports of the survey companies, are illustrative of the various phrases used to describe "capital surplus."

Captions Retaining "Surplus"—(254 Companies)

Source Indicated

"Capital Surplus (arising during 1957 from sale of treasury stock under the incentive stock option plan)" (*Co. No. 24)

"Capital surplus from restatement of common shares" (*Co. No. 44)

"Capital surplus (from redemption of preferred stock)" (*Co. No. 482)

"Surplus arising through capital transactions" (*Co. No. 56)

"Surplus paid in on common stock" (*Co. No. 69)

"Paid in surplus from conversion of convertible preferred stock" (*Co. No. 266)

"Paid-in surplus (increase represents excess of proceeds over par value of 750 shares common stock sold in 1957 under stock option)" (*Co. No. 380)

Source Not Indicated

"Capital surplus" (*Co. Nos. 142, 145, 534, 557, 563)

"Capital surplus paid-in" (*Co. No. 299)

"Capital (principally paid-in)" (*Co. No. 155)

"Capital (paid-in) surplus" (*Co. No. 20, 125)

"Paid-in surplus" (*Co. Nos. 267, 294, 324, 332)

"Paid-in and capital surplus (no change during 1957)" (*Co. No. 250)

"Paid-in and other capital surplus" (*Co. Nos. 383, 492)

*Refer to Company Appendix Section.

TABLE 10: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1957	1956	1955	1950	1948
Including term "surplus"—					
Capital surplus (Note A)	190	189	199	224	257
Paid-in surplus	47	49	53	72	92
Capital surplus—paid-in	9	9	9	4	4
Surplus (classified) (Note B)	2	3	2	4	5
Surplus (unclassified) (Note C)	6	9	10	15	17
Surplus reinvested (unclassified)	—	—	1	—	—
Total retaining term "surplus"	254	259	274	319	375
Total replacing term "surplus"**	232	218	202	126	70
Total presenting accounts	486	477	476	445	445
Not presenting accounts	114	123	124	155	155
	600	600	600	600	600
Percentage of Companies					
Retaining term "surplus"	52	54	57	71	84
Replacing term "surplus"	48	46	43	29	16
	100%	100%	100%	100%	100%

Note A: Includes six instances where "Capital surplus" and "Paid-in surplus" appeared with separate dollar amounts designated for each (*Co. Nos. 190, 222, 231, 415, 452, 541).
Note B: Includes the usage of "Initial Surplus" (*Co. No. 17) each year.
Note C: *Co. Nos. 94, 141, 143, 322, 340, 440.
*Refer to Company Appendix Section.

**The various balance sheet captions, which replaced the term "Surplus," used the following types of terminology:

	1957	1956	1955
Additional paid-in capital	61	58	48
Capital paid-in or Paid-in capital	4	5	5
Other paid-in capital	6	5	5
Additional capital	12	9	7
Other capital	12	11	13
Other contributed capital	2	2	1
Capital contributed by owners	—	—	1
Sundry capital credits	1	1	1
Capital in excess of par or stated values	73	68	64
Amount in excess of par value	7	5	4
Investment in excess of (par, stated) value	7	6	6
Capital (contributed, received) in excess of (par, stated, par or stated) values	14	14	12
Capital paid-in in excess of par value	9	10	11
Amount (paid-in, paid-in or assigned, realized, received) in excess of (par, stated, par or stated values)	13	12	8
Excess of (amounts received, amounts contributed, amounts paid-in, capital paid-in, net proceeds) over (par, stated) values	1	2	1
(Paid-in, premium received) in excess of par value	—	1	1
Capital arising from (conversion, retirement, stock dividends)	2	1	—
(Paid-in) capital arising from reduction in par value shares	—	—	1
Capital arising from revision of capital stock structure in prior years	—	1	1
Conversion, retirements, premium on stock issued, and merger	—	—	1
Earnings (segregated, transferred, allocated, capitalized)	3	1	3
Excess of proceeds received from sale of treasury stock over cost thereof	1	1	1
Excess of (net assets, equity in net assets) of subsidiary	2	1	2
Earnings of subsidiary at acquisition	1	1	1
Retained earnings transferred to capital	1	2	1
Common shareholders' equity	—	—	1
Excess of value assigned to properties acquired over par value of capital stock issued therefor	—	1	1
Common stockholders: capital	—	—	1
Total	232	218	202

Captions Replacing "Surplus"—(232 Companies)

Source Indicated

"Additional amounts received for shares issued in excess of $1.00 per share, and discounts on repurchase of preferred stock" (*Co. No. 18)

"Additional paid in capital including $xxx added in 1957 and $xxx in 1956 with respect to stock options" (*Co. No. 424)

"Additional paid in capital—the increase in 1957 resulted from debenture conversions and preferred stock reacquired" (*Co. No. 360)

*Refer to Company Appendix Section.

"Amounts received in excess of par value of issued common stock" (*Co. No. 205)

"Amount paid in for shares in excess of par or stated value" (*Co. No. 364)

"Amounts transferred to capital stock of subsidiaries from earned surplus thereof" (*Co. No. 181)

"Capital paid-in for shares in excess of par value" (*Co. No. 135)

"Capital paid in by shareholders in excess of par value of common stock" (*Co. No. 396)

"Capital in excess of par value" (*Co. Nos. 78, 105, 136, 149, 279)

"Capital in excess of par value of capital stock" (*Co. Nos. 153, 420)

"Capital in excess of par value of shares outstanding" (*Co. No. 446)
"Capital in excess of par value of shares issued in exchange for an interest in a foreign company" (*Co. No. 147)
"Capital in excess of par value arising from common stock issued as stock dividend during the year" (*Co. No. 300)
"Capital in excess of par value of stock" (*Co. Nos. 70, 127)
"Capital in excess of par value of shares" (*Co. Nos. 91, 184, 225, 269)
"Capital contributed and earnings capitalized in excess of stated value of common stock" (*Co. No. 493)
"Capital contributed by stockholders in excess of par value of securities" (*Co. No. 130)
"Capital contributed in excess of stated value of capital stock" (*Co. No. 140)
"Capital assigned to common shares in excess of par or stated value, as annexed" (*Co. No. 281)
"Earnings capitalized and other additions to capital" (*Co. No. 321)
"Excess of amount paid-in for common stock over par value thereof" (*Co. No. 558)
"Excess of amount received over stated value of common stock issued" (*Co. No. 318)
"Excess of equity in net assets of subsidiaries at date of acquisition over cost of the investment" (*Co. No. 193)
"Excess of stockholders' investment over par value of common stock" (*Co. No. 244)
"Investment in excess of par value of stock" (*Co. No. 117)
"Other capital in excess of par value of shares" (*Co. No. 26)
"Paid-in capital in excess of par value" (*Co. No. 29)
"Paid-in capital in excess of par value of capital stock" (*Co. No. 429)
"Shareholders' investment in excess of par value (paid-in surplus)" (*Co. No. 378)

Source Not Indicated

"Additional capital" (*Co. Nos. 119, 188, 233, 483)
"Additional capital paid-in" (*Co. Nos. 227, 504)
"Additional paid in capital" (*Co. Nos. 71, 115, 275, 325, 341, 356)
"Other capital" (*Co. No. 284)
"Other capital (mainly paid-in)" (*Co. No. 467)
"Other contributed capital, no change during year" (*Co. No. 11)
"Paid-in capital" (*Co. No. 346)
"Sundry capital credits" (*Co. No. 27)

TABLE 11: SOURCE OF CAPITAL SURPLUS

Source Set Forth in Caption	1957	1956
Excess (received, paid-in, contributed) over par value	102	103
Excess (received) over par or stated value	15	15
Excess received over stated value (stated amounts, value shown)	7	6
Earnings capitalized	4	4
Revision in capital structure	2	2
Retirement of capital stock	1	3
Conversion of preferred stock	1	3
Sale of treasury stock	2	3
Subsidiary acquisition or merger	4	3
Excess of par value over cost (treasury stock)	—	1
Total	138	143
Number of Companies		
Referring to source of capital surplus	138	143
Not referring to source of capital surplus	348	334
Not referring to capital or unclassified surplus	114	123
	600	600

"RETAINED EARNINGS" CAPTION IN THE BALANCE SHEET

Table 12 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 1957 there were only 222 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 12 shows that the 378 survey companies which in 1957 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 13 shows the frequency of use of the various combinations of words indicating the *status* and *source* of retained earnings as set forth in the 1957 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."

Examples

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

*Refer to Company Appendix Section.

Earnings—(327 Companies):

"Accumulated earnings" (*Co. Nos. 337, 369, 409)

"Accumulated earnings retained for use in the business" (*Co. Nos. 336, 427, 483)

"Accumulated earnings retained and used in the business" (*Co. No. 444)

"Accumulated earnings employed in the business" (*Co. Nos. 232, 420)

"Accumulated earnings reinvested in the business" (*Co. Nos. 76, 522)

"Accumulated earnings retained in the business" (*Co. Nos. 35, 359, 535)

"Accumulated earnings used in the business" (*Co. No. 227)

*Refer to Company Appendix Section.

"Accumulated retained earnings" (*Co. No. 453)

"Earnings employed in the business" (*Co. Nos. 3, 33, 48, 64, 65, 112, 477)

"Earnings invested in the business" (*Co. Nos. 91, 436, 510, 546)

"Earnings reinvested" (*Co. Nos. 192, 197, 320, 534)

"Earnings reinvested in the business" (*Co. Nos. 15, 30, 59, 137, 272)

"Earnings reinvested and employed in business" (*Co. No. 520)

"Earnings retained" (*Co. Nos. 82, 505)

"Earnings retained and used in the business" (*Co. No. 297)

"Earnings retained for use in the business" (*Co. Nos. 148, 271, 302, 547)

"Earnings retained for business needs" (*Co. No. 210)

TABLE 12: TERMS REPLACING "EARNED SURPLUS"

Earned Surplus Replaced:	1957	1956	1955	1950	1948
With "source" words—					
Earnings	327	315	301	204	69
Income	44	42	43	35	21
Profit	6	6	6	8	8
Deficit	1	1	1	1	1
	378	364	351	248	99
Combined with "status" words—					
Retained	278	271	250	154	60
Accumulated	31	28	37	37	5
Reinvested	30	28	26	24	14
Employed	22	20	20	17	9
Invested	12	11	11	10	6
Undistributed	—	1	2	2	2
Undivided	1	1	1	2	2
Used	2	2	2	2	1
Operations	2	2	2	—	—
	378	364	351	248	99
Earned Surplus Retained As:					
Earned Surplus	204	209	212		
Earned Surplus *combined with*—					
Earnings retained	7	8	10		
Earnings reinvested	—	3	3		
Earnings employed	—	1	1	335	481
Earnings accumulated	1	1	1		
Income retained	2	2	5		
Income reinvested	—	1	1		
Accumulated	1	—	1		
Deficit	1	1	2		
Surplus*	6	8	12	17	20
Deficit	—	2	1	—	—
	222	236	249	352	501
	600	600	600	600	600
Number of Companies					
Replacing "earned surplus"	378	364	351	248	99
Retaining "earned surplus"	222	236	249	352	501
	600	600	600	600	600

*Surplus not classified.

TABLE 13: RETAINED EARNINGS TERMINOLOGY IN 1957

"Status" Words:	"Source" Words Earnings	Income	Profit	Total
Retained	97	2	—	99
Retained in the business	81	16	1	98
Retained—Invested	—	1	—	1
Retained—Used	64	8	—	72
Retained—Employed	7	—	—	7
Retained—Reinvested	—	—	1	1
Accumulated	5	—	—	5
Accumulated—Retained	3	1	—	4
Accumulated—Retained—Used	10	1	—	11
Accumulated—Used	4	1	—	5
Accumulated—Employed	3	—	—	3
Accumulated—Reinvested	3	—	—	3
Reinvested	10	—	1	11
Reinvested in the business	12	3	1	16
Reinvested—Employed in the business	1	2	—	3
Employed in the business	18	3	1	22
Invested in the business	6	5	—	11
Invested—additions and working capital	1	—	—	1
Used in the business	2	—	—	2
Operations	—	1	—	1
Undivided	—	—	1	1
Deficit from operations	—	—	1	1
Total	327	44	7	378
"Surplus" Words:				
Earned Surplus	—	—	—	204
Earned Surplus used with:				
Retained	1	—	—	1
Retained in the business	3	—	—	3
Retained—used in the business	3	2	—	5
Accumulated	2	—	—	2
Deficit	—	—	1	1
Surplus: Unclassified	—	—	—	6
Total				222
				600

"Earnings retained in the business" (*Co. Nos. 34, 305, 339)
"Earnings used in the business" (*Co. Nos. 490, 570)
"Invested earnings—used for plant additions and working capital" (*Co. No. 4)
"Reinvested earnings" (*Co. Nos. 60, 72, 254, 400, 556)
"Retained earnings" (*Co. Nos. 2, 38, 54, 300, 338, 587)
"Retained earnings used in the business" (*Co. No. 212)

*Refer to Company Appendix Section.

Income—(44 Companies):

"Accumulated income retained for use in the business" (*Co. Nos. 36, 289)
"Accumulated income used in the business" (*Co. No. 491)
"Accumulated net income retained for use in the business" (*Co. No. 382)
"Income employed in the business" (*Co. Nos. 284, 596)
"Income invested in the business" (*Co. Nos. 108, 119, 233)
"Income reinvested in business" (*Co. Nos. 146, 488, 569)
"Income reinvested or employed in the business" (*Co. No. 586)
"Income retained and invested in the business" (*Co. Nos. 390, 471)
"Income retained for use in the business" (*Co. Nos. 335, 577)
"Income retained in the business" (*Co. Nos. 63, 139, 179, 203, 282, 373)
"Net income employed in the business" (*Co. No. 521)
"Net income invested in the business" (*Co. No. 290)
"Net income retained for use in the business" (*Co. Nos. 312, 384, 467)
"Net income retained in the business" (*Co. No. 486)
"Retained income" (*Co. No. 543)

Profit—(6 Companies):

"Profit employed in the business" (*Co. No. 131)
"Profits reinvested in the business" (*Co. No. 188)
"Profits retained in the business" (*Co. No. 515)
"Reinvestment of profit" (*Co. No. 149)
"Retained profits reinvested" (*Co. No. 544)
"Undivided profits" (*Co. No. 185)

Earned Surplus—(216 Companies):

"Earned surplus" (*Co. Nos. 13, 23, 28, 58, 109, 159, 236, 314, 351, 353, 383, 425, 474, 513, 545, 553, 567, 579, 600)
"Earned surplus (earnings retained in business)" (*Co. No. 519)
"Earned surplus—earnings retained in the business" (*Co. No. 45)
"Earned surplus (earnings retained for use in the business)" (*Co. No. 104)
"Earned surplus (income retained in the business)" (*Co. No. 590)
"Earned surplus (retained earnings)" (*Co. No. 84)
"Earnings retained for requirements of the business (earned surplus)" (*Co. Nos. 165, 378)
"Income retained for use in the business (earned surplus)" (*Co. No. 88)
"Net income retained for use in the business (earned surplus)" (*Co. No. 256)
"Retained earnings (earned surplus)" (*Co. No. 324)

Deficit—(2 Companies):

"Deficit" (*Co. No. 492)
"Surplus—Deficit (*Co. No. 294)

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 14 summarizes the types of data found in stockholders' equity statements for the years 1957, 1956, and 1955 compared with similar tabulations for the years 1950 and 1946.

Title

Table 15 presents the terminology used in the titles of stockholders' equity statements by survey companies including such a statement in their annual reports. "Shareholders' equity" and "Stockholders' equity" are the most frequently used terms. The tabulation discloses (Tables 14 and 15) that only 20 survey companies presented stockholders' equity statements in 1957.

Examples

The exact title of each of the 20 stockholders' equity statements presented in the 1957 annual reports is provided below:

"Common Shareholders' Investment and Changes Therein" (*Co. No. 232)

"Comparative Consolidated Statement of Stockholders' Equity" (*Co. No. 88)

"Comparative Statement of Common Stockholders' Equity" (*Co. No. 18)

"Consolidated Statement of Changes in Common Stockholders' Equity" (*Co. No. 272)

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

"Consolidated Statement of Shareholders' Equity" (*Co. No. 510)

"Consolidated Statement of Shareholders' Investment" (*Co. No. 543)

"Consolidated Statement of Stockholders' Equity" (*Co. No. 483)

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

"Shareholders' Consolidated Equity" (*Co. No. 505)

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

"Statement of Changes in Shareholders' Equity" (*Co. No. 225)

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

"Statement of Shareholders' Equity" (*Co. Nos. 63, 415, 520)

"Statement of Shareowners' Investment" (*Co. No. 35)

"Statement of Stockholders' Equity" (*Co. No. 504)

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

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

*Refer to Company Appendix Section.

COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements

Comparative customary statements in their 1957 annual reports were provided by 499 of the 600 survey companies. Table 16 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 49 of the 600 survey companies included cents in their statements presented in the 1957 annual reports. This

TABLE 14: STOCKHOLDERS' EQUITY STATEMENTS

Including details of:	1957	1956	1955	1950	1946
Capital stock, capital surplus, and retained earnings	20	15	17	15	5
Capital stock, capital surplus, retained earnings, and appropriated surplus reserves	—	—	1	1	1
Capital stock and capital surplus	—	—	—	1	1
Capital stock and retained earnings	—	1	1	1	1
Capital stock, retained earnings, income, and only in 1946, capital surplus	—	1	1	1	1
Capital stock and unclassified surplus	—	—	—	—	2
Total	20	17	20	19	11
Statement not presented	580	583	580	581	589
	600	600	600	600	600

TABLE 15: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1957	1956	1955	1950	1946
Stockholders' equity	5	4	4	6	—
Stockholders' interest	1	1	1	1	1
Stockholders' ownership	1	1	1	—	—
Stockholders' capital	1	1	1	2	—
Stockholders' investment	1	1	—	—	—
Shareholders' equity	6	3	4	1	1
Shareholders' capital	—	—	—	1	—
Shareholders' investment	2	3	3	1	—
Shareholders' ownership	—	—	—	1	—
Shareowners' equity	1	—	1	—	—
Shareowners' investment	1	1	1	1	—
Capital	—	—	2	2	2
Ownership interest (net worth)	1	1	1	—	—
Ownership equities	—	1	1	1	1
Net worth	—	—	—	—	1
Capital stock and surplus	—	—	—	2	5
Total	20	17	20	19	11
Statement not presented	580	583	580	581	589
	600	600	600	600	600

is a decrease of 12 companies from 1956, when 61 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 companies presented statements in this manner; in 1957 the ratio increased to 93 per cent of the total.

ADDITIONAL STATEMENTS AND SUPPLEMENTARY SCHEDULES COVERED BY AUDITORS' REPORTS

The preceding discussions in this section have been concerned solely with the *customary* statements covered by the auditors' reports as presented in the annual reports of the 600 survey companies. In addition to the customary statements, the annual reports frequently contain numerous additional statements and supplementary schedules. In their 1957 annual reports, many survey companies included such *additional* statements and supplementary schedules which were covered by auditors' reports. Such statements and schedules are considered to be covered by the auditors' report: (a) when they are mentioned in the auditors' report, (b) when they are referred to within or at the foot of the customary statements, (c) by their position in relation to the customary statements and the auditors' report, or (d) by inclusion in the footnotes to the customary financial statements.

ADDITIONAL STATEMENTS

The additional statements covered by auditors' reports contained in the 1957 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, and (d) the parent company. The types of additional statements most frequently included in the 1957 survey reports were statements of capital surplus, and 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 17 summarizes the various types of additional statements presented in the annual reports of the 600 survey companies for the years 1957, 1956, 1955, and 1950. There were 84 companies that included 133 such additional statements, examples of which are described below.

Reporting Company Statements

Sixty-eight "additional statements" applicable to the reporting company were presented by 52 of the 600 survey companies in their 1957 annual reports. *Bristol-Myers Company* included in its report the usual statements as well as a "Comparative Statement of Financial Condition" and a "Ten Year Summary of Consolidated Earnings" for the years 1948 to 1957, inclusive. *Bell & Gossett Company* included "Summary of Sources and Uses of Funds" in comparative form for the years 1957 and 1956 and a "Condensed Statement of Earnings and Financial Position for

Ten Years" for the years 1948 to 1957, inclusive. *American Radiator & Standard Sanitary Corporation* presented the customary consolidated statements and, in addition, combined condensed financial statements of the Corporation's foreign subsidiaries (not consolidated). *International Harvester Company,* in addition to the customary statements, presented "Summary of Changes in Net Assets" in comparative form for the years 1957 and 1956. *Butler Brothers* included a "Statement of Source and Disposition of Funds" for the year 1957, and *The Glidden Company* presented "Summary of Source and Disposition of Funds" in comparative form for the years 1957 and 1956. *Westinghouse Electric Corporation* included with the customary statements a statement of "Changes in Working Capital" in comparative form for the years 1957, 1956, and 1955. *International Business Machines Corporation* presented a "Ten-Year Comparative Statement of Operations" for the years 1948 to 1957, inclusive.

Parent Company Statements

Four survey companies in 1957 presented eleven statements with regard to the accounts of the parent company in addition to the customary consolidated statements.

Cities Service Company presented four such statements with regard to the accounts of the parent company which were covered by the auditors' report. *Snap-On Tools Corporation* provided the customary statements on a comparative basis with separate columns for "Company," "Subsidiaries," and "Consolidated" for the year 1957, comparative with "Consolidated" figures for the year 1956.

Domestic Subsidiary Statements

The 1957 survey reports contained 30 additional statements applicable to domestic subsidiaries, presented by 19 companies. *Allied Stores Corporation* and *Diana Stores Corporation* included additional statements on the operations of their unconsolidated real estate subsidiaries. *J. I. Case Company, Caterpillar Tractor Co., International Harvester Company,* and *Motorola, Inc.* each included separate statements pertaining to their wholly-owned unconsolidated finance companies. *J. P. Stevens & Co., Inc.* included additional statements applicable to a wholly-owned subsidiary (unconsolidated), and *United Industrial Corporation* included statements pertaining to the operations of a partially-owned subsidiary (not consolidated).

TABLE 16: COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements	1957	1956	1955	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statement	181	169	154	97	51
Balance Sheet, Income, and Retained Earnings Statements	115	108	114	96	53
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	87	88	70	53	43
Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings	1	5	2	2	—
Balance Sheet in Combination with Various Other Statements	2	2	5	4	—
Balance Sheet, Income, and Stockholders' Equity Statements	7	5	10	8	1
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	18	20	13	13	4
Balance Sheet, Income, and Unclassified Surplus Statements	2	2	4	6	4
Balance Sheet and Income Statement	71	68	81	73	53
Balance Sheet	3	5	4	4	7
Income Statement in Combination with Various Other Statements	2	2	4	8	12
Combined Income & Retained Earnings Statement	3	2	2	6	4
Income Statement	7	6	5	13	24
Total	499	482	468	383	256
Number of Companies Presenting					
All statements in comparative form	416	387	379	290	164
Some statements in comparative form	83	95	89	93	92
No statements in comparative form	101	118	132	217	344
	600	600	600	600	600

TABLE 17: ADDITIONAL STATEMENTS COVERED BY AUDITORS' REPORTS

Statements Applicable To:	1957	1956	1955	1950
*A: Reporting Company**				
Balance sheet	4	5	9	7
Income statement	5	4	9	4
Retained earnings statement	—	1	1	—
Combined income & retained earnings	1	1	—	1
Capital surplus statement	15	10	2	—
Stockholders' equity statement	—	—	1	1
Statement of working capital, source and application of funds	27	26	21	13
Financial operating data	3	5	11	6
Pro forma statement	2	—	—	—
Employee bonus—retirement	3	3	4	8
Geographical statement	4	4	6	4
Branch store—investment	—	—	—	2
Long-term indebtedness	3	2	1	—
Special letter from accountant (not customary certificate)	—	—	1	—
Financial highlights	—	—	1	—
Reserve for contingencies	1	1	1	—
*B: Parent Company**				
Balance sheet	3	2	2	4
Income statement	3	2	2	3
Retained earnings statement	1	1	1	1
Capital surplus statement	1	1	1	1
Stockholders' equity statement	3	1	1	1
*C: Domestic Subsidiary**				
Balance sheet	19	17	12	13
Income statement	2	4	2	6
Combined income and retained earnings	7	6	5	4
Retained earnings	—	1	—	3
Financial data	2	1	—	—
Shareholders' investment	—	—	1	—
*D: Foreign Subsidiary**				
Balance sheet	9	8	9	10
Income statement	2	3	4	6
Combined income and retained earnings	5	1	4	3
Retained earnings statement	1	—	—	1
Financial data	1	1	1	3
Assets and liabilities	2	1	1	2
Minority interests	1	1	—	1
Long-term indebtedness	1	1	1	1
Net assets	2	—	—	—
E: Affiliated Company				
Balance sheet	—	—	—	1
Total	133	114	115	110

	Number of Companies Presenting Additional Statements:					Number of Companies With:		
Year	Type A	Type B	Type C	Type D	Type E	Additional statements	No additional statements	Total
1957:	52	4	19	15	—	84	516	600
1956:	54	2	12	13	—	78	522	600
1955:	51	2	11	13	—	71	529	600
1950:	38	3	13	14	1	64	536	600

	Comparative Presentation of Additional Statements:								
Year	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.	6-7 Yrs.	8-9 Yrs.	10-11 Yrs.	Total	Not Comparative	Grand Total
1957:	62	1	5	1	—	1	6	76	57	133
1956:	49	1	5	—	1	—	6	62	52	114
1955:	58	1	4	—	2	—	12	77	38	115
1950:	45	1	1	2	—	2	6	57	53	110

*Refer to Company Appendix Section—A: Co. Nos. 3, 13, 19, 30, 60, 110, 178, 179, 272, 282, 353, 488, 492, 540, 567, 571, 589, 591; B: Co. Nos. 145, 504; C: Co. Nos. 1, 18, 146, 196, 491; D: Co. Nos. 45, 119, 321, 563, 593.

Foreign Subsidiary Statements

Twenty-four additional statements applicable to foreign subsidiaries were presented by 15 survey companies in their 1957 reports. *The International Silver Company* presented statement of financial position and statement of earnings of its foreign wholly-owned unconsolidated subsidiary. *Johnson & Johnson* included a balance sheet and statement of earnings of its foreign subsidiaries. *American Radiator & Standard Sanitary Corporation* presented combined condensed financial statements of the Corporation's foreign subsidiaries (not consolidated). *American Metal Climax, Inc.* included consolidated balance sheet and consolidated profit and loss account and appropriation account for its partially-owned subsidiary, Rhodesian Selection Trust Limited (not consolidated), expressed in terms of pounds sterling.

Exhibits—Customary Statements Covered by Auditors' Reports

Examples of various customary statements covered by the auditors' reports have been selected from the 1957 annual reports and reproduced as exhibits. (For page numbers refer to Index to Exhibits following the Index to Tables.)

1. *Consolidated Balance Sheet; Consolidated Statements of Income; Common Shareholders' Investment and Changes Therein; Notes to Financial Statements* (Federated Department Stores, Inc.). These statements, complete with notes, are examples of conventional form.
2. *Consolidated Statements of Financial Position; Notes to Consolidated Statements of Financial Position* (The Magnavox Company). This statement is presented in the financial position form on a comparative basis. The notes to financial statements are also provided.
3. *Consolidated Statement of Earnings and Earnings Retained in the Business* (Columbian Carbon Company). This statement is an example of single-step form, with comparative figures for 1957 and 1956.
4. *Consolidated Statement of Earnings* (American Smelting and Refining Company). This statement is given with comparative figures for 1957 and 1956 and is in multiple-step form.

SUPPLEMENTARY SCHEDULES

Supplementary schedules covered by auditors' reports generally provide details of certain items in the balance sheet or in other customary financial statements. As shown in Table 18 there were 200 survey companies that presented 369 supplementary financial schedules in their 1957 annual reports. The schedules most frequently given were concerned with the composition of inventories, the classification and depreciation of fixed assets, and the details of long-term indebtedness, examples of which are described below:

Allied Stores Corporation presented with its statements schedules of "Accounts and Notes Receivable—Customers," "Property and Equipment, at Cost," and "Long Term Debt."

TABLE 18: SUPPLEMENTARY SCHEDULES COVERED BY AUDITORS' REPORTS

Nature of Schedule*	1957	1956	1955	1950
A: Accounts, notes receivable	14	12	15	17
B: Inventory composition	68	57	62	47
C: Fixed assets, depreciation	76	61	72	61
D: Foreign investments	12	14	22	24
E: Investments—subsidiaries	18	16	14	21
F: Investments—securities	4	4	4	10
G: Investments—securities, subsidiaries, affiliates	6	8	9	5
H: Various balance sheet items	25	18	12	31
I: Long-term indebtedness	78	64	66	30
J: Capital stock	24	15	28	21
K: Capital	8	8	5	8
L: Dividends	1	1	3	3
M: Special funds, reserves, appropriations	9	11	10	17
N: Sales, earnings	3	1	2	5
O: Employment costs	1	—	—	2
P: Taxes	5	4	5	4
Q: Various income and operating items	15	12	10	5
R: Minority stockholders' interest in subsidiary	1	—	2	—
S: Summary of consolidated foreign subsidiaries' assets	1	—	—	—
Total	369	306	341	311
Number of Companies Presenting				
Supplementary schedules	164	142	148	118
Supplementary schedules and additional statements	36	35	31	25
Additional statements	48	43	40	39
Total	248	220	219	182
No additional presentations	352	380	381	418
	600	600	600	600

Comparative Presentation of Schedules:

Year	2 Yrs.	3-9 Yrs.	10-70 Yrs.	Total	Not Comparative	Grand Total
1957:	239	7	9	255	114	369
1956:	184	2	6	192	114	306
1955:	204	8	7	219	122	341
1950:	194	2	5	201	110	311

*Refer to Company Appendix Section—A: Co. Nos. 188, 254, 264, 398, 449, 493, 510; B: Co. Nos. 31, 52, 95, 200, 209, 292, 325, 327, 351, 370, 422, 453; C: Co. Nos. 75, 194, 214, 225, 299, 312, 393, 482, 498, 521, 585; D: Co. Nos. 110, 175, 348, 478, 583, 596; E: Co. Nos. 35, 88, 240, 375, 425, 539; F & G: Co. Nos. 11, 15, 48, 256, 421, 471; H: Co. Nos. 5, 58, 356, 358, 499, 570; I: Co. Nos. 39, 73, 82, 97, 129, 152, 167, 237, 301, 332, 420, 443, 452, 474, 484; J, K & L: Co. Nos. 16, 64, 84, 100, 121, 123, 140, 174, 229, 361, 389, 442; M & N: Co. Nos. 32, 45, 320, 462, 471, 520; O & P: Co. Nos. 70, 569, 596; Q & R: Co. Nos. 131, 379, 428; S: Co. No. 3.

The Atlantic Refining Company included a schedule titled "Summary of Taxes Paid or Accrued."

Briggs Manufacturing Company presented schedules of "Land, Buildings and Equipment," and "Long-Term Receivables."

Federated Department Stores included schedules of "Accounts Receivable," and "Property and Equipment."

The National Cash Register Company provided schedules of "Receivables," "Inventories," "Property, Plant and Equipment," and "Sinking Fund Notes."

Sharon Steel Corporation included supplementary financial schedules of "Accounts and Notes Receivable, Less Estimated Losses in Collection," "Inventories," "Investments and Long-Term Receivable, at Cost," "Fixed Assets, Less Depletion, Depreciation and Amortization," "Notes Payable and Restrictions on Accumulated Earnings," "Accrued Liabilities," and "Stock Options."

Exhibits—Additional Statements and Supplementary Schedules Covered by Auditors' Reports

The following "additional statements and supplementary schedules" covered by auditors' reports have been taken from the 1957 annual reports and reproduced as illustrations of such statements and schedules. (For page numbers see Index to Exhibits following the Index to Tables.)

1. *Parent Company Statement of Financial Position; Statement of Income; Statement of Shareholders' Equity* (Standard Oil Company [New Jersey]). The financial record of the parent company is presented in these statements on a comparative basis for 1957 and 1956.
2. *Summary of Amounts Included in Consolidation with Respect to Foreign Subsidiaries and Branches* (Sperry Rand Corporation). This statement provides a geographical distribution of total assets and total liabilities with respect to the company's foreign subsidiaries.
3. *Combined Balance Sheets and Combined Income and Earnings Retained of Subsidiaries Operating Outside the United States and Canada (not consolidated)* (Standard Brands Incorporated). These statements are comparative for 1957 and 1956.
4. *Combined Balance Sheet and Statement of Combined Operations and Retained Earnings of Wholly-Owned Real Estate Subsidiaries (not consolidated); Notes to Financial Statements* (Stix, Baer and Fuller Company). These statements are presented on a comparative basis, together with the notes applicable thereto.
5. *Changes in Financial Position* (Meredith Publishing Company). This statement presents a summary of the working capital increase for year ended June 30, 1957 and details of changes therein during the year.
6. *Source and Application of Funds* (Scott Paper Company). On this schedule details of source and application of funds are shown on a comparable basis for each of the years 1954 to 1957, inclusive.
7. *Schedule of Investments and Loans* (Newmont Mining Corporation). This schedule provides a summary of the company's investments in, and loans to, subsidiaries and other companies.
8. *Pension Trust Fund* (Bethlehem Steel Corporation). This is a comparative statement of assets at December 31, 1957 and 1956 and of changes in Fund for the years then ended.

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORTS

In the annual reports for 1957, there were 1136 statements, summaries, and highlights, not covered by the auditors' reports, presented by 514 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.

FINANCIAL STATEMENTS, SUMMARIES, AND HIGHLIGHTS

The various types of these financial statements, summaries, and highlights, not covered by auditors' reports, presented in the annual reports of the survey companies are shown in Table 19. In 1957, as in prior years, the greatest number of such presentations consisted of summaries, usually entitled "Highlights," "Year in Review," "Results 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 yearly comparative basis in the nature of statistical tabulations. Approximately 22 per cent of the companies also included statements or summaries pertaining to working capital or to 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 have been grouped under a single caption in Table 19.

Exhibits—Statements, Summaries, and Highlights Not Covered by Auditors' Reports

Listed below are illustrative examples of statements, summaries, and highlights not covered by the auditors' reports which have been taken from 1957 annual reports. (For page numbers refer to Index to Exhibits following the Index to Tables.)

1. *Source and Application of Funds* (The Gillette Company).
2. *Analysis of Working Capital* (Endicott Johnson Corporation).
3. *Status of Employees' Retirement Plans* (International Paper Company).
4. *Employees' Savings and Profit Sharing Trust Fund* (Signode Steel Strapping Company).
5. *Comparative Highlights* (Federated Department Stores).
6. *Highlights at a Glance and How Sales Dollar Was Spent* (Sonoco Products Company).
7. *Where Each 1957 Dollar Came From; Where Each 1957 Dollar Went* (Radio Corporation of America).

For additional references to various types of statements, summaries, and highlights, not covered by the auditors' reports, presented by the 600 survey companies in 1957, refer to the companies noted in Table 19.

TABLE 19: STATEMENTS, SUMMARIES, AND HIGHLIGHTS NOT COVERED BY AUDITORS' REPORTS

Type of Presentation*	1957	1956	1955	1950
A: Statement of working capital; changes in working capital and source and application of funds	137	123	103	103
B: Cash receipts and disbursements	2	3	2	6
C: Employee bonus or retirement funds	8	4	5	2
D: Condensed balance sheet	61	55	71	61
Condensed income statement	65	59	69	65
Various other condensed statements	9	5	16	6
E: Detailed balance sheet	3	4	5	6
Detailed income statement	4	7	3	6
Various other detailed statements	5	3	—	4
F: Simplified balance sheet	7	5	14	26
Simplified income statement	10	9	21	40
G: Subsidiary balance sheet	7	11	11	6
Subsidiary income statement	3	4	3	3
H: Summary—Financial and operating data	324	287	243	140
Summary—Balance sheet data	11	25	63	29
Summary—Operating data	72	64	102	76
I: Highlights	290	274	320	200
Year in review—Results in brief	90	84	35	30
Operations at a glance	28	32	14	13
Total	1136	1058	1100	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
1957:	129	8	85	8	12	7	377	398	514	86	600
1956:	116	5	84	8	14	15	326	370	499	101	600
1955:	105	5	82	6	26	12	313	366	495	105	600
1950:	101	2	82	10	51	6	205	249	404	196	600

	Comparative Presentation of 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
1957:	418	62	113	32	280	41	22	15	9	992	144	1136
1956:	393	55	111	37	232	41	25	15	8	917	141	1058
1955:	401	51	110	32	282	38	24	27	17	982	118	1100
1950:	281	45	86	20	175	36	9	11	9	672	150	822

*Refer to Company Appendix Section—A: Co. Nos. 2, 36, 42, 98, 154, 172, 191, 225, 263, 278, 321, 322, 329, 343, 411, 417, 448, 471, 486, 532, 567, 581; B: Co. No. 533; C: Co. Nos. 372, 498; D: Co. Nos. 4, 58, 75, 84, 91, 110, 132, 168, 201, 218, 288, 328, 361, 387, 413, 432, 468, 577; E: Co. Nos. 381, 435; F: Co. Nos. 89, 484, 511, 598; G: Co. Nos. 88, 256, 325, 384, 401; H: Co. Nos. 16, 38, 55, 58, 84, 178, 186, 191, 261, 278, 281, 320, 382, 389, 393, 545; I: Co. Nos. 1, 29, 51, 69, 82, 188, 248, 283, 292, 299, 328, 342, 374, 578.

SUPPLEMENTARY SCHEDULES

Supplementary financial charts and summaries, not covered by the auditors' reports, were found covering diversified subjects such as: distribution of the sales dollar (or income dollar); earnings and dividends; taxes; fixed assets and/or depreciation; 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:

*Refer to Company Appendix Section.

Nature of Data

Distribution of sales dollar (*Co. Nos. 4, 256, 292, 357, 462)

Distribution of income dollar (*Co. Nos. 19, 92, 237, 372, 573)

Distribution of sales or income dollar (charts) (*Co. Nos. 148, 204, 262, 359, 421, 512, 580)

Earnings and dividends (*Co. Nos. 7, 16, 93, 183, 440, 558)

Taxes (*Co. Nos. 65, 251, 481)

Fixed assets and/or depreciation (*Co. Nos. 35, 63, 75, 471, 561, 599)

Effect of price level changes (*Co. Nos. 357, 446)

Employment costs (*Co. Nos. 421, 556, 591)

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEET

ASSETS

	FEBRUARY 2, 1957	JANUARY 28, 1956
CURRENT ASSETS:		
Cash	$ 24,525,822	$ 22,609,535
Accounts receivable (See accompanying statement)	88,674,123	78,980,003
Merchandise inventories (Note 1)	67,806,266	57,663,093
Supplies and prepaid expenses	4,267,657	2,394,939
TOTAL CURRENT ASSETS	$185,273,868	$161,647,570
OTHER ASSETS:		
Real estate not used in operations — at cost less depreciation	$ 3,514,757	$ 2,287,077
Miscellaneous	1,903,409	1,982,236
	$ 5,418,166	$ 4,269,313
PROPERTY AND EQUIPMENT — net (See accompanying statement)	67,277,219	52,691,818
GOODWILL — at nominal amount	1	1
	$257,969,254	$218,608,702

COMPARATIVE HIGHLIGHTS

		53 WEEKS ENDED FEBRUARY 2, 1957	52 WEEKS ENDED JANUARY 28, 1956	52 WEEKS ENDED JANUARY 29, 1955
SALES, EARNINGS, DIVIDENDS	Net Retail Sales	$601,491,511	$537,722,365	$500,556,136
	Income Before Taxes	$ 49,310,924	$ 46,214,142	$ 39,791,636
	Percent of Sales	8.2%	8.6%	7.9%
	Net Income After Taxes	$ 23,510,924	$ 22,064,142	$ 19,091,636
	Percent of Sales	3.9%	4.1%	3.8%
	Net Income for Common:			
	Common Dividends Paid	$ 11,907,307	$ 10,336,737	$ 8,998,260
	Earnings Retained in Company	$ 11,603,617	$ 11,727,405	$ 9,882,152
	Earnings per Share of Common*§	$ 3.16	$ 3.07	$ 2.63
	Dividends per Share of Common*	$ 1.60	$ 1.43¾	$ 1.25
FROM THE BALANCE SHEET	Accounts Receivable	$ 88,674,123	$ 78,980,003	$ 71,427,024
	Inventories	67,806,266	57,663,093	51,069,910
	Working Capital	126,192,132	110,217,165	95,932,682
	Long-term Debt	23,589,946	19,385,524	22,295,821
	Shareholders' Investment	169,398,785	142,610,286	131,273,218
ADDITIONAL SALIENT FACTS	Common Shares Outstanding:			
	Average During the Year*	7,445,406	7,186,656	7,197,282
	At the End of the Year*	7,704,091	7,191,934	7,192,164
	Ratio of Current Assets to Current Liabilities	3.1	3.1	2.9
	Book Value per Share of Common†*	$ 21.99	$ 19.83	$ 18.25

* Adjusted to reflect 2 for 1 stock split on January 27, 1956.

§ Based on average number of shares outstanding during the year.

† Based on number of shares outstanding at end of year.

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEET

LIABILITIES

	FEBRUARY 2, 1957	JANUARY 28, 1956
CURRENT LIABILITIES:		
Long-term debt due within one year	$ 777,079	$ 36,946
Accounts payable and accrued liabilities	43,238,969	35,265,592
Federal taxes on income less U. S. Treasury Bills of $7,963,179 and $5,972,133	15,065,688	16,127,867
TOTAL CURRENT LIABILITIES	$ 59,081,736	$ 51,430,405
PROVISION for contingent compensation	3,994,347	3,220,054
RESERVE for possible assessment of taxes for prior years	1,904,440	1,962,433
LONG-TERM DEBT, due after one year (Note 2)	23,589,946	19,385,524
SHAREHOLDERS' INVESTMENT — 7,704,091 common shares outstanding at February 2, 1957 (See accompanying statement)	169,398,785	142,610,286
	$257,969,254	$218,608,702

CONSOLIDATED STATEMENT OF INCOME

	FIFTY-THREE WEEKS ENDED FEBRUARY 2, 1957	FIFTY-TWO WEEKS ENDED JANUARY 28, 1956
Net retail sales (including sales of leased departments)	$601,491,511	$537,722,365
Deduct:		
Cost of goods sold and expenses, exclusive of items listed below	$518,326,620	$461,212,880
Maintenance and repairs	6,100,544	5,127,861
Depreciation and amortization	6,349,284	5,804,755
Rentals (Note 3)	6,812,392	6,134,841
Interest and debt expense	2,442,776	1,966,782
Taxes other than federal taxes on income	9,311,971	8,420,045
Retired employees and contributions to retirement plans	3,419,028	3,296,793
	$552,762,615	$491,963,957
	$ 48,728,896	$ 45,758,408
Miscellaneous other income — net	582,028	455,734
INCOME BEFORE FEDERAL TAXES ON INCOME	$ 49,310,924	$ 46,214,142
Federal taxes on income	25,800,000	24,150,000
NET INCOME	$ 23,510,924	$ 22,064,142

COMMON SHAREHOLDERS' INVESTMENT AND CHANGES THEREIN

53 Weeks Ended February 2, 1957

For legal and accounting reasons, the common shareholders' investment in the Company is divided into three parts: (1) the accumulated earnings which are employed in the business, (2) par value of common stock, which is the legal capital of the Company, and (3) the excess of the consideration (cash or other assets) received for common stock issued over its par value, which is regarded as additional capital from the accounting point of view. These amounts at February 2, 1957 are summarized as follows:

Accumulated earnings employed in the business	$ 90,780,707
Par value of common stock	19,260,228
Capital in excess of par value of common stock	59,357,850
	$169,398,785

The changes in each of these categories during the year ended February 2, 1957 are tabulated below:

ACCUMULATED EARNINGS EMPLOYED IN THE BUSINESS

Balance, beginning of year	$79,177,090
Net income for the year	23,510,924
Cash dividends on common stock — $1.60 per share	11,907,307*
Balance, end of year	$90,780,707

PAR VALUE OF COMMON STOCK

Authorized shares of $2.50 par value common stock were 10,000,000 shares. Changes in the common stock held by shareholders other than the Company are as follows:

	Shares	Amount
Outstanding, beginning of year (excluding 167,524 shares in treasury)	7,191,934	$17,979,835
Issued July 28, 1956 for acquisition of the business of Burdine's	525,561	1,313,903
Issued upon exercise of options to purchase common stock	23,764	59,410
Issued from treasury under contingent compensation plan	498	1,245
Purchased for the treasury	37,666*	94,165*
Outstanding, end of year (excluding 204,712 shares in treasury, of which 203,445 shares are for possible future issue under contingent compensation plan)	7,704,091	$19,260,228

CAPITAL IN EXCESS OF PAR VALUE OF COMMON STOCK

Balance, beginning of year	$45,453,361
Excess of consideration received over par value of common stock issued for acquisition of the business of Burdine's	14,610,579
Excess of proceeds over par value of stock issued upon exercise of options to purchase common stock at $21.11 per share	442,196
Credits resulting from issuance of treasury stock under contingent compensation plan	9,885
Excess of cost over par value of common stock purchased for treasury	1,158,171*
Balance, end of year	$59,357,850

* Deduct.

ACCOUNTS RECEIVABLE

	February 2, 1957	January 28, 1956
Due from customers:		
Thirty-day charge accounts	$ 39,606,844	$ 38,752,266
Deferred payment accounts	88,379,395	80,057,065
Other accounts receivable	5,694,307	3,828,047
	$133,680,546	$122,637,378
Less:		
Provision for possible future losses and deferred service charges	$ 8,495,597	$ 7,087,940
Accounts sold to banks without recourse (less Company's equity therein of $4,752,642 at February 2, 1957)	36,510,826	36,569,435
	$ 45,006,423	$ 43,657,375
Net	$ 88,674,123	$ 78,980,003

PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation and Amortization	Net
February 2, 1957:			
Land	$ 11,566,472	$ —	$ 11,566,472
Buildings substantially all on owned land	18,166,662	6,748,331	11,418,331
Buildings on leased land, improvements to leased properties and leaseholds	21,826,956	5,640,238	16,186,718
Store fixtures and equipment	49,359,100	21,253,402	28,105,698
	$100,919,190	$ 33,641,971	$ 67,277,219
January 28, 1956:			
Land	$ 9,053,970	$ —	$ 9,053,970
Buildings substantially all on owned land	15,268,264	6,101,792	9,166,472
Buildings on leased land, improvements to leased properties and leaseholds	15,745,211	5,002,500	10,742,711
Store fixtures and equipment	43,076,664	19,347,999	23,728,665
	$ 83,144,109	$ 30,452,291	$ 52,691,818

NOTES TO FINANCIAL STATEMENTS

1. **MERCHANDISE INVENTORIES** were valued by the use of the retail method of inventories as follows:

	February 2, 1957	January 28, 1956
Stated on the LIFO (last-in, first-out) basis, which is lower than market. This basis has been employed by several of the Company's divisions:		
Since 1941	$47,234,140	$38,318,934
Since 1950	12,890,561	12,890,075
	$60,124,701	$51,209,009
Stated at cost or market whichever is lower, representing inventories for which the LIFO basis is not used	7,681,565	6,454,084
	$67,806,266	$57,663,093

2. **LONG-TERM DEBT** due after one year, comprising mortgage notes of $5,876,665 (interest of 3% and 3½% on $5,713,465) and unsecured notes of $17,713,281 (interest of 3¼% to 3⅝% on $17,625,781) matures as follows:

Year ending January	Amount	Year ending January	Amount	Year ending January	Amount
1959	$ 466,269	1963	$2,124,069	1967	$ 1,376,008
1960	1,656,984	1964	2,121,484	1968	1,680,030
1961	2,070,583	1965	3,261,803	1969	1,375,186
1962	2,402,107	1966	3,257,223	1971-76	1,798,200
					$23,589,946

3. **LONG-TERM LEASES** of the Company at February 2, 1957 comprised 95 leases with terms of more than three years after that date and with an aggregate minimum annual rental of approximately $7,234,000. In addition to fixed rentals most of these leases require the Company to pay real estate taxes (recorded as taxes) and other expenses and, as to some of the leases, additional rentals based on a percentage of sales. In so far as any of the main stores of the Company are in whole or in part on leased sites, no one of these is a percentage lease, the earliest expiration date on any of these leases is 1966, and all contain renewal provisions excepting eight, one of which expires in 2008, four in 2010, and three in 2016.

4. **STOCK OPTIONS**–A new plan was approved by the shareholders in 1956 for 200,000 shares; no options had been granted at February 2, 1957.

Under the 1951 plan, (1) at January 29, 1956, options for 111,898 shares were outstanding and 129,000 shares were unoptioned, (2) during the year, options were granted at $32.83 per share for 91,400 shares, and were exercised for 23,764 shares at $21.11, (3) at February 2, 1957, options were outstanding for 179,534 shares at from $21.11 to $32.83 per share, of which 47,466 shares were exercisable, and (4) the remaining 37,600 unoptioned shares were cancelled.

Section 2 BALANCE SHEET

CASH

The balance sheets of the 1957 survey companies indicate the continuing trend of presenting the cash accounts simply as "cash" or as "cash in banks and on hand" in the current asset section. The presentation of "cash" alone was used currently by 530 companies as compared with 518 in 1956 and 505 in 1955. Of the 600 companies, only 27 provided any additional information of cash in the balance sheet (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	1957	1956	1955
Cash (*Co. Nos. 9, 44, 205, 528)	530	518	505
Cash in banks and on hand (*Co. Nos. 67, 198, 268, 441)	43	51	57
Cash on hand and demand deposits (*Co. Nos. 47, 245, 379, 472)	8	9	14
Cash on hand, demand and time deposits	—	1	1
Cash and demand deposits (*Co. Nos. 523, 526)	2	2	2
Demand deposits in banks and cash on hand (*Co. Nos. 38, 77, 250)	5	6	8
Cash including time deposits (*Co. Nos. 94, 244)	2	2	1
Cash, including time certificate of deposit and accrued interest	—	1	1
Cash and securities (*Co. No. 129)	1	—	—
Cash, net of cash reserves for taxes (*Co. No. 576)	1	1	1
Cash in banks and offices (*Co. No. 87)	1	1	1
Cash in banks, on hand, and in transit	—	1	1
Cash on deposit, in transit, and on hand (*Co. Nos. 429, 497)	2	2	2
Cash including call loans	—	—	1
Cash including savings bank accounts	—	1	1
Cash on hand and on deposit (*Co. No. 355)	1	1	1
Cash and short-term notes	—	—	1
Bank balances and cash funds (*Co. No. 261)	1	1	2
Cash and United States Government Securities (*Co. Nos. 176, 239, 491)	3	2	—
Total	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 are examples of descriptive captions used for cash and segregations of cash as disclosed in the 1957 annual reports:

Fixed Assets

ARMCO STEEL CORPORATION
Statement of Consolidated Financial Condition
Noncurrent Assets:

Cash set aside for use in the modernization and expansion program	$50,000,000

CARRIER CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:
Prepaid Expenses, Segregated Funds, etc.:

Prepaid expenses and deferred charges	$ 2,486,198
Funds segregated for expansion	8,000,000
Miscellaneous investments and advances, including subsidiaries not consolidated, at cost, less reserves	2,181,540
	$12,667,738

CROWN ZELLERBACH CORPORATION
Balance Sheet
Other Assets:

Investment in St. Francisville Paper Company at cost	$ 3,500,000
Other investments and receivables (note 3)	11,503,000
Funds set aside for plant improvements	14,000,000
Deferred charges	4,046,000
	$33,049,000

JONES & LAMSON MACHINE COMPANY
Statement of Financial Condition
Other Assets:

Fund for replacement of property—cash	$366,467
Deferred accounts receivable	435,108
Deferred charges—insurance, etc.	29,326
Investments—at cost	22,000
Other notes receivable	50,000
Total Other Assets	$902,901

LIBBY-OWENS-FORD GLASS COMPANY
Balance Sheet
Noncurrent Assets:
Plant Improvement and Replacement Fund:

Cash	$ 211,520
U. S. Government securities—at cost and accrued interest (quoted market $21,728,053)	21,735,872
Other marketable securities—at cost and accrued interest (quoted market $1,234,425)	1,276,312
	$23,223,704

LUKENS STEEL COMPANY
Comparative Balance Sheet
Noncurrent Assets:
Special Funds:
In U. S. Government securities, at cost—

For purchase in 1960 for approximately $3,300,000 (15% of original cost) of facilities leased from the U. S. Government	$2,270,187
For business diversification	1,214,648
	$3,484,835

TABLE 2: SEGREGATION OF CASH

Purpose and Balance Sheet Presentation	Current Asset	Noncurrent Asset	1957 Total
Insurance, workmen's compensation or pension funds (*Co. Nos. 25, 50, 174, 181, 254, 311, 339, 451)	—	8	8
Restricted to performance under contracts (*Co. Nos. 254, 403)	—	2	2
Preferred stock retirement or redemption (*Co. Nos. 27, 153, 171, 454)	—	4	4
Cash deposited for payment of dividends (*Co. No. 316)	1	—	1
Cash appropriated for purchase of stock (*Co. No. 429)	—	1	1
Funds held by trustee (*Co. No. 339)	—	1	1
Fund for deferred expenditure (*Co. No. 320)	—	1	1
Deferred bonus fund (*Co. No. 285)	—	1	1
Working or other funds (*Co. Nos. 20, 288, 358)	3	—	3
Cash received as progress payments on orders (*Co. No. 308)	1	—	1
Plant expansion, improvement or replacement funds (*Co. Nos. 63, 129, 179, 320, 322, 347, 357, 474)	—	8	8
Cash in bank for account of merchandise consignors (*Co. No. 121)	1	—	1
Total	6	26	32

Number of Companies with:	1957
Cash segregated in current assets	6
Cash segregated in current and noncurrent assets (*Co. No. 355)	1
Cash segregated in noncurrent assets	23
Cash offsetting a liability account (*Co. No. 576)	1
Total	31
No reference to cash segregation or exclusion	569
Total	600

*Refer to Company Appendix Section.

NATIONAL GYPSUM COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Property, Plants and Equipment (based generally on cost):

Mineral deposits, less allowances for depletion of $587,284 in 1957	$ 4,675,596
Plant sites	2,327,970
Buildings, machinery and equipment, and improvements to leased property, less allowances for depreciation of $49,959,644 in 1957	94,238,482
Construction in progress (estimated cost to complete at December 31, 1957, $22,000,000)	8,088,573
Construction fund—U. S. Government securities, at cost and accrued interest (approximate market)	15,038,414
	$124,369,035

REYNOLDS METALS COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Funds for plant expansion program (Note F)	$37,994,585

Note F: Contingent Liabilities and Commitments—The Company expects to spend approximately $152,700,000 (of which approximately $111,500,000 was committed for at December 31, 1957) in connection with the completion of expansion programs in progress, including a new reduction plant near Massena, New York, and additions to alumina and other facilities. In connection with these programs, at December 31, 1957, the Company held unexpended proceeds amounting to $37,994,585 from previous financings, and had entered into agreements for the issuance of additional First Mortgage Bonds in the amount of $100,000,000 and additional notes payable to banks in the amount of $15,000,000. There also were commitments outstanding in the approximate amount of $13,200,000 for other expansion and improvements, normal betterments, renewals, and major replacements of property, plant, and equipment.

Sinking Funds

AMERICAN BAKERIES COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Investments:

Cash and United States Government securities (cost) in sinking fund (Note 3)	$150,000
Government and municipal securities on deposit with state authorities—cost	185,255
Mortgage notes receivable	304,901
	$640,156

Note 3: The preferred stock is convertible into common stock at the rate of one share of preferred for 2½ shares of common and is subject to redemption after June 15, 1958 at par plus premiums decreasing periodically from 10% to 7% plus accrued dividends. The Company is required to maintain $150,000 in a sinking fund to be replenished annually, for tenders of preferred stock at quoted prices not to exceed $100 a share, and may not without approval of holders of two-thirds of outstanding preferred shares pay any cash dividends or purchase any common stock which would reduce consolidated earnings retained for use in the business below $12,000,000.

COLONIAL STORES INCORPORATED
Statement of Financial Position
Noncurrent Assets:

Sinking funds for retirement of cumulative preferred stock (Note 1)	$38,886

Note 1: (a) Holders of the preferred stock are entitled to preference in the event of liquidation to the extent of par value plus accrued dividends and, if such liquidation (or redemption) be voluntary, maximum premiums of $1.50 (4% series) and $2.00 (5% series) per share.

(b) The company is obligated to set aside sinking funds in specified amounts for the redemption of the preferred stock, which may be called for this purpose at par value plus accrued dividends and maximum premiums of $.75 (4% series) and $1.00 (5% series) per share. Maximum payments to the sinking funds required during the year 1958 aggregate $112,332 (after deducting 957 shares of 4% series stock acquired in 1957 at cost of $38,615 for 1958 sinking fund requirements).

COOK PAINT AND VARNISH COMPANY
Consolidated Balance Sheet
Investments and Other Assets:

Sinking fund for redemption of prior preference stock	$45,026
Sundry accounts, deposits, etc.	27,233
	$72,259

PENN FRUIT CO., INC.
Consolidated Balance Sheet
Investments and Other Assets:

Loans secured by mortgages on leased premises	$ 346,195
Cash surrender value of insurance on life of officer	39,858
Cash balances held in sinking, purchase and conversion funds for Preferred stocks	22,564
Investment in and advances to affiliated and associated companies—at cost (Note 6)	3,232,839
	$3,641,456

H. K. PORTER COMPANY, INC.
Consolidated Balance Sheet
Other Assets:

Preferred stock sinking fund	$600,025

Customers

INGERSOLL-RAND COMPANY
Balance Sheet
Current Assets:

Cash	$ 6,275,763
Cash received as progress payments on orders	6,030,794
United States obligations maturing in 1958, at approximate market value:	
For payment of taxes	23,799,704
Other	23,749,668
Accounts and notes receivable (less allowance for bad debts of $895,774)	25,870,290
Inventories at the lower of cost or market (Note 1)	45,013,523
Total	$130,739,742

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	$2,336,403

Noncurrent Liabilities:
Reserves:

For Insurance	$ 958,903
For Retirement Payments	1,377,500
	$2,336,403

THE AMERICAN SUGAR REFINING COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Pension Fund:

Cash	$ 37,106
U. S. Government, state and municipal securities at cost	8,388,381
Company's own preferred stock, 20,000 shares at cost	632,650
	$9,058,137

CRADDOCK-TERRY SHOE CORPORATION
Balance Sheet
Other Assets:
Pension fund: (Note 3)

Cash	$ 29,482
U. S. and Virginia bonds	59,590
Corporate securities and real estate mortgages	322,906
	$411,978

Note 3: Treasury stock, consisting of twenty-five hundred twenty-three 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.

GENERAL ELECTRIC COMPANY
Consolidated Statement of Financial Position
Other Assets:

Noncurrent receivables, less reserve	$ 50,127,475
Funds for employee benefit plans and taxes withheld—per contra in Other Liabilities	48,064,677
Funds for payments under U. S. Government contracts—per contra in Other Liabilities	4,451,280
Deferred charges, less reserve	34,256,145
Securities deposited as guarantees	781,193
Loans and advances to employees	3,192,324
	$140,873,094

Other Liabilities:

Noncurrent accounts payable and other accruals	$ 31,293,604
Liability for employee benefit plans and taxes withheld—per contra in Other Assets	48,064,677
Liability for payments under U. S. Government contracts—per contra in Other Assets	4,451,280
	$83,809,561

INTERNATIONAL BUSINESS MACHINES CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:

Watson Fund for Supplementing IBM Retirement Plan:	
Cash:	$ 95,853
U. S. Treasury securities—at cost plus accrued interest	5,135,254
	$5,231,107

Noncurrent Liabilities:

Reserves:	
Watson fund for supplementing IBM Retirement Plan	$5,231,107
Widows and orphans of IBM veterans who lost their lives in World War II and the Korean Conflict	783,650
	$6,014,757

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

Insurance Funds

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	$161,266
Securities	636,047
	$797,313

THE PITTSTON COMPANY
Comparative Consolidated Balance Sheet
Noncurrent Assets:

Special deposits as self-insurer, etc.	$605,185

Various Purposes

ALPHA PORTLAND CEMENT COMPANY
Balance Sheet
Current Assets:

Cash	$ 5,728,307
United States Government securities	1,588,851
Working funds, advances, etc.	239,735
Accounts receivable (less allowances—1957, $68,696)	1,498,966
Inventories (Note A):	
Finished cement at cost under Lifo method	1,633,580
Raw materials, in process, packages, and operating supplies principally at the lower of average cost or market	1,484,204
Maintenance supplies and repair parts at or below cost	1,921,232
Prepaid insurance, etc.	452,953
Total current assets	$14,547,828

THE BYRNDUN CORPORATION
Comparative Balance Sheet
Current Assets:

Cash	$45,207
Cash in bank for account of merchandise consignors	23,564
Less: Amounts due to consignors for merchandise sold	23,564

THE HARSHAW CHEMICAL COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Deferred Bonus Fund—Note C:	
Cash	$183,353
Common stock of parent company—at cost (1957—23,139 shares)	518,142
Total Deferred Bonus Fund	$701,495

Noncurrent Liabilities:

Deferred bonus—Note C	$701,495

Note C: The Company's Profit Sharing Plan, 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.

HEARST CONSOLIDATED PUBLICATIONS, INC.
Consolidated Balance Sheet
Current Assets:

Cash:	
General funds	$7,888,450
Other funds	1,620,114
Total	$9,508,564

JOHNS-MANVILLE CORPORATION
Financial Statement
Noncurrent Assets:

Fund for deferred expenditure (Note 3)	$14,781,472

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

facilities, comprises:

Cash	$ 2,577,967
United States Treasury obligations at cost plus accrued interest (approximately market)	12,203,505
	$14,781,472

KUNER-EMPSON COMPANY
Balance Sheet
Other Assets:

Insurance deposits	$10,704
Cash surrender value of life insurance	8,220
Cash on deposit with Trustee under bond indenture, less $67,166 included in current assets—Note B	67,518
	$86,442

Note B: Under the above bond indenture all insurance recoveries for any one loss of mortgaged property in excess of $2,500 must be deposited with the Trustee, such funds being available to the Company for replacement of assets destroyed or for the purchase of other assets useful in the business, provided that the Company commences such replacement program within six months from the date of damage or destruction. Otherwise, the funds are to be used for the redemption of bonds. In connection with the destruction of the Company's Fort Lupton plant in a fire on August 26, 1956, the Trustee is holding $134,643 in insurance recoveries, of which $67,166 is due the Company as reimbursement of certain expenditures for repair and purchase of similar equipment. The balance of the insurance proceeds on deposit with the Trustee is available to reimburse the Company for capital expenditures made prior to March 31, 1957 which are not included in the $67,166 classified as current and for capital expenditures subsequent to March 31, 1957.

LONE STAR CEMENT CORPORATION
Comparative Consolidated Balance Sheet
Current Assets (other than funds for special purposes shown below):

Cash on hand and on deposit in banks:	
In the United States	$3,274,392
In Cuba and South America	757,193
Total cash	$4,031,585

Noncurrent Assets:

Miscellaneous investments and funds for special purposes:	
Self-insurance funds—cash and investments	$2,386,370
Other investments—principally bonds of South American governments	317,869
	$2,704,239

VEEDER-ROOT INCORPORATED
Condensed Consolidated Balance Sheet
Current Liabilities:

Accrued taxes	$1,854,453
Employees' income taxes withheld	119,790
Totals	$1,974,243
Less: United States Treasury bills and cash reserved for payment of taxes	$1,974,243
Net	$ —

CASH ADVANCES AND DEPOSITS

Cash Advances

Of the 600 survey companies, 80 disclosed cash advances in their 1957 reports. The captions used in the presentation of cash advances and their related placement in the balance sheet are reflected in Table 3.

Cash advances appeared in both the current and the noncurrent asset sections of the balance sheets. The following examples illustrate the various types of cash advances as presented by the companies:

TABLE 3: CASH ADVANCES

Balance Sheet Description*	Current Asset	Noncurrent Asset	1957 Total
A: Advances to outside growers, packers, planters, producers	2	3	5
B: Advances to suppliers and subcontractors	4	1	5
C: Advances on purchase commitments for raw materials	3	1	4
D: Advances on purchase contracts	5	1	6
E: Advances on construction or purchase of fixed assets	3	2	5
F: Advances for leasehold improvements	—	2	2
G: Advances to employees for selling, travel, and other expenses	1	2	3
H: Advances—loans to employees	—	3	3
I: Advances to sales agents or vendors	—	1	1
J: Advances to joint venture or logging operations	3	—	3
K: Advances to customers	—	1	1
L: "Advances"—not identified	11	34	45
Total	32	51	83

Number of Companies Showing:	
Advances in current assets	29
Advances in current and noncurrent assets	3
Advances in noncurrent assets	48
Total	80
No reference to advances	520
Total	600

*Refer to Company Appendix Section—A: Co. Nos. 50, 122, 181, 526, 583; B: Co. Nos. 22, 294, 352, 365, 366; C: Co. Nos. 42, 155, 545, 585; D: Co. Nos. 32, 200, 303, 444, 463, 513; E: Co. Nos. 179, 196, 418, 429, 552; F: Co. Nos. 102, 336; G: Co. Nos. 34, 92, 581; H: Co. Nos. 14, 254, 525; I: Co. No. 7; J: Co. Nos. 68, 422, 466; K: Co. No. 374; L: Co. Nos. 20, 23, 26, 33, 41, 44, 78, 124.

ADDRESSOGRAPH-MULTIGRAPH CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:

Advances to sales agents, etc., less allowance for doubtful items $375,000	$1,202,762

ALPHA PORTLAND CEMENT COMPANY
Balance Sheet
Current Assets:

Working funds, advances, etc.	$239,735

BOND STORES, INCORPORATED
Consolidated Balance Sheet
Noncurrent Assets:

Deferred Charges:	
Prepaid rent and advances to landlords on improvements to leased properties	$1,000,684
Unexpired insurance and other prepaid expenses	876,762
	$1,877,446

THE AMERICAN SUGAR REFINING COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Advances to colonos, growing cane, etc.	$3,619,309

THE COLORADO MILLING AND ELEVATOR COMPANY
Consolidated Balance Sheet
Current Assets:

Cash	$ 2,707,497
Trade receivables (less allowance for losses: 1957, $335,000)	6,052,481
Inventories:	
Wheat, coarse grains, flour, and millfeed—at market after appropriate adjustment with respect to open commodity contracts, etc.	5,069,012
Formula feeds, beans, sundry grains, and other merchandise—at lower of cost or market	1,077,622
Advances on commodity purchases	1,211,674
Containers and supplies—at lower of cost or market	673,293
Total inventories	$ 8,031,601
Other current assets	$ 304,959
Deposit for payment of dividend June 1—see contra	193,369
Total current assets	$17,289,907

DOUGLAS AIRCRAFT COMPANY, INC.
Statement of Financial Position
Current Assets:

Inventories of fixed-price contracts in process, materials, etc., less advance and progress payments received—Note A	$160,132,917

Note A: Inventories—Inventories included items to which the U. S. Government held title by reason of contract provisions. Amounts were determined on the basis of lower of cost (generally first-in, first-out method) or market, and comprised the following classifications:

Fixed-price contracts, orders, etc. in process	$291,348,611
Materials, spare parts, etc.	58,596,173
Advances under material purchase agreements	8,421,326
	$358,366,110
Less advance and progress payments received	198,233,193
	$160,132,917

THE MARTIN COMPANY
Consolidated Balance Sheet
Current Assets:

Materials, labor and other costs incurred on contracts in progress (including advances to subcontractors) less estimated costs applied to deliveries—not in excess of realizable value	$39,168,843
Less progress payments	17,176,933
	$21,991,910

UNION OIL COMPANY OF CALIFORNIA
Consolidated Financial Position

Current Assets	$228,908,606

Note 1: Current Assets—

Cash	$ 55,708,919
Marketable securities, at amortized cost which approximates market:	
U. S. Government	34,271,847
State, municipal and other	7,134,650
Amounts due from customers less allowance for doubtful accounts; reimbursable construction advances, and other receivables	65,997,384
Inventories of petroleum and products	51,820,279
Materials and supplies	3,505,234
Prepaid taxes, insurance and other charges	10,470,293
Total	$228,908,606

Cash Deposits

Deposits of cash or securities for specific purposes were segregated in the balance sheets of 98 of the 600 survey companies. The presentations and descriptions of these deposits are summarized in Table 4. Of the 116 presentations, only 17 appeared as current assets.

The following examples illustrate some of the presentations in the 1957 annual reports:

TABLE 4: DEPOSITS—CASH AND SECURITIES

Balance Sheet Description	Current Asset	Noncurrent Asset	1957 Total
Deposit for "insurance" (*Co. Nos. 18, 106, 280, 339, 406, 490)	—	19	19
Deposit with mutual insurance company (*Co. Nos. 167, 325, 489, 563)	—	10	10
Deposit with insurance company (*Co. Nos. 32, 251)	—	2	2
Deposit with "public agencies" (*Co. Nos. 288, 371, 404, 472, 561)	3	9	12
Deposit with "escrow agent" (*Co. Nos. 216, 225, 371, 490, 534)	1	4	5
Deposit with surety company (*Co. No. 21)	—	1	1
Deposit for preferred stock or bond retirement (*Co. Nos. 64, 288, 339)	—	3	3
Deposit for dividend payments (*Co. Nos. 155, 316)	2	—	2
Deposit for fixed asset commitment (*Co. Nos. 6, 196, 222)	—	3	3
Deposit for purchase commitment (*Co. Nos. 32, 134, 223, 306)	1	3	4
Deposit with lessors (*Co. Nos. 146, 196, 534, 541)	—	4	4
Special deposits re payroll deductions (*Co. No. 554)	—	1	1
"Deposits"—not identified (*Co. Nos. 40, 128, 288, 358, 492, 531)	8	36	44
Other types of deposits (*Co. Nos. 28, 60, 196, 278, 294, 547)	2	4	6
Total	17	99	116

Number of Companies with:	
Deposits in current assets	13
Deposits in current and noncurrent assets	2
Deposits in noncurrent assets	83
Total	98
No reference to deposits	502
Total	600

*Refer to Company Appendix Section.

ALLIED STORES CORPORATION
Comparative Statement of Financial Position
Noncurrent Assets:

Investments, insurance deposits, and miscellaneous assets	$3,018,388

ALUMINUM COMPANY OF AMERICA
Consolidated Balance Sheet
Other Assets and Deferred Charges:

Indemnity and surety deposits	$ 1,063,229
Miscellaneous receivables and advances—noncurrent	11,444,633
Deferred exploration and mining expenses	3,222,952
Other deferred charges	5,654,228
Total Other Assets and Deferred Charges	$21,385,042

CONTINENTAL CAN COMPANY, INC.
Comparative Consolidated Balance Sheet
Noncurrent Assets:
Deposits with Mutual Insurance Companies $3,312,000

DIANA STORES CORPORATION
Consolidated Balance Sheet
Other Assets:
Rental and service deposits, rents paid in advance and other deferred charges $164,351

MACFADDEN PUBLICATIONS, INC.
Consolidated Financial Position
Current Assets:

Cash	$1,804,508
United States Government and other marketable securities—At cost (Market value—December 31, 1957—$993,473)	1,040,189
Accounts receivable—Net of reserves	874,783
Inventories at cost—	
Paper	1,332,571
Manuscripts, art and photos	131,116
Books and supplies	43,335
Production and shipping costs of future issues (Less amounts applicable to issues billed in advance—See contra)	103,180
Deposits, working funds, prepaid expenses, etc.	78,606
Total Current Assets	$5,408,288

MC CALL CORPORATION
Balance Sheet
Current Assets:
Postal deposits and escrow funds $172,614

SUNDSTRAND MACHINE TOOL CO.
Consolidated Statement of Financial Condition
Current Assets:
Prepaid expenses and deposits $181,774

TOBIN PACKING CO., INC.
Consolidated Balance Sheet
Noncurrent Assets:
Special Deposit (Note 2) $100,000

Note 2: On September 17, 1957, the Company deposited $100,000 as earnest money in connection with its offer to buy all the outstanding capital stock of A. Szelagowski & Son, Inc., a corporation in the sausage and smoked meat business, located in Buffalo, New York. The offer was accepted and agreements consummated on November 13, 1957 under which all the outstanding stock was acquired for $2,500,000, which was paid in cash and notes.

UNITED AIRCRAFT CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:
Cash in special deposit accounts, per contra $4,374,972
Noncurrent Liabilities:
Employee payroll deductions (federal taxes and savings bonds), per contra $4,374,972

MARKETABLE SECURITIES—Current Assets

BASIS OF VALUATION

"Government" and "nongovernment" securities, which were presented in the current asset section of the balance sheets of the 600 survey companies, are summarized for the years 1957 and 1956 in Table 5 according to the various bases of valuation.

The use of the "cost" basis of valuation for marketable securities predominates, and continues the trend in that direction. Of the companies using the cost basis, 141 referred also to the relative market values.

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 28).

Examples—Marketable Securities

The following examples, taken from the 1957 reports, show the valuation of marketable securities as presented in the current asset section of the balance sheets surveyed:

Cost—Market Value Not Stated

EASTERN STAINLESS STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:
U. S. Government securities—at cost $1,852,386

ZENITH RADIO CORPORATION
Consolidated Balance Sheet
Current Assets:
U. S. Government securities, at cost $23,129,100

Cost Plus Accrued Interest

DREXEL FURNITURE COMPANY
Statement of Consolidated Financial Position
Current Assets:
U. S. government obligations—at cost and accrued interest $170,349

LILY-TULIP CORPORATION
Comparative Consolidated Balance Sheet
Current Assets:
United States Government securities—at cost, plus accrued interest $1,139,463

Cost—Market Value Stated Below Cost

THE AMERICAN SHIP BUILDING COMPANY
Consolidated Balance Sheet
Current Assets:
United States Government securities, at cost (quoted market price $45,713) $53,000

TABLE 5: MARKETABLE SECURITIES—Current Assets

Basis of Valuation	A: Government	B: Nongovernment	1957 Total	A: Government	B: Nongovernment	1956 Total
Cost—market value not stated (*Co. Nos. A: 211, 600; B: 2, 184)	73	38	111	78	30	108
Cost—stated as approximate market (*Co. Nos. A: 101, 300; B: 81, 173)	41	32	73	34	22	56
Cost—market value stated above cost (*Co. Nos. A: 161, 347; B: 63, 212)	9	22	31	9	23	32
Cost—market value stated below cost (*Co. Nos. A: 47, 447; B: 371, 409)	14	19	33	24	19	43
Cost plus accrued interest (*Co. Nos. A: 204, 350; B: 144, 329)	63	28	91	64	26	90
Cost less amortization or reserves (*Co. Nos. B: 70, 185)	—	6	6	—	4	4
Amortized cost (*Co. Nos. A: 287, 545; B: 110, 505)	9	6	15	9	7	16
Cost or below cost (*Co. No. A: 355)	1	—	1	1	—	1
Less than cost (*Co. No. B: 282)	—	1	1	—	1	1
Cost—not in excess of market value (*Co. Nos. B: 406, 572)	1	3	4	—	1	1
Lower of cost or market (*Co. Nos. A: 312, 460; B: 126, 425)	5	6	11	6	6	12
Market value (*Co. Nos. B: 529, 598)	—	5	5	—	4	4
Approximate market value (*Co. Nos. A: 403, 412, B: 225, 254)	7	4	11	4	3	7
Redemption value (*Co. Nos. A: 181, 419; B: 473)	2	1	3	3	—	3
Face value (*Co. Nos. A: 373, 400)	2	—	2	1	—	1
	227	171	398	233	146	379
Basis of valuation not set forth	36	12	48	54	15	69
Total	263	183	446	287	161	448
Number of Companies with:						
Government securities in current assets	172	—	172	203	—	203
Government and nongovernment securities in current assets	80	80	80	79	79	79
Nongovernment securities in current assets	—	82	82	—	70	70
Total	252	162	334	282	149	352
No marketable securities in current assets			266			248
Total			600			600

*Refer to Company Appendix Section.

PITTSBURGH BREWING COMPANY
Comparative Balance Sheet
Current Assets:
U. S. Treasury Bonds Series "K" at cost (market value October 31, 1957, $194,200) $200,000

Cost—Stated as Approximate Market

BOHN ALUMINUM & BRASS CORPORATION
Consolidated Balance Sheet
Current Assets:
United States Government securities—at cost (approximately market) $499,375

Amortized Cost

SUNSHINE BISCUITS, INC.
Consolidated Statement of Financial Position
Current Assets:
United States Government obligations due in 1958 at amortized cost (par value $3,000,000) $2,982,240

Lower of Cost or Market

THE QUAKER OATS COMPANY
Consolidated Balance Sheet
Current Assets:
Securities of the U. S. Government and its Instrumentalities, at lower of cost or market $28,070,765

Cost—Market Value Stated Above Cost

CONGOLEUM-NAIRN INC.
Consolidated Balance Sheet
Current Assets:
U. S. Government securities, at cost (market value 1957—$2,290,343) $2,287,850

Basis of Valuation Not Set Forth

AMERICAN WRITING PAPER CORPORATION
Comparative Balance Sheet
Current Assets:

United States Government securities and accrued interest	$2,441,195

TRADE RECEIVABLES

The various types of trade receivables shown in the current asset section of the balance sheets of the 600 survey companies are summarized in Table 6. In the majority of instances, trade receivables were shown as current assets and were most frequently described as "accounts receivable," "receivables," "notes receivable," or "notes and accounts receivable." Certain of the companies segregated trade receivables, showing them both in the current and in the noncurrent asset section, but their number was comparatively small.

The reports of 41 survey companies disclosed special features applicable to accounts receivable as follows:

Special Feature	No. of Companies
Assigned receivables (*Co. Nos. 5, 240, 306, 415)	11
Contingent liability (*Co. No. 412)	1
Discounted receivables (*Co. Nos. 134, 563)	2
Factored (*Co. Nos. 72, 232, 564, 587)	4
Hypothecated (*Co. No. 58)	1
Pledged (*Co. Nos. 141, 257, 276, 444, 483, 541)	9
Secured (*Co. Nos. 205, 284, 288, 359)	6
Various other (*Co. Nos. 103, 120, 196, 268, 273, 287, 408)	7
	41

The following examples selected from the 1957 reports are illustrative of the various types of accounts receivable presentations:

Accounts and Notes Receivable

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

Notes, acceptances, and accounts receivable:	
Trade notes, drafts, and acceptances	$ 1,394,297
Trade accounts	12,939,395
Grain accounts and margin deposits	2,452,954
Other current accounts	477,663
Less allowance for possible loss	(854,539)
	$16,409,770

*Refer to Company Appendix Section.

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1957	1956
Accounts receivable or receivables (*Co. Nos. 55, 116, 137, 159, 212, 229, 241, 456, 485, 550)	442	450
Notes and accounts receivable combined (*Co. Nos. 2, 13, 71, 140, 160, 233, 355, 410, 445, 551, 565)	163	155
Notes receivable (*Co. Nos. 77, 90, 96, 191, 214, 322, 374)	28	21
Installment accounts receivable (*Co. Nos. 18, 69, 197, 217, 295, 510)	23	14
Installment notes receivable (*Co. Nos. 18, 40, 86, 114, 195)	10	6
Trade acceptances—bills—drafts (*Co. Nos. 17, 30, 60, 216, 418)	8	9
Employees—trade receivables (*Co. Nos. 504, 587)	2	8
Deferred receivables (*Co. Nos. 232, 264)	2	2
Foreign receivables (*Co. No. 253)	1	1
Contracts receivable (*Co. Nos. 68, 81, 250, 258, 318)	7	8
Trading exchange accounts (*Co. Nos. 58, 60, 515)	3	2
Equity in installment accounts sold (*Co. Nos. 18, 44, 273, 284, 412)	5	4
Joint venture accounts receivable (*Co. No. 68)	1	1
Claims receivable (*Co. No. 273)	1	1
Accounts receivable—vendors, suppliers (*Co. Nos. 11, 18, 174, 428, 587)	8	3
Reimbursable expenditures (*Co. No. 253)	1	2
Customer balances on layaway merchandise sales (*Co. No. 196)	1	1
Rotating charge accounts (*Co. Nos. 69, 264)	2	1
Receivable from factor for accounts receivable sold	—	1
Total	708	690
Number of Companies Presenting:		
Trade receivables in current assets	598	599
No trade receivables in current assets	2	1
Total	600	600

*Refer to Company Appendix Section.

INTERNATIONAL HARVESTER COMPANY
Statement of Financial Condition
Current Assets:

Accounts receivable (less reserve for losses: 1957—$3,471,881) (Note 2)	$59,142,514
Trade accounts with subsidiary companies	27,974,261

Note 2: Accounts Receivable—Included in accounts receivable were employes' net receivables of $941,624 at October 31, 1957, and $913,327 at October 31, 1956; also included were amounts owing by the U. S. Government of $2,980,309 at October 31, 1957, and $4,460,928 at October 31, 1956.

PHILCO CORPORATION
Consolidated Balance Sheet
Current Assets:

Notes and Accounts Receivable:	
Government Contracts, Less Progress Payments (1957—$725,765)	$21,879,295
Civilian, Less Allowance for Doubtful Accounts (1957—$1,955,259)	49,040,043
Unconsolidated Subsidiaries	3,161,663

BOOTH FISHERIES CORPORATION
Consolidated Balance Sheet
Current Assets:

Receivables:	
Customers' accounts	$2,991,491
Warehouse customers' notes (collateralized)	522,147
Other	374,449
Less—Reserves	(215,354)
	$3,672,733

DEERE & COMPANY
Consolidated Balance Sheet
Current Assets:

Receivables:	
Accounts	$137,721,070
Notes (less unearned interest of $10,665,284 in 1957)	95,111,858
Total	$232,832,928
Less reserves for returns and allowances and doubtful receivables	$ 8,500,000
Receivables—net	$224,332,928

Installment Accounts

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

Accounts receivable:	
Customers installment accounts not sold	$ 9,221,681
Equity in customers installment accounts ($10,925,705) sold	1,092,572
	$10,314,253
Less allowances	1,928,620
	$ 8,385,633
Other accounts receivable, claims, etc.	1,266,581
Total accounts receivable, net	$ 9,652,214

THE HOBART MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Assets:

Installment contracts, accrued interest, and other receivables (less allowance for doubtful accounts, $309,759)	$12,304,377

SPIEGEL, INC.
Consolidated Financial Position
Current Assets:

Accounts receivable (see page 8)

Page 8: Accounts Receivable—

Customer installment accounts	$89,697,267
Customer charge accounts	1,907,662
Other accounts	1,515,292
	$93,120,221
Less allowance for doubtful accounts and collection expenses	7,923,680
Net	$85,196,541

Deferred Accounts

FEDERATED DEPARTMENT STORES, INC.
Consolidated Balance Sheet
Current Assets:

Accounts Receivable:	
Due from customers:	
Thirty-day charge accounts	$ 39,606,844
Deferred payment accounts	88,379,395
Other accounts receivable	5,694,307
	$133,680,546
Less:	
Provision for possible future losses and deferred service charges	$ 8,495,597
Accounts sold to banks without recourse (less Company's equity therein of $4,752,642 at February 2, 1957)	36,510,826
	$ 45,006,423
Net	$ 88,674,123

Installment Notes

AMERICAN MACHINE AND METALS, INC.
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable:	
Installment notes receivable	$ 350,126
Accounts receivable	4,970,446
	$5,320,572
Less allowance for possible losses	139,000
	$5,181,572

DIAMOND T MOTOR CAR COMPANY
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable:	
Installment notes receivable, customers ($2,934,188 due after one year)	$6,435,254
Accounts receivable:	
Customers	1,727,180
Others	32,638
	$8,195,072
Less allowance for doubtful notes and accounts	106,744
	$8,088,328

HARRIS-INTERTYPE CORPORATION
Statement of Consolidated Financial Condition
Current Assets:

Trade accounts and notes receivable:	
Accounts receivable	$13,611,662
Installment notes (principally secured by title retaining contracts or chattel mortgages on equipment sold) including $2,188,932, due after one year	5,337,535
Equity in installment notes sold without recourse	933,820
	$19,883,017
Less deferred finance charges and allowances for collection losses	1,051,864
	$18,831,153

Accounts Receivable—Assigned

FORT PITT INDUSTRIES, INCORPORATED
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable (including $3,020,688 assigned as security for notes payable) *less* reserve for doubtful accounts of $100,000	$3,855,984

INDIAN HEAD MILLS, INC.
Consolidated Balance Sheet
Current Assets:

Accounts receivable:	
Trade accounts (Note B)	$3,049,916
Other accounts	168,097
	$3,218,013
Less—Reserves for discounts and doubtful accounts	91,519
	$3,126,494

Note B: Accounts Receivable—Accounts receivable are stated net of $640,613 borrowed from a bank to which accounts receivable aggregating $3,375,028 have been assigned. The bank has assumed the credit risk on the assigned accounts receivable.

NORTHROP AIRCRAFT, INC.
Consolidated Balance Sheet
Current Assets:

Accounts receivable from U. S. Government —Note B	$ 2,372,518
Other trade accounts receivable—Note B	5,338,233
Unreimbursed costs and fees under cost-plus-fixed-fee contracts, less allowances (1957—$450,000) for adjustments—Note B	25,936,980

Note B: Credit Agreements—Under the terms of a credit agreement expiring March 31, 1959, and subject to the borrowing formula contained therein, the company may borrow up to $20,000,000 ($12,000,000 borrowed at July 31, 1957). As collateral to such loans, the company has assigned amounts due and to become due under all of its sales contracts, with minor exceptions. Effective August 1, 1957, the agreement requires the company to maintain an excess of current assets over current liabilities of not less than $16,000,000. Upon the merger referred to in Note A, the company's balance sheet as of August 1, 1957 will show an excess of $20,840,978 of current assets over current liabilities.

Under the terms of a credit agreement entered into by the company's subsidiary, that company had borrowed $1,500,000 at July 31, 1957, and had assigned amounts due and to become due under all of its sales contracts, with minor exceptions. In August 1957 the borrowings were repaid and the credit agreement terminated.

Accounts Receivable—Factored

AUTOMATIC CANTEEN COMPANY OF AMERICA
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable:	
Customers and distributors (including current portion of installment accounts), *less* allowance for loss: 1957, $225,000 (Note 2)	$5,005,076
Sundry	1,927,537

Note 2: Installment Receivables—The manufacturing subsidiaries sell automatic merchandising equipment on conditional sales contracts collectible in installments. Substantial amounts of such receivables were sold to a bank. The bank deducted and holds as a reserve 20% of the uncollected balances of the receivables purchased. "Deferred income" includes the gross profit included in unsold installment receivables and in the aforementioned 20% balance held by the bank amounting to $465,213 at September 28, 1957.

WESTERN AUTO SUPPLY COMPANY
Comparative Balance Sheet
Current Assets:

Notes and accounts receivable:	
Retail customers' accounts—mainly installment accounts	$34,935,485
Associate store owners' customer installment accounts—less, unearned handling charges of $1,296,354	15,623,829
	$50,559,314
Less—Accounts sold to banks (net of Company's equity therein, $3,533,011) (Note 2)	26,223,631
	$24,335,683
Associate store owners' accounts, unsecured	$ 2,680,406
Due from suppliers	732,737
Employees' merchandise accounts	895,349
Sundry notes and accounts	1,446,859
	$30,091,034
Less allowance for doubtful accounts and collection expenses	2,423,349
Notes and accounts receivable—net	$27,667,685

Note 2: 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 any liability thereunder is reasonably covered by the allowance of $1,671,429 against installment accounts included in the allowance for doubtful accounts and collection expenses.

Accounts or Notes Receivable—Pledged

ADAM CONSOLIDATED INDUSTRIES, INC.
Consolidated Balance Sheet
Current Assets:

Notes Receivable—Less Allowance for Losses (Pledged—Note 3)	$1,867,281
Less: Amounts Due After One Year	1,339,341
	$ 527,940
Note Receivable—Due December 29, 1957 (Pledged—Note 3)	100,000
Note Receivable—Due December 29, 1958 (Pledged—Note 3)	100,000

Note 3: The company has pledged as collateral for the loan payable of $1,249,166 the following assets:

Notes Receivable	$1,882,281
Note Receivable—Due December 29, 1957	100,000
Note Receivable—Due December 29, 1958	100,000
Advances to Subsidiary not Consolidated	323,931
Total	$2,406,212

THE RYAN AERONAUTICAL CO.
Consolidated Balance Sheet
Current Assets:

Accounts receivable including estimated price adjustments under military contracts and termination claims (Note 1)	$14,676,788
Unreimbursed costs and fees under United States Government cost-plus-fixed-fee contracts (Note 1)	2,088,272

Note 1: Bank Loan—The Company has an agreement with the bank which provides, until April 30, 1958, 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, declare cash dividends which exceed 50% of net income or purchase any of its own stock.

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, 1957 are applicable to these contracts.

TEXTRON INC.
Consolidated Balance Sheet
Current Assets:

Accounts receivable—net of reserves and advances against pledged receivables (Note B)	$22,457,602

Note B: Accounts Receivable—Accounts receivable are stated after deducting related reserves for doubtful accounts, discounts and allowances totaling $2,196,638 and do not include $10,298,726 collected from banks to which accounts receivable aggregating $11,349,990 have been assigned. Of the accounts assigned, the banks have assumed the credit risk to the extent of approximately $10,000,000. Accounts receivable in the amount of $23,602,976 were not assigned.

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

Accounting Terminology Bulletin Number 1, Review and Résumé (1953), issued by the committee on terminology of the American Institute of Certified Public Accountants recommends the discontinuance of the word "reserve" in the balance sheet to describe uncollectible accounts. There has been a steady decrease in the use of the term since 1953; however, the change during the past year was very slight.

Table 7 is a tabulation of the terminology used by the 600 survey companies and has been divided into three sections. The first section summarizes the primary descriptive terms, such as "allowance," "reserve," "provision," etc. used in the balance sheet to describe *uncollectible accounts*. The second section of this table sets forth the various secondary terms used in such balance sheet descriptions. The third section of the tabulation shows the various combinations of primary and secondary terms used in 1957 and the frequency of their use.

Examples

The following examples, selected from the 1957 survey reports, are illustrative of the balance sheet ter-

TABLE 7: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	**1957	1956	1955	1950
"Allowance"—used alone	38	33	31	169
Allowance, etc.	234	232	217	
"Reserve"—used alone	115	114	122	248
Reserve, etc.	49	54	59	
Provision, etc.	34	32	31	37
Estimated, etc.	23	25	27	36
Deduction, etc.	5	5	4	3
Other terms	10	8	7	4
Total	508	503	498	497
No "uncollectible accounts" indicated	92	97	102	103
Total	600	600	600	600

*Combined with:	1957	1956	1955
Doubtful accounts	196	199	197
Doubtful notes and accounts	6	8	9
Doubtful amounts	2	2	2
Doubtful balances	4	4	4
Doubtful items	13	15	12
Doubtful receivables	17	18	17
Doubtful	4	4	4
Uncollectible accounts	6	5	5
Uncollectible amounts	2	4	4
Uncollectible items	1	1	1
Uncollectibles	2	2	2
Loss—losses	32	30	28
Collection losses	13	13	14
Carried forward	298	305	299

	1957	1956	1955
Brought forward	298	305	299
Credit losses	2	2	2
Receivable losses	1	1	1
Possible losses	18	17	17
Possible collection losses	5	5	7
Possible credit losses	1	1	1
Possible future losses	1	1	1
Bad debts	11	10	10
Worthless accounts	1	—	—
Realizable value	1	1	1
Other terms used alone	16	13	6
"Allowance"—used alone	38	33	31
"Reserve"—used alone	115	114	122
No "Uncollectible account"	92	97	102
Total	600	600	600

**1957 Descriptive Terms Combined As:	Primary Descriptive Term Above: Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	167	39	16	11	9	242
Uncollectible	4	—	1	5	1	11
Losses	50	4	12	6	2	74
Bad debts	4	3	3	1	—	11
With other phrases	9	3	2	—	2	16
Used alone	38	115	—	—	1	154
Total	272	164	34	23	15	508

minology used in presenting uncollectible accounts:

Allowance—(272 Companies):
"Less allowances" (*Co. Nos. 21, 30, 45, 273, 361)
"Less allowance of $xxx" (*Co. Nos. 289, 376, 392)
"Less related allowances" (*Co. No. 124)
"Allowance for doubtful accounts" (*Co. Nos. 27, 69, 362, 375)
"Allowance for doubtful receivables" (*Co. No. 434)
"Allowance for doubtful notes and accounts" (*Co. Nos. 195, 276, 592)
"Allowance for loss" (*Co. No. 72)
"Allowance for possible losses" (*Co. No. 406)
"Allowance for uncollectible accounts" (*Co. Nos. 80, 486)
"Allowance for credit losses" (*Co. No. 461)
"Allowance for doubtful items" (*Co. Nos. 137, 140, 153)
"Allowance for doubtful" (*Co. Nos. 135, 146, 551)
"Allowance for collection losses" (*Co. Nos. 321, 547)
"Allowance for losses" (*Co. Nos. 301, 325)
"Allowance for possible credit losses" (*Co. No. 225)
"Allowance for possible losses in collection" (*Co. No. 444)
"Allowance for bad debts, returns and discounts" (*Co. No. 162)
"Allowance for discounts and doubtful accounts" (*Co. Nos. 331, 418)
"Allowance for doubtful accounts and other items" (*Co. No. 310)
"Allowance for cash discounts, returns and doubtful accounts" (*Co. No. 394)
"Allowance for doubtful balances, claims, etc." (*Co. No. 309)
"Allowance for doubtful accounts and collection expense" (*Co. No. 510)
"Allowance for discounts and losses" (*Co. No. 22)
"Allowance for losses, adjustments, and discounts" (*Co. No. 512)
"Less allowance for doubtful accounts and deferred carrying charges" (*Co. No. 368)
"Less allowance for doubtful accounts, discounts and unearned finance charges" (*Co. No. 573)
"Less allowances for losses on collection and for deferred carrying charges" (*Co. No. 18)
"Less deferred finance charges and allowances for collection losses" (*Co. No. 284)
"Less allowance of $xxx for doubtful accounts and deferred service charges" (*Co. No. 196)

Reserve—(164 Companies):
"Less reserve" (*Co. Nos. 50, 76, 194, 231, 311)
"Reserve for doubtful accounts" (*Co. Nos. 314, 364, 425)
"Reserve for doubtful items" (*Co. Nos. 511, 534)
"Reserve for losses" (*Co. No. 312)
"Reserve for losses in collection" (*Co. No. 324)
"Reserve for doubtful items and cash discounts" (*Co. Nos. 54, 499)
"Reserve for bad debts" (*Co. Nos. 393, 405)
"Reserve for cash discounts and bad debts" (*Co. No. 67)
"Reserve for doubtful accounts" (*Co. Nos. 314, 425)
"Reserve for doubtful accounts and cash discounts" (*Co. No. 342)
"Reserve for allowances and doubtful accounts" (*Co. No. 366)
"Reserve for discounts, losses and allowances" (*Co. No. 509)
"Reserve for doubtful accounts, claims and allowances" (*Co. No. 421)
"Reserves for doubtful notes and accounts, cash discounts, and sales returns and allowances" (*Co. No. 187)
"Reserves for discounts, returns, allowances and doubtful receivables" (*Co. No. 288)
"Less reserves for doubtful accounts and unearned carrying charge income of $xxx" (*Co. No. 388)

Provision—(34 Companies):
"Provision for bad debts" (*Co. Nos. 99, 145, 270)
"Provision for doubtful accounts" (*Co. Nos. 33, 412)
"Provision for doubtful notes and accounts" (*Co. No. 280)
"Provision for possible losses" (*Co. Nos. 377, 596)
"Provision for losses" (*Co. No. 480)
"Provision for possible future losses and deferred service charges" (*Co. No. 232)
"Provision for discounts, allowances and possible losses" (*Co. No. 385)
"Provision for estimated doubtful accounts" (*Co. No. 398)
"Provision for possible losses in collection" (*Co. No. 506)
"Provision for collection losses" (*Co. No. 400)
"Provision for discounts and losses" (*Co. No. 65)
"Less provision of $xxx for possible losses in collection" (*Co. No. 221)
"Less provision for possible losses and cash discounts of $xxx" (*Co. No. 115)
"Less provision for credit losses of $xxx" (*Co. No. 176)
"Less provided for discounts and possible collection losses" (*Co. No. 190)
"Less provision of $xxx for estimated uncollectible accounts" (*Co. No. 128)
"Less $xxx provision for losses" (*Co. No. 238)

Estimated—(23 Companies):
"Estimated doubtful accounts" (*Co. No. 130)
"Less estimated doubtful accounts" (*Co. Nos. 98, 181, 583)
"Estimated amount uncollectible" (*Co. No. 451)
"Less estimated bad debts" (*Co. No. 569)
"Less estimated losses" (*Co. No. 448)
"Less estimated uncollectibles" (*Co. No. 521)
"Less estimated uncollectibles of $xxx" (*Co. No. 136)
"Less estimated doubtful amounts" (*Co. No. 520)
"Less estimated doubtful balances of $xxx" (*Co. No. 599)
"Less estimated allowances of $xxx" (*Co. No. 13)
"Less estimated collection losses" (*Co. No. 416)
"Less estimated losses in collection" (*Co. Nos. 450, 493)
"Less estimated doubtful accounts, discounts and allowances, $xxx" (*Co. No. 550)

Various Other Terms—(15 Companies):
"Net of doubtful accounts and allowances" (*Co. No. 304)
"Stated on basis of realizable values" (*Co. No. 131)
"Net after provision for losses and discounts" (*Co. No. 478)
"Net" (*Co. Nos. 31, 96)
"After deduction of $xxx, for doubtful accounts and allowances" (*Co. No. 577)

*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 8, the number of companies indicating government contracts or defense business in their annual reports has remained unchanged at 224 during the year under review. There were 81 companies which made specific reference to U. S. Government contracts or defense business within the balance sheet, and 143 companies which included such information elsewhere in their annual report. Table 8 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	10, 131, 246, 537, 551
U. S. Government contracts	47, 75, 191, 270, 402
Cost reimbursement contracts	75, 254, 270, 470
Prime contracts	73, 92, 415, 445, 483
Sub-contracts	92, 114, 409, 411, 483
Facility contracts	172
Cost-plus-fixed-fee contracts	89, 100, 200, 227, 415
Fixed fee contracts	89, 100, 277, 352, 415
Incentive type contracts	277, 352, 365, 415, 417
Contracts subject to price redetermination	8, 39, 186, 227, 415
Research-development type contracts	73, 197, 280, 312, 483
U. S. Ordinance contracts	12, 105, 200, 290, 474

The amount and nature of the information given in the 1957 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 on the following page.

*Refer to Company Appendix Section.

TABLE 8: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1957	1956
Current Asset Section		
Accounts receivable due from government (*Co. Nos. 73, 188, 312, 462, 509)	48	52
Inventory less billing or progress payment received (*Co. Nos. 47, 119, 220, 415, 554)	39	39
Unbilled costs or fees (*Co. Nos. 100, 365, 399, 511, 528)	17	14
Recoverable costs (*Co. Nos. 168, 280)	5	5
Reimbursable expenditures (*Co. Nos. 403, 531, 543)	7	5
Fees or costs less progress payments received (*Co. Nos. 393, 441)	4	3
Advances or payments to subcontractors less progress payments received from government (*Co. Nos. 352, 365)	2	2
Deferred general and administrative expenses applicable to contracts (*Co. No. 367)	1	1
Contract termination claims (*Co. Nos. 262, 352, 391, 483, 492)	8	6
Advances or progress payments received deducted from current asset subtotal (*Co. Nos. 19, 419, 589)	3	5
Noncurrent Asset Section		
Advances received with liability account contra thereto (*Co. Nos. 254, 270)	2	1
Recoverable costs	—	1
Current Liability Section		
Invoices, payrolls, etc., applicable to contracts (*Co. No. 81)	1	1
Estimated price adjustments (*Co. Nos. 218, 227, 478)	4	7
Advances received (*Co. Nos. 92, 352)	2	1
Advance payments received in excess of expenditures (*Co. No. 200)	1	2
Refunds due—U. S. Government (*Co. Nos. 66, 92, 200, 365, 528)	6	3
Unearned billings (*Co. No. 413)	1	—
Estimated costs to be incurred (*Co. Nos. 200, 562)	2	2
Progress billings (*Co. No. 470)	1	1
Progress billings (net) and estimated costs to be incurred on billed contracts (*Co. No. 562)	1	1
Noncurrent Liability Section		
Advances received (contra to asset account) (*Co. No. 254)	1	—
Total	156	152
Number of Companies referring to government contracts or defense business		
In balance sheet presentation	81	86
In body of report, but not including balance sheet presentation	143	138
Not referring to contracts, defense business, etc.	376	376
Total	600	600

*Refer to Company Appendix Section.

Special Feature	*Company Numbers**
Government-owned plant and equipment operated by company	100, 200, 253, 413, 551
Price redetermination or contract adjustment clause	1, 160, 205, 294, 415
Clause covering incentive feature	277, 414
Certain assets pledged as collateral or security for loan or financial aid from government	341
Certain receivables due to company from government pledged to secure loans obtained from non-government sources	205, 227, 415, 506
Contract completed during year	414, 476

The following examples selected from the 1957 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	$ 2,870,729
Trade, *less* reserve for losses	25,253,543
	$28,124,272

Current Liabilities:

Accrued compensation, cooperative advertising and other expenses, including employees' withholding taxes and other reserves—Note B	$ 8,063,457

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 made through December 31, 1957, that reasonable provision has been made in the accompanying consolidated financial statements for adjustments which may arise out of future price redetermination and renegotiation.

AMERICAN MACHINE & FOUNDRY COMPANY
Notes to Financial Statements

Note E: A substantial portion of the sales during the year 1957 was under defense contracts which are subject to renegotiation and, in some cases, to price redetermination. It is believed that any amounts refundable as a result thereof will not materially affect reported net income or financial position.

CURTISS-WRIGHT CORPORATION
Notes to Financial Statements

Note 6: Price redetermination proceedings under certain contracts with the United States Government have not been completed. Sales under such contracts are recorded at estimated amounts.

*Refer to Company Appendix Section.

Cost-Plus-Fixed-Fee Contracts

BELL AIRCRAFT CORPORATION
Consolidated Balance Sheet
Current Assets:
Receivables:

Defense contracts (Including costs and fees under CPFF contracts: 1957—$7,127,063)	$17,708,632

Note 1: Renegotiation—A substantial portion of the consolidated sales for the years 1955 through 1957 is subject to renegotiation under the Renegotiation Act of 1951. It is the opinion of management that renegotiation will have no material effect on the financial statements and, therefore, no provision for renegotiation has been made.

BOEING AIRPLANE COMPANY
Balance Sheet
Current Assets:
Accounts receivable—

United States	$ 17,370,107
Others	3,961,833
	$ 21,331,940
Estimated balances receivable from the United States—	
For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees	$113,056,099
For deliveries under contracts for which unit prices have not been established or revised	51,258,608
	$164,314,707
Accumulated charges on fixed-price type contracts less estimated cost (average total contract basis) of deliveries	$654,218,996
Less advances and progress payments received and accrued	492,629,759
	$161,589,237

Notes to Financial Statements: Renegotiation—Unilateral determinations of excessive profits have been made or indicated by The Renegotiation Board for the years 1952, 1953 and 1954. The required refunds have been paid or provided for in the accounts. Appeals for the years 1952 and 1953 have been taken to the Tax Court of the United States and it is expected that the Board's decision for the year 1954 will likewise be appealed.

The company does not know and cannot predict what the Board's actions will be for the years 1955, 1956 and 1957. In view of this uncertainty and the belief of the company that no excessive profits were realized, no provision has been made for renegotiation refunds for any of these years.

DOUGLAS AIRCRAFT COMPANY, INC.
Statement of Financial Position
Current Assets:

Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts, less $50,000 allowance for adjustments	$82,870,135

Note D: Renegotiation—Renegotiation proceedings for the fiscal year 1953 were concluded in 1957 by payment, under protest, of a unilateral net assessment of $1,320,066 shown as a charge against income for the fiscal year 1957. The Company contends that it realized no excessive profits and has filed a petition in the Tax Court of the United States for refund of the payment together with interest thereon.

The Company was recently notified by the Regional Renegotiation Board in Los Angeles that it proposes to recommend to the Renegotiation Board in Washington that the Company's profits for the fiscal year 1954, be considered execessive in the gross amount of $6,000,000. 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 $2,027,000. The Company is of the opinion that it has not earned excessive profits for the year ended November 30, 1954, or for any following year. Accordingly, no provision for renegotiation refunds for the fiscal year 1954 and subsequent 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.

Contract Termination Claim

LOCKHEED AIRCRAFT CORPORATION
Consolidated Balance Sheet
Current Assets:

United States Government contract termination claims	$13,588,902

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:

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
Consolidated Balance Sheet
Current Assets:

Amounts receivable (Notes 1 and 3):	
United States Government (including unbilled items)	$12,149,198
Other	9,680,908

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 $530,000.

(a) For the year 1953 the Renegotiation 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 petitioned The Tax Court of The United States to review this determination.

(b) Certain sales in 1957 and prior years are subject to price redetermination and termination 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.

Note 3: Under the provisions of the 1957 Revolving Credit Agreement dated as of November 15, 1957, $21,476,516 of accumulated earnings as of December 31, 1957, may not be utilized for the payment of cash dividends or the purchase of stock of the Corporation; in addition the Corporation must maintain net current assets of at least $15,000,000. The Corporation has assigned monies due and to become due under certain defense production contracts as collateral under this agreement.

NORTHROP AIRCRAFT, INC.
Consolidated Balance Sheet
Current Assets:

Cash	$18,429,627
Accounts receivable from U. S. Government—Note B	2,372,518
Other trade accounts receivable—Note B	5,338,233
Unreimbursed costs and fees under cost-plus-fixed-fee contracts, less allowances (1957—$450,000 for adjustments—Note B	25,936,980
Inventories—Notes B and C:	
Fixed-price contracts in process, materials and supplies	21,118,769
Less progress payments received	(4,893,616)

Note B: Credit Agreements—Under the terms of a credit agreement expiring March 31, 1959, and subject to the borrowing formula contained therein, the company may borrow up to $20,000,000 ($12,000,000 borrowed at July 31, 1957). As collateral to such loans, the company has assigned amounts due and to become due under all of its sales contracts, with minor exceptions. Effective August 1, 1957, the agreement requires the company to maintain an excess of current assets over current liabilities of not less than $16,000,000. Upon the merger referred to in Note A, the company's balance sheet as of August 1, 1957 will show an excess of $20,840,978 of current assets over current liabilities.

Under the terms of a credit agreement entered into by the company's subsidiary, that company had borrowed $1,500,000 at July 31, 1957, and had assigned amounts due and to become due under all of its sales contracts, with minor exceptions. In August 1957 the borrowings were repaid and the credit agreement terminated.

Note C: 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. Costs of materials and supplies are determined generally under the first-in, first-out method.

Certain fixed-price contracts in process contain incentive and price redetermination provisions. Recognition has been given in the financial statements to adjustments in respect of these provisions.

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

THE RYAN AERONAUTICAL CO.
Consolidated Balance Sheet
Current Assets:

Cash	$ 3,825,166
Accounts receivable including estimated price adjustments under military contracts and termination claims (Note 1)	14,676,788
Unreimbursed costs and fees under United States Government cost-plus-fixed-fee contracts (Note 1)	2,088,272
Inventories, at average cost which is less than realizable value (Notes 1 and 2):	
Materials, parts and supplies	5,182,705
Contracts and other work in process, less progress payments received on United States Government contracts: 1957—$6,770,057	13,924,892
Prepaid expenses	626,040
Total current assets	$40,323,863

Note 1: Bank Loan—The Company has an agreement with the bank which provides, until April 30, 1958, 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, declare cash dividends which exceed 50% of net income or purchase any of its own stock.

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, 1957 are applicable to these contracts.

Note 2: Inventories—In respect of major production programs, it is the policy of the Company that, as units are delivered, the estimated profit for each program is taken into income in proportion to the sales price of the deliveries.

A substantial portion of inventories at October 31, 1957 represents costs incurred on the DC-8 commercial project.

Renegotiation

There were 121 survey companies that referred to renegotiation or to renegotiable sales in their 1957 reports. Of these companies, 20 included in their balance sheets a provision for estimated renegotiation liability, and an additional 10 companies referred to such provision in the notes to the financial statements or in the letter to the stockholders. The remaining 91 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 9 gives the balance sheet or other presentation of estimated renegotiation liability as shown in the survey reports.

TABLE 9: ESTIMATED RENEGOTIATION LIABILITY

Balance Sheet or Other Presentation	1957	1956	1955
Provision for estimated renegotiation liability—			
Set forth under current liabilities:			
Combined with liability for taxes (*Co. Nos. 12, 237, 277, 480, 484, 567)	15	19	24
Combined with non-tax liability (*Co. Nos. 92, 254)	2	4	4
Separately set forth (*Co. Nos. 100, 214, 227)	3	6	6
Referred to in:			
Notes to financial statements (*Co. Nos. 1, 8, 160, 292)	7	11	9
Letter to stockholders (*Co. Nos. 129, 207, 384)	3	2	5
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales" (*Co. Nos. 26, 81, 89, 186, 352, 399, 441, 528)	91	109	133
Number of Companies Referring To:			
Renegotiation or renegotiable sales	121	151	181
Not referring thereto	479	449	419
Total	600	600	600

*Refer to Company Appendix Section.

Examples—Renegotiation

The following examples, taken from the 1957 reports illustrate the nature and scope of the information disclosed therein concerning renegotiation and the provision made therefor:

AMERICAN MACHINE AND METALS, INC.
Consolidated Balance Sheet
Current Liabilities:
Federal income taxes and renegotiation (Note 2) $2,935,757

Note 2: Renegotiation—A substantial portion of the Company's business since 1954 is subject to renegotiation under applicable statutes and regulations of the U. S. Government. Based on prior years' renegotiation settlements, it is believed that the amounts provided for possible refunds for open years are adequate.

BLAW-KNOX COMPANY
Statement of Financial Position
Current Liabilities:
Federal taxes on income and renegotiation .. $6,196,312

Financial Review: Income Taxes and Renegotiation—Provision for Federal income taxes applicable to 1957 was $7,625,000.

Federal tax liabilities have been settled through the year 1949. Tax returns for the years 1950 to 1955, inclusive, have been audited but the tax liability for these years has not been finally determined. Renegotiation has been settled through the year 1955. A gross refund of $1,000,000 was made to the government for the year 1953; the years 1954 and 1955 were closed without refund.

We believe that adequate provision has been made in the accounts to cover the liability for Federal income taxes and renegotiation for all open years.

FOOD MACHINERY AND CHEMICAL CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Federal and foreign taxes on income and renegotiation (Note 4) $12,799,662

Note 4: Federal Taxes on Income and Renegotiation—Examination of the company's Federal income tax returns by the U. S. Treasury Department for the years 1948 through 1950 resulted in deficiencies being assessed and paid in the amount of $790,398, including interest. Revisions of depreciation rates and amortization were the principal adjustments to taxable income. In addition, similar adjustments are proposed by the U. S. Treasury Department for the years 1951 through 1954 which may result in possible additional assessments of tax of approximately $1,925,000. A payment of $1,213,613, plus interest thereon, was made in 1957 in advance of assessment. Similar adjustments for depreciation and amortization for the years 1955 and 1956 may result in additional tax deficiencies of approximately $200,000.

The depreciation provisions recorded in the accounts for the years 1948 through 1956 exceed the amount expected to be allowed for tax purposes by approximately $3,700,000. The accounts have not been retroactively adjusted to the tax basis. Depreciation recorded in the books for 1957 was based on the new rates, resulting in a provision $512,228 less than it would have been under the old rates.

The provision for Federal income taxes for 1957 reflects certain additional deductions available to the company which substantially reduce the amount of income subject to tax. These items, which are not charged against income in the financial statements, include additional depreciation and amortization, percentage depletion, mineral properties development costs capitalized in the accounts, interest of $553,630 paid on tax deficiencies and charged against the reserve for Federal income taxes, dividends received credit and other items.

Provisions of $275,296 for income taxes of foreign subsidiaries are included in the 1957 tax provision.

Certain sales for 1957 are subject to renegotiation by the U. S. Government.

It is believed that adequate provision for tax liabilities, including interest thereon, and renegotiation has been made in the financial statements.

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Federal income and other taxes, and renegotiation (Note 2) $8,505,488

Note 2: Substantially all of the Company's sales in 1955, 1956 and 1957 are subject to the Renegotiation Act of 1951. Renegotiation proceedings have been concluded to December 31, 1954, except for the years 1951 and 1953. The Company has paid or accrued refunds for 1951 and 1953 as determined by the Renegotiation Board, but the Company has petitioned the Tax Court of the United States for a redetermination of the excessive profits, if any, for these years. The Renegotiation Board has determined a net refund for the year 1954 amounting to approximately $1,170,000 after tax adjustments, and the Company has accepted this determination. Even though the Company believes its profits are not and have not been excessive, it has established reserves for the payment of this refund and any refunds which may be required for subsequent years.

The Company's request for a contract price adjustment on one large contract referred to in previous reports has been resolved and the effect thereof reflected on the income statement as a special item.

ROHM & HAAS COMPANY
Balance Sheet
Current Liabilities:

Federal and state income taxes and renegotiation, estimated $12,141,303

Note 2: Federal income tax returns of the company have been examined by the Internal Revenue Service and settled through 1954.

Certain of the company's business for 1957 is subject to renegotiation. The Renegotiation Board has indicated that liability for prior years has been settled.

It is believed that adequate provision has been made in the financial statements as to liability for taxes and renegotiation.

SACO-LOWELL SHOPS
Consolidated Balance Sheet
Current Liabilities:

Federal income taxes and renegotiation (Note 5) $291,942

Note 5: The credit to income for Federal income taxes in the year 1957 arises principally from estimated refundable prior year's tax of $294,000 resulting from carry-back of the Company's 1957 loss. This estimated carry-back refund is netted, in the balance sheet, against the liability for Federal income taxes and renegotiation. Renegotiation proceedings have been commenced for 1955 and 1956; management is of the opinion that appropriate provision has been made to cover any refunds which may be required for both years. 1957 sales under United States Government contracts were less than the statutory amount requiring renegotiation.

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 118 companies exclusive of other detail on the balance sheet. An additional 85 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 397 companies provided inventory details on the balance sheet as follows:

Separate captions and amounts presented for:	*Number of Items*
Finished products	175
Work in process	130
Raw materials	136
Materials	6
Supplies	113
Merchandise	34
Various other separate captions	38
Combined caption with one total amount presented for:	
Finished goods and work in process	59
Finished goods, work in process, and raw materials	31
Finished goods, work in process, raw materials and supplies	31
Work in process and raw materials	4
Work in process, raw materials and supplies	10
Raw materials and supplies	44
Raw materials, supplies and finished goods	8
Materials and supplies	48
Merchandise and supplies	6
Various other combined captions	42

Pricing Basis

The most commonly used basis of valuation for inventories continues to be "lower of cost or market," as shown by the 1957 reports of the 600 survey companies. Table 10 summarizes the various bases stated by the survey companies to have been used in the pricing of their inventories. Only two of the companies failed to disclose in their 1957 reports the basis used in pricing their inventories.

Methods of "Cost" Determination

Table 10 discloses the methods of "cost" determination for the pricing of inventories as reported by 397 of the 600 survey companies. The remaining 203 companies did not disclose their method of cost determination and of these, two, as mentioned above, 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:

Average "Cost"

AMERICAN ENKA CORPORATION
Statement of Financial Condition
Current Assets:

Inventories (Note 1) $12,265,479

Note 1: Inventories—Inventories are stated at the lower of standard cost (approximating average cost) or market. Market represents replacement cost or estimated net realizable value.

A summary of inventories at December 29, 1957 by major classification is as follows:

Finished goods	$ 3,742,404
Work in process	3,432,634
Raw materials	2,025,273
General stores	2,456,328
Material in transit	608,840
	$12,265,479

BAYUK CIGARS INCORPORATED
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1) $20,031,808

Note 1: The amounts of the inventories in the consolidated balance sheet comprise:

Manufactured goods at average cost	$ 2,316,737
Tobaccos, including in process and tobaccos held for aging which will not be used within one year, at average cost	16,734,852
Manufacturing labor applicable to work in process, at average cost	196,211
Supplies, etc., at cost—first-in, first-out method	784,008
	$20,031,808

DRESSER INDUSTRIES, INC.
Consolidated Balance Sheet
Current Assets:

Inventories—at lower of cost (principally average cost) or replacement market:	
Finished products and parts	$26,416,996
In-process products and parts	24,950,877
Raw materials and supplies	17,156,182
	$68,524,055
Less applicable advances from customers on contracts	1,849,093
	$66,674,962

First-in, First-out "Cost"

BOHN ALUMINUM & BRASS CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories—at lower of cost (first-in, first-out method) or market:	
In-process and finished products	$2,262,892
Metals and other raw materials	3,864,948
Manufacturing supplies	460,259
	$6,588,099

CENTRAL SOYA COMPANY, INC.
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1):	
Finished goods	$ 6,676,167
Raw material	9,599,553
Bags and containers	436,769
Supplies	472,084
Total inventories	$17,184,573

Note 1: Inventories were valued as follows: Finished goods—soybean products ($1,722,280) at market, other products at approximate cost, not in excess of market; Raw materials, bags and containers—at lower of cost, on a first-in, first-out basis or market; Supplies—at cost, on a first-in, first-out basis.

THE GARRETT CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories of merchandise, finished products, work in process, raw materials and processed parts—at lower of cost (generally first-in, first-out method) or market; less progress payments received ($4,112,384)	$46,227,147

THE NATIONAL SUGAR REFINING COMPANY
Statement of Financial Position
Current Assets:

Inventories (Note 1):	
Raw and refined sugar	$14,678,055
Manufacturing supplies	2,304,608

Note 1: Inventories—A base stock of 25,000 tons of sugar is valued at a raw sugar base price of 5.65¢ a pound which is lower than cost or current market price. The remainder of the sugar inventories is valued at the lower of cost (first-in, first-out basis) or market. Manufacturing supplies are valued at the lower of average cost or market.

POLAROID CORPORATION
Financial Statement
Current Assets:

Inventories (Note B)	$4,635,754

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

The breakdown of inventories was as follows:

Raw Materials, Supplies and Work in Process	$2,769,636
Finished Goods	1,866,118
	$4,635,754

Standard "Cost"

CONTINENTAL CAN COMPANY, INC.
Consolidated Balance Sheet
Current Assets:

Inventories (Note 2):	
Raw materials and supplies	$ 57,529,000
Work in process and finished goods	95,127,000
	$152,656,000

Note 2: Inventories—Inventories are stated at the lower of cost or market. Cost for this purpose represents standard, average, or actual cost with respect to approximately 79% of the 1957 inventory and "last-in, first-out" (LIFO) cost as to the remaining 21%.

PARKERSBURG-AETNA CORPORATION
Balance Sheet
Current Assets:

Inventories—at cost (principally standard costs) not in excess of replacement market:	
Raw materials, manufactured and purchased parts, and supplies	$4,581,632
Work in process	835,936
Finished goods	2,484,187
	$7,901,755

RITTER COMPANY, INC.
Consolidated Balance Sheet
Current Assets:

Inventories (Note 2)	$7,207,573

Note 2: Inventories—Inventories of finished products, work in process, finished and semi-finished parts, and raw materials and supplies are valued generally at standard costs which approximate actual costs and are not in excess of market values.

SAFETY INDUSTRIES, INC.
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1)	$6,821,200

Note 1: Inventories have been priced at the lower of cost or market, cost having been determined at standard or on a first-in, first-out basis, with labor and material at current prices and with overhead computed at a standard rate, except for inventories of The Howe Scale Company, in the amount of $2,153,589 which have been priced at cost on the last-in, first-out basis.

Replacement "Cost"

PHILLIPS PETROLEUM COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories:	
Crude oil, petroleum products, and merchandise (lower than market)—Note 1	$119,184,507
Materials and supplies (at cost or condition value)	31,963,473

Note 1: Inventories—Inventories are priced substantially at cost, calculated mainly by use of the last-in, first-out method with crude oil on an annual basis and refined products, chemicals, and natural gasoline products on a monthly basis. Non-petroleum merchandise is priced at cost or replacement cost.

TABLE 10: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1957	1956	1955	1950
Lower of Cost or Market—				
A: Lower of Cost or Market	377	364	349	342
B: Lower of Cost or Market; and, Cost	90	70	82	67
C: Lower of Cost or Market; and, one or more other bases	19	39	40	53
D: "Cost not in excess of market"	32	38	54	24
	518	511	525	486
Cost—				
E: Cost	62	58	34	63
F: Cost; and, one or more other bases	10	24	60	57
G: Cost; and, Lower of Cost or Market (See above)	90	70	82	67
	162	152	176	187
Other Bases—				
H: Cost or less than cost	19	26	29	37
I: Cost or less than cost "not in excess of market"	6	9	6	10
J: Cost, less than market	15	21	20	6
K: Lowest of—cost, market, adjusted selling price	—	2	1	1
L: Market	10	17	18	29
M: Market or less than market	7	9	5	8
N: Contract price	3	4	4	11
O: Selling price	—	3	3	4
P: Assigned values	3	1	3	7
Q: Various other bases	13	11	22	11
	76	103	111	124
Total	756	766	812	797

II: Method of Determining "Cost"

Methods:**	1957	1956	1955	1950
A: Last-in, first-out	204	200	202	161
B: Average cost	157	146	146	139
C: First-in, first-out	146	138	138	134
D: Standard costs	35	27	31	32
E: Approximate cost	11	11	11	16
F: Actual cost	8	4	8	7
G: Invoice cost	2	1	1	5
H: Production cost	2	5	4	5
I: Estimated cost	5	6	5	2
J: Replacement cost	4	5	4	2
K: Retail method	15	17	14	6
L: Base stock method	3	4	4	6
M: Job-order method	2	2	1	2
N: Other methods	8	12	8	4
Total	602	578	577	521

Number of Companies	1957	1956	1955	1950
Stating inventory pricing basis and cost method	397	376	382	361
Stating inventory pricing basis but omitting cost method	201	219	212	232
Not stating inventory pricing basis or cost method	2	5	6	7
Total	600	600	600	600

I. *Refer to Company Appendix Section—A: Co. Nos. 39, 82, 160, 167, 168; B: Co. Nos. 87, 90, 95, 118, 146; C: Co. Nos. 208, 243, 265, 266, 272; D: Co. Nos. 228, 231, 254, 287, 295; E: Co. Nos. 251, 264, 322, 329, 333; F: Co. Nos. 116, 169, 416, 464, 536; G: See "B"; H: Co. Nos. 28, 477, 517, 518, 583; I: Co. Nos. 132, 205, 207, 421, 469; J: Co. Nos. 169, 274, 355, 360, 377; L: Co. Nos. 58, 181, 255, 416, 444, 534; M: Co. Nos. 56, 182, 440; N: Co. Nos. 48, 181, 568; P: Co. Nos. 173, 181, 452; Q: Co. Nos. 365, 407, 419.

II. **Refer to Company Appendix Section—A: Co. Nos. 30, 52, 67, 91, 95; B: Co. Nos. 10, 20, 33, 47, 56; C: Co. Nos. 123, 134, 245, 328, 330; D: Co. Nos. 340, 362, 403, 411, 418; E: Co. Nos. 90, 138, 190, 206, 283; F: Co. Nos. 167, 451, 560, 562, 578; G: Co. Nos. 102, 273; H: Co. Nos. 143, 488; I: Co. Nos. 148, 174, 429, 542; J: Co. Nos. 172, 333, 443; K: Co. Nos. 18, 273, 344, 491, 595; L: Co. Nos. 173, 208, 221; M: Co. Nos. 86, 119; N: Co. Nos. 11, 42, 47, 353, 393.

Retail Method

BOND STORES, INCORPORATED
Consolidated Balance Sheet
Current Assets:

Merchandise inventories—Note A:	
Woolens, trimmings, etc.	$ 2,525,782
Work in process	1,587,241
Finished goods	21,898,687
	$26,011,710

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.

LERNER STORES CORPORATION
Consolidated Balance Sheet
Current Assets:

Merchandise inventories, at the lower of cost or market, based substantially upon the retail method	$19,145,266

J. C. PENNEY COMPANY
Balance Sheet
Current Assets:

Merchandise (Note 1)	$185,576,374

Note 1: Inventories are stated at the lower of cost or market determined as follows: Merchandise in stores—by the retail method. Other inventories—cost determined by the first-in first-out method and market on the basis of replacement cost.

Base Stock Method

CORN PRODUCTS REFINING COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—Note 2:	
Finished products and goods in process	$20,989,129
Raw materials and supplies	17,224,115

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.

The reserve for reduction of normal stock inventories to fixed prices is stated net of effective Federal income normal tax and surtax. It is increased or decreased through charges or credits to cost of sales to record the changes between prices at cost, or cost or market, whichever lower, and the fixed prices. The changes in the reserve for reduction of normal inventories to fixed prices, net of effective Federal normal tax and surtax, resulted in a decrease in cost of sales of $592,736 in 1957 and an increase of $416,093 in 1956.

THE EAGLE-PICHER COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories of raw materials, work in process, finished products, and supplies (Note 1)	$17,024,084

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	$29,902,791
Footwear in process	2,043,020
Raw materials	13,780,107
Miscellaneous	1,309,725
	$47,035,643

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 the following fixed prices, which are substantially below current market levels:

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 on the entire provision of $17,849,224. 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 $8,567,628 and the excess of $9,281,596 would represent a part of "Accumulated retained earnings."

The normal base stock method is designed to eliminate from earnings most inventory price increases or decreases. Inventory prices increased during the year and accordingly the "Provision to give effect to the normal base stock method" was increased by $489,562. Since the required addition was not deducted in computing the 1957 federal income tax, an amount equivalent to the federal income tax applicable to the addition ($254,600) was charged directly to "Accumulated Retained Earnings," and only the remainder of $234,962 was charged to earnings.

Job Order Method

BEECH AIRCRAFT CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories, less progress payments of $8,582,738—Note A	$21,703,753

Note A: Inventories—Inventory at the balance sheet date was as follows:

Finished airplanes—demonstrators	$ 466,419
Work in process	21,758,238
Raw materials and parts	8,061,834
	$30,286,491

Finished airplanes, used as demonstrators, were included at cost less an estimated allowance for reconditioning. The amounts for work in process were the aggregate costs accumulated under a job order cost system, after deducting the estimated cost of units delivered. At September 30, 1957, approximately $3,000,000 of work in process was priced at market (based upon current selling prices) which was less than cost. Engineering and tooling costs applicable to work in process were included to the extent recoverable under specific contracts. Raw materials and parts were priced at standard costs for material, labor, and burden (adjusted to actual cost at the balance sheet date) which were not in excess of replacement cost or market.

Amounts shown for inventories include items, the title to which is vested in the United States Government by reason of progress payment provisions of related contracts.

Determination of "Market"

Only 80 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:

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	$ 5,125,010
At lower of cost (first-in, first-out method) or market:	
Flaxseed, soybeans, and other raw materials	6,810,070
Sundry oils	6,884,019
Packaging materials	704,498
Manufacturing supplies	1,981,681
At market:	
Flour, wheat, and other grains, including adjustment of open contracts to market	12,011,114
At market or less:	
Feed and meal, including adjustment of open contracts to market	3,151,339
	$36,667,731

Note A: Grain and grain products shown in the balance sheet as priced "at market" or "at market or less" have been priced on the basis of market prices for grain at June 30, including adjustment to market of open purchase and sale contracts at that date. The Company generally follows a policy of hedging its transactions in these and certain other commodities to the extent practicable to minimize risk due to market price fluctuations.

Current replacement cost of oils priced in the inventory at last-in, first-out cost exceeds the inventory basis thereof by approximately $4,650,000 at June 30, 1957 and $5,200,000 at June 30, 1956. The decrease in this "Lifo reserve" results principally from decreased quantities at June 30, 1957. The excess of the cost of replacing such decreased quantities over the Lifo inventory basis of those quantities has been added to the reserve for anticipated replacement of inventories after adjustment for allocable income tax effect.

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	$22,500,700
Raw materials	7,171,704
Manufacturing supplies	2,555,752
	$32,228,156
Less allowances for shrinkage and obsolescence	1,611,314
	$30,616,842

THE EMERSON ELECTRIC MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories, at the lower of cost (first-in, first-out) or replacement market:	
Finished products	$ 4,667,832
Work in process and fabricated parts	2,984,280
Raw material and purchased parts	2,920,593
Costs applicable to United States Government contracts, less progress billings, 1957 $770,230	1,761,473
	$12,334,178

GENERAL AMERICAN TRANSPORTATION CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories:	
Contracts in process—at cost	$28,815,839
Materials and supplies—at the lower of cost (generally first-in, first-out method) or replacement market	13,772,888
	$42,588,727

THE GLIDDEN COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—raw materials, in process, and finished goods—at the lower of cost (accumulated average) or replacement market, except for certain basic materials stated at cost (last-in, first-out method) which did not exceed replacement market	$47,387,605

THE HARSHAW CHEMICAL COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—Note B:	
Finished products	$ 7,111,599
Work in process	2,164,503
Raw materials	4,133,212
Supplies	1,330,566
	$14,739,880

Note B: Inventories are stated at the lower of cost (last-in, first-out method for inventories of approximately $161,500 at September 30, 1957, and mainly standard costs, revised at reasonable intervals to reflect current conditions, for other inventories) or replacement market.

THE OHIO OIL COMPANY
Statement of Consolidated Financial Position
Current Assets:

Inventories (See Note):	
Crude oil and natural gas liquids	$ 7,341,615
Refined products and merchandise	15,363,291
Materials and supplies	14,402,875
Total inventories	$37,107,781

Note: Inventories of crude oil are included at accumulated average price per barrel based upon cost of oil purchased and posted price of oil produced; quantities at refineries are priced at market at date of transfer to refineries. Refined products are priced at approximate cost to refineries, and materials and supplies are priced at or below cost. The amounts included for inventories, in the aggregate, did not exceed market.

WESSON OIL & SNOWDRIFT CO., INC.
Consolidated Balance Sheet
Current Assets:

Inventories (for bases of valuation see Note 1):	
Vegetable oils and their by-products	$ 9,257,099
Other finished goods	6,212,757
Other raw materials	6,877,564
Packaging materials and supplies	4,253,981
	$26,601,401

Note 1: The vegetable oils and their by-products included in the inventories were valued on the last-in, first-out basis at cost established originally at August 31, 1941, except that the carrying value of one of the oils on a "lifo" basis was reduced to state such oil at market value at August 31, 1957. For all of the other oils in the inventory at August 31, 1957, costs were below market values as at that date. The other finished goods and other raw materials were valued at the lower of cost (computed on the first-in, first-out basis) or market. Market prices of the commodities and products therefrom used for comparison with costs were based on current published quotations where available; otherwise latest purchase costs were considered to represent current market. Inventories of packaging materials and supplies were valued at cost or less.

Lifo Inventory Cost Method

Use of Lifo by Industrial Groups

Table 12 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, 1955, 1956, and 1957.

Presentation of Lifo

The changes in the number of survey companies adopting or abandoning the use of lifo are summarized, comparatively, in Table 11. Five of the survey companies referred to the use of lifo for the first time in their 1957 reports, and one company is reported as having abandoned it.

TABLE 11: LIFO INVENTORY COST METHOD

Number of Companies	1957	1956	1955	1950
Using Lifo at beginning of year (See Table 12)	200	202	200	118
Adopting Lifo during year (*Co. Nos. 144, 437, 467, 475, 505)	5	6	4	42
Subsidiaries acquired with Lifo	—	—	2	—
No reference to Lifo in current year	—	(8)	—	—
Readopting Lifo during 1950	—	—	—	1
Abandoning Lifo during year (*Co. No. 273)	(1)	—	(4)	—
Using Lifo at end of year (See Table 12)	204	200	202	161
Not referring to use of Lifo	396	400	398	439
Total	600	600	600	600
Extending Lifo to additional inventory classes during year (*Co. Nos. 122, 512)	2	3	3	16
Partially abandoning Lifo during year (*Co. No. 377)	1	—	—	1

*Refer to Company Appendix Section.

Examples—Lifo Inventory Cost Method

Examples illustrating the disclosures of the use of lifo in the 1957 reports are as follows:

Adoption of Lifo

CHRYSLER CORPORATION
Consolidated Balance Sheet
Current Assets:
Inventories—at lower of cost or market (see note) $300,389,316

Note: At December 31, 1957, the last-in, first-out cost method was used for stating substantially all United States inventories (except defense) which comprise approximately 90% of the consolidated inventories. At December 31, 1956, the first-in, first-out cost method was used. Because of this change, inventories at December 31, 1957, are stated approximately $10,000,000 lower than they would have been under the former method, and net earnings for 1957 are reduced approximately $5,000,000.

CROWN CORK & SEAL COMPANY, INC.
Statement of Financial Position
Current Assets:
Inventories $26,644,000

Notes to Financial Statements: Inventories—

Finished goods and work in process	$16,582,000
Raw materials and supplies	10,062,000
	$26,644,000

Inventories are stated at the lower of cost or market. Cost for most raw materials and material content of work in process and finished goods was determined on the last-in, first-out method. Other inventories are at average costs or net realizable amounts. In 1957 the Company adopted the last-in, first-out method of determining the cost of tin plate used to manufacture crowns and closures in all stages of production, the only major productive material not previously costed by this method. This resulted in an inventory valuation $321,000 lower than on the previous method and a corresponding greater charge to cost of products sold. At December 31, 1957, inventories valued on the last-in, first-out method were stated at $2,830,000 below current costs compared with $3,100,000 at December 31, 1956.

THE RELIANCE ELECTRIC AND ENGINEERING COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories of raw materials, in process and finished products and parts—at cost (mainly last-in, first-out) which did not exceed replacement market:

Inventory amount (mainly first-in, first-out not in excess of replacement market) before reduction to last-in, first-out basis	$18,250,959
Less amount to reduce to last-in, first-out basis	1,647,417
	$16,603,542

R. J. REYNOLDS TOBACCO COMPANY
Financial Position
Current Assets:
Leaf tobacco, supplies, manufactured products, etc.—at cost (Note A) $586,540,294

Note A: The Company has adopted, effective for 1957, the last-in, first-out method of pricing inventories instead of the average cost method previously used. Such change had the effect of reducing the amount stated for inventories at December 31, 1957, by $28,312,684 and reduced the net income (after income taxes) by $12,342,049.

SOCONY MOBIL OIL COMPANY, INC.
Consolidated Balance Sheet
Current Assets:
Inventories:

Crude oil, refined products, etc.	$389,194,326
Materials and supplies	87,248,058

Financial Review: . . . A principal factor contributing to the reduction in net income in 1957 was the adoption of the Lifo, or last-in, first-out, method of valuing nearly all inventories of crude oil and refined products in the United States. This reduced net income $11.8 million. Another important factor was the smaller margin of profit realized from the sale of petroleum products.

TABLE 12: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers	Lifo Use In: 1957	1956	1955	1950
	Chemicals & Chemical Products:				
28	Chemicals (*Co. Nos. 33, 71, 285, 290, 292, 310, 334, 387, 585)	9	9	8	7
11	Drugs and Medicines	—	—	—	—
7	Paints and Varnish (*Co. Nos. 265, 404)	2	2	2	3
26	Clay, Glass, & Building Materials (*Co. Nos. 20, 282, 320, 343, 376, 403, 555)	7	7	9	4
28	Electrical Appliances & Machinery (*Co. Nos. 135, 215, 251, 254, 284, 467, 512, 589)	8	7	6	3
	Food Products:				
8	Bakery (*Co. No. 397)	1	1	1	1
12	Beverage (*Co. Nos. 228, 402)	2	2	2	2
16	Canning and Preserving (*Co. Nos. 41, 122, 304, 348, 372, 508, 515, 526)	8	7	8	6
8	Confectionery (*Co. Nos. 32, 87, 106, 291, 597)	5	5	5	4
9	Dairy (*Co. Nos. 104, 128)	2	2	3	3
10	Grain Milled Products (*Co. Nos. 60, 79)	2	2	2	2
11	Meat Products (*Co. Nos. 64, 369, 390, 464, 536, 593)	6	6	7	6
7	Sugar (*Co. Nos. 298, 574)	2	2	2	2
12	Instruments—Scientific (*Co. Nos. 91, 212, 321)	3	3	3	3
8	Leather and Shoe Products (*Co. Nos. 275, 315, 377)	3	3	3	3
7	Lumber and Wood Products (*Co. Nos. 194, 204, 590)	3	4	5	1
	Machinery:				
7	Agricultural (*Co. Nos. 19, 130, 131, 191, 417)	5	5	5	1
11	Business and Store (*Co. Nos. 119, 280, 398)	3	3	4	3
29	General Industrial (*Co. Nos. 46, 175, 289, 325, 437, 485, 498, 523)	8	7	6	3
8	Household and Service (*Co. Nos. 108, 370, 581)	3	3	3	1
25	Special Industrial (*Co. Nos. 98, 112, 178, 188, 408, 558)	6	6	4	2
24	Metal Products (*Co. Nos. 30, 45, 167, 229, 380, 449, 489, 499)	8	8	8	5
6	Motion Pictures	—	—	—	—
16	Nonferrous Metals (*Co. Nos. 21, 42, 48, 55, 56, 107, 123, 143, 149, 330, 440, 472, 474)	13	13	14	12
20	Paper (*Co. Nos. 139, 192, 209, 314, 333, 375, 422, 488, 550, 586)	10	10	10	9
30	Petroleum (*Co. Nos. 70, 145, 169, 278, 443, 458, 461, 477, 501, 505, 517, 518, 519, 520, 521, 530, 544, 552)	18	17	17	17
9	Printing and Publishing (*Co. No. 545)	1	1	1	1
10	Radio, Records, Television	—	—	—	—
36	Retail Stores (*Co. Nos. 18, 69, 120, 146, 232, 234, 264, 267, 337, 360, 368)	11	12	12	13
9	Rubber Products (*Co. Nos. 233, 261, 269, 270)	4	4	4	4
30	Steel and Iron (*Co. Nos. 4, 10, 13, 63, 94, 154, 170, 180, 211, 309, 323, 357, 406, 471, 493, 527, 569, 571, 575, 591, 599)	21	21	20	15
	Textiles:				
7	Floor Covering (*Co. Nos. 14, 65, 67, 95, 342, 385)	6	6	6	6
6	Synthetic Fibers (*Co. No. 52)	1	1	1	1
19	Wool and Cotton (*Co. Nos. 88, 118, 126, 152, 319, 329, 468, 524, 559, 563)	10	10	11	13
11	Tobacco (*Co. Nos. 162, 475)	2	1	1	1
	Transportation Equipment:				
7	Boat and Ship (*Co. No. 243)	1	1	1	—
13	Railway (*Co. Nos. 43, 258, 454, 457)	4	4	4	3
18	Aircraft	—	—	—	—
18	Motor Vehicles (*Co. Nos. 116, 144)	2	1	1	—
23	Miscellaneous (*Co. Nos. 316, 432, 456, 594)	4	4	3	1
600	Total	204	200	202	161

*Refer to Company Appendix Section.
Refer also to Table 11.

Continuing Lifo Adopted in Prior Years

BROWN & SHARPE MANUFACTURING COMPANY
Balance Sheet
Current Assets:

Inventories: Materials, work in progress, and finished goods (at cost on last-in, first-out basis) $10,206,411

Note 1: For the years 1951 through 1957 manufacturing cost of goods sold determined on last-in, first-out method of costing inventories; in years prior on first-in, first-out method.

CATERPILLAR TRACTOR CO.
Consolidated Financial Position
Current Assets:

Stated on basis of cost using principally "last-in, first-out" method:
Inventories $230,937,886

Note 2: Basis of Stating Inventories—Inventories are stated, with minor exceptions, on the basis of the "last-in, first-out" method of inventory accounting adopted January 1, 1950. This is a generally accepted accounting method designed to allocate incurred costs in such a manner as to relate them to revenues more nearly on the same cost-price level than would the "first-in, first-out" method used prior to 1950. The general effect is to exclude from reported profits a major portion of the increases in inventory costs which result from rising cost levels.

HERCULES MOTORS CORPORATION
Balance Sheet
Current Assets:

Inventories:

Raw materials and purchased parts, products in process and finished—at cost (generally first-in, first-out basis) not in excess of market	$8,201,831
Less allowance to reduce to substantially last-in, first-out basis—Note A	3,365,541
	$4,836,290

Note A: Inventories are reduced to cost on the basis of last-in, first-out by an allowance provided by charges to income of the current and prior years. The Corporation elected to use this method of pricing inventories for federal income tax purposes as of August 1, 1955; the portion of the allowance ($2,944,000) provided by charges against income in years prior to that date was not used in the determination of federal taxes on income for such years.

JOHNS-MANVILLE CORPORATION
Investment
Working Capital:

Inventories (Note 1) $32,924,290

Note 1: Effective January 1, 1950 the Company adopted the last-in, first-out inventory principle for U. S. tax purposes. The same principle had been adopted for accounting purposes effective January 1, 1948, and reserves of $824,000, accumulated in 1948 and 1949 under operation of the principle, are continued.

WESTINGHOUSE ELECTRIC CORPORATION
Consolidated Statement of Financial Position
Current Assets:

Materials, supplies, products in process of manufacture and finished products (Note 2) $480,680,951

Note 2: Inventories—The Lifo (last-in, first-out) method of inventory valuation has been used since 1956 for determining the cost of over 85% of the inventories of the consolidated companies.

Extension of Lifo

CALIFORNIA PACKING CORPORATION
Consolidated Statement of Financial Position
Current and Working Assets:

Inventories of merchandise, materials and supplies (details on page 19) $151,470,680

Details of Items in Accounts: Inventories—

Merchandise:	
Cost, on the basis of "last-in, first-out"	$ 85,070,862
Lower of cost or market, on the basis of "first-in, first-out"	28,708,181
Materials and Supplies:	
Cost, on the basis of "last-in, first-out" (Note B)	12,167,957
Lower of cost or market, on the basis of "first-in, first-out"	25,523,680
	$151,470,680

Note B: Inventories—The Corporation expanded the category of items inventoried under the "last-in, first-out" method of determining cost to include therein certain materials and supplies on hand at February 28, 1957; the "first-in, first-out" method of determining cost was used in prior years with respect to these materials and supplies. This change had no material effect on consolidated net earnings for the year ended February 28, 1957.

SQUARE D COMPANY
Consolidated Statement of Financial Condition
Current Assets:

Inventories (Note B) $23,235,107

Note B: Inventories—At December 31, 1956, inventories were stated at the lower of cost (first-in, first-out method) or market, except for inventories aggregating $2,541,000 which were stated at cost on the last-in, first-out (Lifo) method. At December 31, 1957, the Lifo method was extended to substantially all inventories in the United States. Inventories in Canada aggregating $2,145,000 at December 31, 1957, are stated at the lower of cost (first-in, first-out method) or market. Canadian tax laws do not permit the use of the Lifo method.

Because of the change in method in pricing United States inventories in 1957, inventories at the end of the year were $700,000 lower than they would have been under the practices followed at December 31, 1956, and net earnings for 1957 were reduced $335,000. If all inventories had been stated at December 31, 1957, at the lower of the first-in, first-out cost method, or market instead of using the Lifo cost method they would have been $1,583,000 greater.

Partial Abandonment of Lifo

MELVILLE SHOE CORPORATION
Statement of Consolidated Financial Condition
Current Assets:

Inventories (Note 1) $20,403,542

Note 1: Approximately 31% of the consolidated inventories are valued at last-in, first-out (Lifo) cost, which is substantially below market. The remaining portion of inventories are valued at the lower of cost or market, based mainly on the retail inventory method.

The Company adopted the lower of cost or market under the retail inventory method for valuing the balance of the hosiery inventories as of December 31, 1957; the effect of the change from the Lifo basis, on net earnings (after providing for the deferred tax payable) was not material. Permission to make the change in determining taxable income for 1958 was recently granted by the Internal Revenue Service.

Complete Abandonment of Lifo

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

Merchandise inventories (including merchandise in transit)—Note A $61,725,684

Note A: The financial statements for the six years ended January 31, 1956 have reflected the adoption as of January 31, 1950 of the Lifo method of determining cost of inventories. At January 31, 1957, inventories in stores are stated at the lower of cost or market as determined by the retail inventory method and certain other inventories, principally those in warehouses and in transit, are stated at invoice cost. Consequently, the earnings for the year ended January 31, 1957 reflect the use of opening inventories based on the Lifo method and closing inventories based generally on the retail inventory method. In connection with the discontinuance of the use of the Lifo method, approval of which was obtained from the Treasury Department in May 1956, certain changes in procedures were adopted during the year, which made it impracticable to determine the cost of inventories at the year end under that method. For this reason, only an estimate could be made of the effect of this change on the results for the year. This estimate indicates that the 1956 net earnings as reported would have been approximately $600,000 less if the use of the Lifo method had been continued.

In addition to the aforementioned change, the Company during 1956 abandoned its claim, filed with the Treasury Department, to the right to use Lifo retroactively to 1941. Hence, the reserve of $3,214,118 for reduction in inventory valuation (net of taxes) is no longer required and has been restored to earnings retained for use in the business.

Inventory Reserves

Purpose Stated

Table 13 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 10 in 1957) and basic lifo replacement (18 in 1950; 6 in 1957). During 1957 there was a decrease both in the number of reserves shown and in the number of companies presenting such reserves, which is a continuation of the trend shown in recent years. Extensive references are given within Table 13 to the companies which disclose the respective reserves.

TABLE 13: INVENTORY RESERVES

Purpose Stated	1957	1956	1955	1950
Possible future inventory price decline (*Co. Nos. 17, 64, 187, 255, 314, 490, 510)	10	8	14	49
Increased replacement costs (*Co. No. 458)	1	1	—	1
Restatement of Lifo (*Co. Nos. 4, 474)	2	2	2	—
Basic Lifo replacement (*Co. Nos. 60, 348, 369, 390, 536)	6	6	6	18
Reduction to Lifo cost (*Co. Nos. 18, 289, 320, 370, 467)	5	5	6	6
"Base stock" adjustment (*Co. Nos. 173, 221, 404, 525)	4	4	4	5
Reduction to market (*Co. Nos. 95, 275, 568)	3	2	3	2
Inventory markdown	—	1	2	2
"Released film" amortization (*Co. Nos. 199, 353, 423, 549, 583)	5	5	5	5
Inventory obsolescence (*Co. Nos. 66, 213, 254, 307, 408, 592)	11	11	12	19
Inventory shrinkage (*Co. Nos. 213, 406)	2	3	3	3
Overhead in inventory	—	1	1	1
Materials and supplies adjustments (*Co. No. 458)	1	2	1	4
Intercompany sales—discounts—profits	—	—	2	7
Inventory hazard	—	1	1	1
Purpose not stated (*Co. Nos. 42, 66, 76, 130, 373, 440)	8	10	16	24
Total	58	62	78	147
Terminology Used				
"Reserve"	25	31	42	86
"Provision"	5	5	7	11
Various other terms	28	26	29	50
Total	58	62	78	147
Number of Companies with:				
Inventory reserves	55	61	71	124
No inventory reserves	545	539	529	476
Total	600	600	600	600

*Refer to Company Appendix Section. Refer also to Table 14.

Examples of Inventory Reserves

Inventory Price Decline

ARMOUR AND COMPANY
Consolidated Statement of Financial Position
Common Stock Equity:
Earnings employed in the business $144,891,263
(Includes appropriation for: inventory price decline $17,500,000; . . .)

CUTLER-HAMMER, INC.
Balance Sheet
Above Capital Stock and Surplus:
Reserves:
For possible inventory losses and other contingencies $1,500,000

JAMES LEES AND SONS COMPANY
Consolidated Balance Sheet
Surplus and Reserve:
Reserve for inventory losses and contingencies (allocated from income of prior years) .. $1,000,000

Inventory Obsolescence

JONES & LAMSON MACHINE COMPANY
Statement of Financial Condition
Current Assets:

Material and supplies, work in process and finished parts and machines—at cost or standard cost	$4,737,503
Less: Reserve for obsolescence	150,000
	$4,587,503

THE NATIONAL SUPPLY COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—substantially all stated at cost on "last-in, first-out" basis with current replacement cost approximately $28,100,000 in excess of stated value:	
Raw materials and supplies	$11,401,599
Work in process	10,750,275
Resale merchandise and finished goods	33,551,212
Total inventories	$55,703,086
Less—Allowance for obsolescence	2,368,153
Net inventories	$53,334,933

THE OLIVER CORPORATION
Consolidated Statement of Financial Position
Current Assets:

Inventories (except defense inventories), at cost principally on last-in, first-out basis, less allowance for obsolescence and other losses ($884,404)	$44,535,265

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 (32 reserves in 1957); above stockholders' equity section (12 reserves in 1957); or within the stockholders' equity section of the balance sheet (9 reserves in 1957). Table 14 sets forth, by type of reserves, the various balance sheet presentations in the annual reports of the survey companies for the years 1950, 1955, 1956, and 1957.

Restatement of Lifo

REYNOLDS METALS COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories of products, materials, and operating supplies—Note B	$103,096,286
Total (current assets) before adjustment of inventory amount to Fifo basis	$233,045,716
Amount to increase to first-in, first-out cost basis the total for inventories as above, less applicable taxes on income at current rates—Note B	$ 6,300,000
Total Current Assets	$239,345,716
Above Capital Stock and Surplus:	
Reserves:	
Net adjustment of total for inventories on last-in, first-out cost basis to first-in, first-out cost basis—Note B	$ 6,300,000

Note B: Inventories—Inventories have been priced at the lower of cost or market. Cost as to certain inventories of bauxite, and alumina and aluminum (including the aluminum content of finished and in-process products), amounting to approximately $54,582,000, has been determined by the last-in, first-out method. Cost of other inventories represented average or standard (approximate production) cost.

As a consequence of pricing certain components of the inventories on the basis of last-in, first-out cost, the apparent amount for consolidated working capital at December 31, 1957, was less than if these components had been priced on a first-in, first-out basis. Accordingly, the difference (after giving effect to applicable taxes on income at current rates) has been shown in the balance sheet as working capital.

Basic Lifo Replacement

OSCAR MAYER & CO., INC.
Consolidated Statement of Financial Position
Current Liabilities:

Provision for replacement of basic "Lifo" inventories	$1,000,000

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

Reserve for replacement of "Last In, First Out" inventories	$800,000

Reduction to Lifo Cost

ALLIED STORES CORPORATION
Comparative Statement of Financial Position
Current Assets:

Merchandise inventories (Note A)	$94,743,644

Note A: The amounts for inventories of merchandise on hand are generally stated on the basis of cost or market, whichever is lower, as determined by the retail inventory method, net of discounts, using, as to certain inventories, the last-in, first-out (lifo) method based on published indexes of price changes since the dates on which the method was adopted, principally January 31, 1941. Inventories are stated at $6,444,170 in 1957, and $5,533,499 in 1956, less than if the last-in, first-out principle had not been followed.

THE MAYTAG COMPANY
Statement of Consolidated Financial Condition
Above Shareowners' Equity:

Reserves:	
For valuation of inventories on basis of Lifo method—Note A	$1,637,000

Note A: Inventories—Inventories have been priced on the basis of the lower of cost (principally by the last-in, first-out method) or market for financial reporting purposes. The first-in, first-out method 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 difference between this basis and the Lifo basis is shown as a reserve after reduction for the approximate income tax allocable thereto.

Base Stock Adjustment

CORN PRODUCTS REFINING COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—Note 2:	
Finished products and goods in process	$ 20,989,129
Raw materials and supplies	17,224,115
Above Shareholders' Equity:	
Reserve for reduction of normal inventories to fixed prices—Note 2	$ 2,090,343
Consolidated Statement of Income and Earned Surplus	
Cost of Sales—Note 2	$244,085,578

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.

The reserve for reduction of normal stock inventories to fixed prices is stated net of effective Federal income normal tax and surtax. It is increased or decreased through charges or credits to cost of sales to record the changes between prices at cost, or cost or market, whichever lower, and the fixed prices. The changes in the reserve for reduction of normal inventories to fixed prices, net of effective Federal normal tax and surtax, resulted in a decrease in cost of sales of $592,736 in 1957.

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

Inventories, priced at lower of cost (first-in, first-out) or market:	
Finished goods and work in process	$20,944,534
Raw materials and manufacturing supplies	3,059,577
	$24,004,111
Less: Reserve to reduce basic inventories to 1945 price levels	4,360,000
	$19,644,111

Reduction to Market

THE GRIESS-PFLEGER TANNING CO.
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1):	
Finished goods	$ 460,787
Work in process	672,903
Raw hides, materials, and supplies	320,739
	$1,454,429
Less reduction in Lifo inventory valuation to replacement market, less related Federal taxes on income	30,000
	$1,424,429

Statement of Consolidated Earnings and Retained Earnings
Retained Earnings:
Less:

Dividends Paid, $1.00 per share	$ 132,500
Provision for reduction of Lifo inventory valuation to replacement market, less related Federal taxes on income (note 1)	30,000
	$ 162,500

Note 1: In accordance with the company's consistent policy, raw hides, including raw hide content of leather sides in finished goods and work in process, amounting to $705,447, at December 31, 1957, are valued at cost determined by the last-in, first-out (Lifo) method, which method was adopted in 1941. At December 31, 1957 a reserve of $30,000 was provided by a charge to retained earnings to reduce the Lifo inventory valuation to estimated replacement market after taking into account related Federal taxes on income. The excess of Lifo valuation of inventory over estimated replacement cost at December 31, 1956 was $48,000 on the basis stated above. Processing costs included in the finished goods and work in process inventories are determined on the basis of established costs which approximate replacement market. Materials and supplies are priced at the lower of cost or market.

Inventory Shrinkage

NATIONAL STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories of finished and semi-finished products, raw materials, and supplies—Note A $88,048,360

Note A: Inventories—Inventories are stated at last-in, first-out cost (not in excess of market) less reserves for shrinkage, and were comprised of the following items:

Finished and semi-finished products	$38,747,145
Raw materials	41,511,471

TABLE 14: INVENTORY RESERVES

Balance Sheet Presentation	1957	1956	1955	1950
With Inventories for:				
Possible future inventory price decline (*Co. No. 199)	1	1	2	9
Increased replacement cost	—	—	—	1
Intercompany sales—discounts—profits	—	—	1	6
Reduction to Lifo cost (*Co. Nos. 18, 289, 320, 467)	4	2	4	5
Materials and supplies adjustments (*Co. No. 458)	1	2	1	3
Inventory obsolescence (*Co. Nos. 213, 307, 308, 322, 417, 596)	10	11	12	15
Reduction to market (*Co. Nos. 95, 275)	2	1	2	1
"Base stock" adjustments (*Co. No. 525)	1	1	3	4
Inventory markdown	—	1	2	1
"Released film" amortization (*Co. Nos. 199, 353, 423, 549, 583)	5	5	5	5
Inventory shrinkage (*Co. Nos. 213, 406)	2	3	2	3
Purpose not stated (*Co. Nos. 42, 76, 440)	6	6	7	11
Among Current Liabilities for:				
Basic Lifo replacement (*Co. Nos. 60, 369, 390, 536, 593)	5	4	3	7
Inventory markdowns	—	—	1	1
Reduction to Lifo cost	—	1	—	—
Above Stockholders' Equity for:				
Possible future inventory price decline (*Co. Nos. 187, 255)	2	2	1	15
Increased replacement cost (*Co. No. 458)	1	1	1	—
Intercompany sales—discounts—profits	—	—	—	1
Reduction to Lifo cost (*Co. No. 370)	1	2	2	1
Basic Lifo replacement (*Co. No. 348)	1	2	2	9
Overhead in inventory	—	1	1	1
Reduction to market (*Co. No. 568)	1	1	1	1
"Base stock" adjustments (*Co. Nos. 173, 221, 404)	3	3	1	1
Restatement of Lifo (*Co. Nos. 4, 474)	2	2	2	—
Inventory obsolescence (*Co. No. 66)	1	—	—	4
Purpose not stated	—	1	4	7
Within Stockholders' Equity for:				
Possible future inventory price decline (*Co. Nos. 17, 64, 295, 314, 490)	7	5	10	25
Inventory hazard	—	1	1	1
Inventory shrinkage	—	—	1	—
Basic Lifo replacement	—	—	1	1
Materials and supplies adjustments	—	—	—	1
Purpose not stated (*Co. Nos. 130, 589)	2	3	5	7
Total	58	62	78	147

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

Supplies	9,494,807
	$89,753,423
Less reserves for shrinkage	1,705,063
	$88,048,360

Released Film Amortization

WALT DISNEY PRODUCTIONS
Consolidated Balance Sheet
Current and Working Assets:

Inventories, at the lower of cost or market (Notes 3 and 4):	
Productions in process	$14,525,343
Completed productions, less amortization	4,397,634
Story rights and pre-production costs	264,875
Merchandise, materials and supplies	1,388,210
Less—Provision for possible excess over estimated realizable amounts	300,000
Total inventories	$20,276,062

Consolidated Statement of Income Account
Costs and Expenses:

Amortization of film and television production costs (Note 3)	$12,283,777

Note 3: Inventories and Amortization—Costs of completed theatrical productions are amortized by charge to income account in the proportion that the producer's share of income (net of distribution charges and print and advertising costs) received by the company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed quarterly and amortization is adjusted accordingly.

Costs of television product are classified by season of release and amortized on the basis of income for each such season under contracts with American Broadcasting Company for telecasting in the United States.

The $300,000 provision for possible excess of stated value of inventories over estimated realizable amounts at September 28, 1957 is based on possible losses from certain items now in inventory and does not take into account anticipated profits on other inventory items.

Note 4: (Not reproduced here)

CASH SURRENDER VALUE OF LIFE INSURANCE

Of the 56 survey companies that disclosed "cash surrender value of life insurance" in their 1957 reports, two revealed the item as a current asset, one made a comment in the notes to the financial statements. The remaining 53 companies presented the item in the noncurrent asset section of the balance sheet. Comparison with previous years is set forth in Table 15.

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 15: CASH SURRENDER VALUE OF LIFE INSURANCE

Balance Sheet Presentation	1957	1956	1955	1950
As a current asset separately set forth (*Co. Nos. 266, 322)	2	1	1	3
As a noncurrent asset separately set forth (*Co. Nos. 198, 267, 276, 302, 328, 350, 373, 394, 464, 547)	16	20	36	31
Combined with or shown under heading of other noncurrent assets (*Co. Nos. 2, 79, 240, 273, 301, 326, 382, 418, 510, 535)	37	55	49	79
Not shown on balance sheet but existence thereof discussed in notes (*Co. No. 372)	1	2	2	—
Number of Companies				
Disclosing the above asset	56	78	88	113
Not disclosing the above asset	544	522	512	487
Total	600	600	600	600

*Refer to Company Appendix Section.

GOEBEL BREWING COMPANY
Balance Sheet
Current Assets:
Cash value of life insurance policies to be terminated $55,518

GRUEN INDUSTRIES, INC.
Consolidated Balance Sheet
Noncurrent Assets:
Cash surrender value of life insurance $78,969

HOWELL ELECTRIC MOTORS COMPANY
Comparative Balance Sheet
Noncurrent Assets:
Cash surrender value of life insurance $20,397

JONES & LAMSON MACHINE COMPANY
Statement of Financial Condition
Current Assets:
Cash value of life insurance $188,370

CLAIMS FOR REFUND OF INCOME TAXES

Table 16 summarizes the 80 claims for income tax refunds as disclosed by 72 of the survey companies in their 1957 annual reports. As in prior years, the most commonly stated bases of such claims for refund continue to be in connection with operating loss carrybacks, and the use of lifo inventory pricing methods. In 37 instances the basis of the claims was not specifically explained.

TABLE 16: TAX REFUND CLAIMS

Nature of Tax Refund Claims	1957	1956
Claims for Refund of Federal Income or Excess Profits Taxes:		
Basis of Claims Explained As—		
A: Operating loss carry-back (*Co. Nos. 80, 152, 188, 339, 363)	22	15
B: Sections 721-722 of Internal Revenue Code (*Co. No. 391)	1	5
C: Replacement of basic Lifo inventory (*Co. Nos. 45, 408)	2	4
D: Adoption of Lifo inventory (*Co. Nos. 69, 264, 273, 360, 368)	5	5
E: Excess profits credit—carry-back	—	3
F: Various other (*Co. Nos. 148, 155, 292, 487)	4	6
Basis of Claims Not Explained—		
G: Income taxes (*Co. Nos. 67, 121, 242, 392, 432)	23	19
H: Excess profits taxes (*Co. Nos. 48, 101, 146, 178, 462)	10	6
I: Taxes (*Co. Nos. 110, 376, 482, 590)	4	4
Claims for Refund of—		
J: State taxes (*Co. Nos. 447, 534)	3	3
K: Foreign taxes (*Co. Nos. 8, 58, 242, 257, 424)	6	2
Total	80	72

	Nature of Refund Claims									1957
Presentation in 1957	A	B	C-D	E	F	G-H	I	J	K	Total
Current assets	18	1	—	—	1	11	—	2	3	36
Noncurrent assets	2	—	7	—	—	7	3	—	2	21
Tax liability offset	—	—	—	—	—	1	—	—	—	1
Notes to statements	1	—	—	—	2	11	1	1	1	17
Letter to stockholders	1	—	—	—	1	3	—	—	—	5
Total	22	1	7	—	4	33	4	3	6	80

Number of Companies	1957	1956
Referring to tax refund claims	72	58
Not referring to tax refund claims	528	542
Total	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

DAYSTROM, INCORPORATED
Consolidated Balance Sheet
Current Assets:
Receivable from customers and other (Note 1) $9,388,054

Note 1: Receivables— A summary of receivables from customers and others is presented below:

Customers	$6,879,699
Government contracts	1,985,353
Federal taxes on income refundable under the carry-back provisions of the Internal Revenue Code	527,200
Other	78,545
	$9,470,797
Less allowance for doubtful accounts	82,743
	$9,388,054

KUNER-EMPSON COMPANY
Balance Sheet
Other Assets:
Refundable taxes on income—Note C $65,000

Note C: The provision for federal taxes on income applicable to the special credit (all offset by the refundable federal taxes on income arising from the carry-back of net operating loss) has been computed on the assumption that approximately $50,000 of the gain on involuntary conversion of plant and equipment at Fort Lupton will not be recognized under the provisions of Section 1033 of the Internal Revenue Code of 1954.

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

MOTOR PRODUCTS CORPORATION
Balance Sheet
Current Assets:
Estimated tax refunds and miscellaneous receivables (Note 2) $548,455

Note 2: Included in current assets in the balance sheet is an amount of $449,000, which represents two claims for refund of income and excess profits taxes paid in prior years plus estimated amounts of interest thereon. Of the above amount, $229,000 represents a claim under Section 722 of the Internal Revenue Code of 1939 based on the amount of constructive average base period net income upon which agreement was reached in 1956 with the Excess Profits Council.

The other claim referred to above, which amounts to $220,000 including interest, is based on an interpretation of Section 122(d) (6) of the Internal Revenue Code of 1939 relating to operating losses. The claim, as adjusted, has received favorable recommendation from the Chief Council of the Internal Revenue Service. Both claims are subject to review by the Joint Committee on Internal Revenue Taxation.

Replacement or Adoption of Lifo Inventory

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
Notes to Financial Statements

Notes to Financial Statements: Taxes—The liability at December 31, 1957 for Federal taxes on income represents the estimated net amount payable by the Corporation. Payments in 1957 included not only the balance due for 1956 but, in accordance with the Internal Revenue Code, 30% of the estimated tax for 1957. Returns for the years 1951 through 1957 and "Lifo" inventory refund claims are subject to final review by the U. S. Internal Revenue Service.

ASSOCIATED DRY GOODS CORPORATION
Balance Sheet
Noncurrent Assets:
Excess of taxes on income under retail inventory method over such taxes on the Lifo basis since adoption of that basis (Note 1) $2,714,364

Note 1: Departmental inventories are stated at the lower of last-in, first-out (Lifo) cost or market, which is approximately $4,181,000 less than valuation at the lower of first-in, first-out cost or market (retail inventory method). As mentioned in prior reports the U. S. Treasury has not accepted the Company's adoption of the Lifo method retroactively to 1942-3. Possible legal action to collect related claims for refund of taxes on income has been deferred pending outcome of Government appeal of a recent U. S. District Court decision favorable to the retroactive adoption of the Lifo method.

GIMBEL BROTHERS, INC.
Consolidated Balance Sheet
Noncurrent Assets:
Overpayments of federal taxes on income claimed for the six years ended January 31, 1947 (See Note 1) $5,960,000

Note 1: Merchandise inventories are stated at Lifo (last-in first-out) cost as determined under the retail inventory method. Inventories are stated at January 31, 1957 at $10,644,332 less than they would have been if the first-in first-out principle had been applied in determining cost.

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 $6,640,000. 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, $680,000 has been reflected in the reduced provision for federal taxes on income in the ten years ended January 31, 1957. The court case involving the right to use the Lifo method for the year ended January 31, 1942 was decided in 1956 against the Company. The Company maintains, however, that its position is justified and will take such action as is available to it to assert its right to use the Lifo method. A recent court case dealing with the use of Lifo by another large department store organization was decided in favor of the taxpayer. The Government, however, has appealed this decision and the Company is awaiting the outcome of the appeal before taking further action. No adjustments are being made in the financial statements as a result of the adverse decision for the year ended January 31, 1942 until clarification of the Company's position for all years.

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

Recoverable taxes pertaining to retroactive Lifo —Note A	$1,635,000

Note A: The financial statements for the six years ended January 31, 1956 have reflected the adoption as of January 31, 1950 of the Lifo method of determining cost of inventories. At January 31, 1957, inventories in stores are stated at the lower of cost or market as determined by the retail inventory method and certain other inventories, principally those in warehouses and in transit, are stated at invoice cost. Consequently, the earnings for the year ended January 31, 1957 reflect the use of opening inventories based on the Lifo method and closing inventories based generally on the retail inventory method. In connection with the discontinuance of the use of the Lifo method, approval of which was obtained from the Treasury Department in May 1956, certain changes in procedures were adopted during the year, which made it impracticable to determine the cost of inventories at the year end under that method. For this reason, only an estimate could be made of the effect of this change on the results for the year. This estimate indicates that the 1956 net earnings as reported would have been approximately $600,000 less if the use of the Lifo method had been continued.

In addition to the aforementioned change, the Company during 1956 abandoned its claim, filed with the Treasury Department, to the right to use Lifo retroactively to 1941. Hence, the reserve of $3,214,118 for reduction in inventory valuation (net of taxes) is no longer required and has been restored to earnings retained for use in the business.

Federal Income and Excess Profits Taxes

CITY STORES COMPANY
Statement of Financial Condition
Other Assets:

Refundable income and excess profits taxes of prior years—estimated—Note E	$875,365

Note E: In 1952 Lit Brothers (formerly a subsidiary, now a division of City Stores Company) received a Revenue Agent's report with respect to its federal income tax returns filed for the fiscal years 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 (as to which deficiencies a reserve of $540,000 was provided in prior years) and in which it was proposed to disallow claims for refund of taxes on income included in the statement of financial condition in the amount of $782,000. Protest has been filed by the Company with respect to the proposed adjustments and disallowances of claims, except certain adjustments involving approximately $450,000 of tax liability. During the year 1955, the Company negotiated a satisfactory settlement of the matter with the Appellate Division of the Regional Commissioner's Office which, if finally approved, would have no material adverse effect on these financial statements. However, certain aspects of such settlement 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 liability for federal and state taxes on income reflected in these financial statements include no provision for additional assessments of prior years' taxes against City Stores and/or its subsidiaries, except as above set forth.

CROWN CORK & SEAL COMPANY, INC.
Statement of Financial Position
Current Assets:

Claims for prior years' federal income and excess profits taxes including interest	$2,179,000

FIXED ASSETS—Basis of Valuation

Of the 600 survey companies, 556 disclosed the basis used in the valuation of fixed assets as presented in their balance sheets. Table 17 summarizes 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 presentation of the value of fixed assets as disclosed in the 1957 reports are as follows:

At Cost

ABBOTT LABORATORIES
Consolidated Balance Sheet
Property, Plant and Equipment on the basis of cost:

Buildings	$23,877,436
Equipment	26,659,045
	$50,536,481
Less allowances for depreciation	16,424,560
	$34,111,921
Land	2,426,212
Leasehold improvements, less amortization	232,350
Total Property, Plant, and Equipment	$36,770,483

ADDRESSOGRAPH MULTIGRAPH CORPORATION
Consolidated Balance Sheet
Plant and Equipment, at cost:

Buildings	$10,505,170
Machinery, equipment, rental machines, etc.	21,545,472
	$32,050,642
Less—Depreciation	14,337,709
	$17,712,933
Leasehold improvements, less amortization	169,699
Land	410,593
	$18,293,225

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.
Consolidated Balance Sheet
Fixed Assets (See Note B):

Land	$ 23,672,725
Buildings, equipment and leaseholds	109,882,247
Less—Reserves for depreciation and amortization	(64,637,969)
	$68,917,003

Note B: Fixed Assets—The fixed assets, with minor exceptions, are carried at cost, less depreciation, to the predecessor companies, Paramount Pictures Inc. and American Broadcasting Company, Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries. Two properties of a consolidated subsidiary carried at a book value of $193,979 are subject to a mortgage in the maximum amount of $293,333 pledged to secure performance under certain leases of such subsidiary.

AMERICAN HAIR & FELT COMPANY
Consolidated Statement of Financial Position
Plant and Equipment, substantially at cost (note):

Land	$ 134,893
Buildings, machinery and equipment, etc.	4,803,119
Less—Reserves for depreciation	(2,317,758)
Plant and equipment, net	$2,620,254

Note: In 1957, the company adopted the practice of writing off fully depreciated assets, where such assets are depreciated on a composite basis. In accordance with this practice, $1,147,882 of plant and equipment items were charged to the reserve for depreciation in 1957. For comparative purposes, the 1956 figures have also been adjusted on a similar basis.

BAYUK CIGARS, INC.
Consolidated Balance Sheet
Plant facilities:

Buildings, machinery and equipment—cost less portion—$4,728,337 allocated to operations to date	$3,390,368
Land—at cost	325,141
Unamortized cigar machine licenses, leasehold improvements and patent rights	1,038,857
	$4,754,366

BLISS & LAUGHLIN, INC.
Balance Sheet
Fixed Assets:

Land	$ 284,708
Buildings	2,839,026
Machinery and equipment	5,231,289
Office furniture and fixtures	149,959
	$8,504,982
Less provision for depreciation	3,562,148
	$4,942,834

Note 2: Fixed assets are stated at cost. Provision for depreciation has been computed on a straight line basis except that depreciation of new properties acquired since January 1, 1954 has been computed according to the sum-of-the-years digits method.

BOOTH FISHERIES CORPORATION
Consolidated Balance Sheet
Plant and Equipment:

	Cost	Reserves
Land	$ 329,669	$ —
Buildings and leasehold improvements	3,222,038	1,720,057
Machinery and equipment	2,523,900	1,128,007
Automotive equipment	486,756	340,484
Floating equipment	1,508,799	771,661
	$8,071,162	$3,960,209

NATIONAL STEEL CORPORATION
Consolidated Balance Sheet
Properties:

Steel producing facilities, iron ore and coal properties and lake cargo vessels—Notes C and D	$843,058,035
Less allowances for depreciation, depletion and amortization	419,454,237
Total Properties	$423,603,798

Note C: Properties—Properties are generally stated at cost and were comprised of the following:

Steel producing facilities	$759,156,279
Iron ore and coal properties	66,055,050
Lake cargo vessels	17,846,706
	$843,058,035
Less allowances for depreciation, depletion and amortization	419,454,237
	$423,603,798

At December 31, 1957, the property accounts included $97,352,527 for cost of facilities being amortized on a sixty-month basis under Certificates of Necessity.

A. G. SPALDING & BROS. INC.
Consolidated Balance Sheet
Property, Plant and Equipment—at cost less allowances for depreciation and amortization:

Land	$ 85,600
Buildings	1,417,120
Machinery and equipment, etc.	8,455,990
Leasehold improvements	1,188,608
	$11,147,318
Less allowances	6,058,457
	$ 5,088,861

Cost Plus Various Other Bases

ANACONDA WIRE AND CABLE COMPANY
Balance Sheet
Fixed Assets:

Land, buildings, machinery and equipment —see Note B	$57,644,087
Less accumulated depreciation—see Note B	18,620,249
	$39,023,838
Real estate and investments	1,728,405
Net Fixed Assets	$40,752,243

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

Buildings, machinery and equipment (including returnable shipping reels) are carried at cash cost.

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

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

CROWN CENTRAL PETROLEUM CORPORATION
Consolidated Balance Sheet
Property, Plant and Equipment:

Land (Note B)	$ 2,502,788
Oil and gas properties—at or below cost	6,511,980
Less allowance for depletion and depreciation	2,752,612
	$ 3,759,368
Refinery, pipe lines and other equipment—at cost	$17,741,287
Less allowance for depreciation	9,805,141
	$ 7,936,146
Emergency facilities—at cost	$ 1,958,102
Less allowance for amortization	1,555,317
	$ 402,785
	$14,601,087

Note B: Refinery site located on the Houston Ship Channel is carried at the appraised value as determined by W. G. Burchfield & Bro. of Houston, Texas in 1932. All other land is stated at cost.

TABLE 17: PROPERTY—FIXED ASSETS

Basis of Valuation	1957	1956	1955	1950
Cost (*Co. Nos. 8, 230, 268, 269, 296, 421)	492	485	457	396
Cost plus appraisal value (*Co. Nos. 66, 166, 173)	12	9	11	22
Cost plus assigned, estimated, or revised values (*Co. Nos. 161, 363)	2	1	6	5
Cost plus cost in cash or securities	—	—	—	1
Cost plus various other bases (*Co. Nos. 337, 373, 385, 430)	15	11	10	9
Cost in cash or securities (*Co. Nos. 56, 165, 510)	3	3	3	8
Cost in cash or securities plus subsequent additions at cost (*Co. Nos. 54, 472)	2	2	2	2
Cost in cash or securities plus estimated and nominal values or assigned values	—	—	—	2
Cost or below cost (*Co. Nos. 293, 557, 592)	5	3	10	17
Approximate cost (*Co. Nos. 122, 142)	4	4	12	11
Approximate cost plus appraisal or revised values	—	—	1	2
Appraisal value with subsequent additions at cost (*Co. Nos. 34, 44, 182, 251)	8	13	13	24
Appraisal value with subsequent additions at cost plus various other bases (*Co. No. 157)	1	—	1	6
Assigned value with subsequent additions at cost (*Co. Nos. 128, 329)	2	2	8	9
Revised value with subsequent additions at cost (*Co. No. 356)	1	1	2	5
Revised value with subsequent additions at cost plus various other bases	—	—	—	3
Acquisition value with subsequent additions at cost	—	1	—	2
Acquisition value	—	—	—	2
Basis of predecessor plus additions at cost (*Co. Nos. 222, 593)	4	3	3	2
Book value (*Co. Nos. 231, 484)	3	2	2	1
"Book value" with subsequent additions at cost (*Co. No. 447)	1	1	2	4
Reproductive value with subsequent additions at cost (*Co. No. 67)	1	2	4	2
Number of Companies				
Stating valuation basis for fixed assets	556	543	547	535
Not stating valuation basis for fixed assets	44	57	53	65
Total	600	600	600	600

*Refer to Company Appendix Section.

DIAMOND GARDNER CORPORATION
Consolidated Statement of Financial Condition
Other Assets:

Property, plant and equipment (Note 4)	$61,011,000

Note 4: Property, plant and equipment consist of the following:

Land, at cost or less	$ 1,567,000
Buildings and equipment at cost (including construction in process, 1957—$20,277,000)	95,481,000
	97,048,000
Depreciation allowance	36,037,000
	$61,011,000

THE GRIESS-PFLEGER TANNING CO.
Consolidated Balance Sheet
Plant and Equipment, less depreciation (Note 2):

Land	$ 12,744
Buildings and improvements	658,080
Machinery and equipment	1,209,019
Office furniture and equipment	79,621
	$1,959,465
Less allowance for depreciation	1,008,920
	$ 950,545

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.

Cost in Cash or Securities

THE ANACONDA COMPANY
Consolidated Balance Sheet
Property, Plant and Equipment—Note G:

Buildings, machinery and equipment	$800,957,162
Less accumulated depreciation and amortization	390,752,159
	$410,205,003
Mines and mining claims, water rights and lands	$274,143,581
Timber lands and phosphate and sulphur deposits, less accumulated depletion	2,638,360
	$686,986,944

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.

SPIEGEL, INC.
Consolidated Financial Position

Properties and Equipment—net (see page 8)	$4,176,189

Page 8: Properties—Valued on the basis of cost in cash or at recorded value of capital stock issued therefor:

Buildings and building improvements	$3,851,844
Furniture, fixtures and equipment	2,549,556
	$6,401,400
Less accumulated depreciation	3,172,048
	$3,229,352
Land	393,603
Leasehold improvements, less accumulated amortization of $378,381	553,234
	$4,176,189

Appraisal Value with Subsequent Additions at Cost

INTERNATIONAL SHOE COMPANY
Consolidated Financial Position

Physical properties—based on appraisal April 30, 1925, plus subsequent additions at cost, less accumulated depreciation (Note 3)	$38,520,161

Note 3: Physical Properties—

Land	$ 3,651,757
Buildings and structures	38,538,779
Machinery and equipment	37,828,404
Lasts, patterns and dies	1
	$80,018,941
Less accumulated depreciation	41,498,780
	$38,520,161

Properties of Twelfth-Delmar Realty Company (net balance November 30, 1957, $2,736,506) are pledged as collateral on mortgage notes payable to banks.

NATIONAL LEAD COMPANY
Consolidated Balance Sheet

Plant, property and equipment, at 1915 appraised values, subsequent additions at cost (including intangibles of $20,692,311 not being amortized), less reserves for depreciation, depletion and amortization of $121,775,325	$138,817,185

SWIFT & COMPANY
Consolidated Balance Sheet

Property, plant and equipment, at appraised value January 1, 1914, plus subsequent additions at cost, less retirements:

Land	$ 28,693,063
Buildings and machinery	413,505,985
Delivery and automotive equipment	31,649,264
	$473,848,312
Less: Accumulated depreciation	226,126,441
	$247,721,871

Basis of Predecessor Company with Subsequent Additions at Cost

ERIE FORGE & STEEL CORPORATION
Balance Sheet

Property, Plant, and Equipment—Note B:

Land	$ 430,387	
Land improvements	48,514	
Buildings	3,078,346	
Equipment	7,986,883	
	$11,113,744	
Less allowance for depreciation and amortization	7,661,229	
	3,452,515	
	$ 3,882,903	

Note B: Property, Plant and Equipment—Property, plant, and equipment acquired from predecessor company in 1950, are included herein at amounts recorded on that company's books; additions since that date have been recorded at cost. Allowances for depreciation and amortization include provisions recorded on predecessor company's books.

WILSON & CO., INC.
Consolidated Balance Sheet

Property, Plant and Equipment—at acquisition values from predecessor company, as adjusted, plus additions since at cost:

Land	$ 2,059,631
Buildings, machinery, tools and equipment	58,709,228
Refrigerator cars purchased under conditional sale agreements	5,247,922
Depreciation	(27,299,671)
	$38,717,110

TERMINOLOGY FOR "ACCUMULATED DEPRECIATION"

The committee on terminology of the American Institute of Certified Public Accountants recommended that the use of the word "reserve" should be avoided in connection with accounts such as "accumulated depreciation." The survey of the 600 companies indicates that there has been a definite trend in this direction. In 1950, 275 companies used the term "reserve" as compared with 146 companies in 1957. The term "accumulated" has gained wide acceptance, increasing in usage from 98 companies in 1950 to 227 companies in 1957. The term "allowance" was used in 1957 by 125 companies as compared with 108 companies in 1950.

Table 18 summarizes the terminology used to describe accumulated depreciation. The first section of the table shows the frequency of the primary terms, such as "reserve," "accumulated," "allowance," etc., as used in the balance sheets. The second section of the table classifies the various secondary terms used in the balance sheet descriptions, showing the frequency of their combination with the primary terms for the year 1957.

Examples

Selected from the 1957 survey reports are the following examples of the types of balance sheet terminology for accumulated depreciation:

Reserve—(146 Companies):
- "Reserves" (*Co. Nos. 37, 103, 218, 378, 505)
- "Reserve(s) for depreciation" (*Co. Nos. 314, 330, 417, 542, 588)
- "Reserve(s) for depreciation and amortization" (*Co. Nos. 47, 111, 306, 344, 541)
- "Reserve(s) for depreciation and depletion" (*Co. Nos. 366, 502, 556)
- "Reserves for depreciation, depletion and amortization" (*Co. Nos. 70, 404, 432, 544)
- "Reserve for depreciation, depletion, etc." (*Co. No. 24)
- "Reserve for depreciation and obsolescence" (*Co. No. 126)
- "Reserves for depreciation, amortization and obsolescence" (*Co. No. 50)
- "Reserves for depreciation, depletion and intangible development costs" (*Co. No. 169)
- "Reserves for depreciation and depletion and other property reserves" (*Co. No. 355)
- "Reserves for depreciation, amortization and retirement" (*Co. No. 554)
- "Reserve for depreciation and obsolescence charged to operations" (*Co. No. 12)
- "Reserve for depreciation and obsolescence" (shown on liability side of the balance sheet) (*Co. Nos. 207, 469)
- "Depreciation and amortization reserves" (*Co. No. 517)

*Refer to Company Appendix Section.

TABLE 18: ACCUMULATED DEPRECIATION

Primary Descriptive Term	*1957	1956	1955	1950
A: "Reserve"—used alone	14	10	9	275
Reserve, etc.	132	146	157	
B: Provision, etc.	9	10	13	17
C: Accumulated, etc.	227	201	190	98
D: Allowance, etc.	125	130	127	108
E: "Depreciation—used alone	38	42	41	80
Depreciation, etc.	39	42	44	
F: Accrued, etc.	2	3	3	4
G: Estimated, etc.	3	4	3	2
H: Wear and exhaustion	—	—	1	16
Wear of facilities	1	1	1	
Portion allocated to operations	2	4	3	
Portion charged to operations	1	1	—	
Amount charged to operations	4	2	2	
Amount charged to expense	1	1	1	
Amount charged to past operations	—	1	2	
Amounts applied to past operations	—	—	1	
Depreciated cost	1	1	1	
Depreciated ledger values	1	1	1	
Total	600	600	600	600

	Primary Term Shown Above:							None	1957
*1957 Term Used With:	A	B	C	D	F	G	H	Used	Total
Depreciation	62	2	104	56	1	—	2	38	265
Depreciation—amortization	43	5	79	47	—	1	3	22	200
Depreciation—amortization—depletion	10	1	17	10	1	—	—	10	49
Depreciation—amortization—obsolescence	1	—	3	1	—	—	—	1	6
Depreciation—depletion	8	1	14	10	—	1	1	5	40
Depreciation—obsolescence	4	—	3	1	—	—	—	1	9
Other phrases used	4	—	7	—	—	1	5	—	17
"Reserve"—used alone	14	—	—	—	—	—	—	—	14
Total	146	9	227	125	2	3	11	77	600

Provision—(9 Companies):
- "Provision for depreciation" (*Co. Nos. 99, 412)
- "Provision for depreciation at normal rates" (*Co. No. 117)
- "Less—depreciation provided" (*Co. No. 398)
- "Provision for depreciation and amortization" (*Co. Nos. 65, 71)
- "Provision for depletion and depreciation" (*Co. No. 145)
- "Less provision for depreciation, depletion and amortization, and less property written off" (*Co. No. 568)
- "Provision for amortization" (*Co. No. 412)

Accumulated—(227 Companies):
- "Accumulated depreciation" (*Co. Nos. 1, 23, 87, 206, 255, 295)
- "Accumulated depreciation and amortization" (*Co. Nos. 262, 277, 332, 476, 555)
- "Accumulated depreciation, depletion, and amortization" (*Co. Nos. 435, 452, 495, 501, 521)
- "Accumulated depreciation, amortization and obsolescence" (*Co. Nos. 36, 118, 160)
- "Accumulated depreciation and depletion" (*Co. Nos. 10, 62, 68, 133, 141)
- "Accumulated depreciation and obsolescence" (*Co. Nos. 161, 256, 263)
- "Accumulated amortization" (*Co. No. 540)
- "Accumulated depreciation, amortization and general plant reserve" (*Co. No. 132)
- "Accumulated depreciation and quarry depletion" (*Co. No. 274)
- "Accumulated depreciation, depletion, etc." (*Co. No. 298)
- "Accumulated depreciation and revaluation" (*Co. No. 373)
- "Accumulated wear and exhaustion" (*Co. No. 321)
- "Accumulated portion of cost allocated to operations as depreciation" (*Co. No. 420)
- "Accumulated allowances for depreciation and amortization" (*Co. Nos. 200, 429)
- "Accumulated allowance for depreciation" (*Co. Nos. 153, 489)

*Refer to Company Appendix Section.

Allowance—(125 Companies):
"Allowance(s) for depreciation" (*Co. Nos. 134, 150, 171, 245, 440, 519)
"Allowance(s) for depreciation and amortization" (*Co. Nos. 113, 273, 325, 395, 543)
"Allowances for depreciation, amortization, and depletion" (*Co. Nos. 376, 416, 471, 474)
"Allowances for depreciation, amortization, and obsolescence" (*Co. No. 347)
"Allowances for depreciation and depletion" (*Co. Nos. 30, 208, 532)
"Allowances for depreciation and obsolescence" (*Co. No. 204)
"Allowance for accumulated depreciation and amortization" (*Co. No. 408)
"Allowance for depreciation, depletion, and amortization, and loss on abandonments and replacements, as annexed" (*Co. No. 259)
"Depreciation allowance" (*Co. No. 194)

Depreciation—(77 Companies):
"Less—Depreciation" (*Co. Nos. 52, 82, 116, 128, 329, 335, 444)
"Depreciation and amortization" (*Co. Nos. 75, 94, 142, 253, 558)
"Depreciation and obsolescence" (*Co. No. 475)
"Depreciation and depletion" (*Co. Nos. 20, 530, 586)
"Depreciation, depletion and amortization" (*Co. Nos. 237, 443, 539)
"Depreciation, obsolescence and amortization" (*Co. No. 143)
"After depreciation" (*Co. No. 388)
"Depreciation to date" (*Co. No. 358)
"Depreciation and depletion to date" (*Co. No. 59)
"Depreciation reserves" (*Co. No. 114)

Accrued, Estimated, or Various Other Terms—(16 Companies):
"Accrued depreciation" (*Co. No. 533)
"Accrued depreciation, depletion and amortization" (*Co. No. 13)
"Estimated depreciation and amortization" (*Co. No. 190)
"Estimated depreciation and depletion" (*Co. No. 320)
"Estimated cost of wear and exhaustion (depreciation and amortization)" (*Co. No. 13)
"Amount charged to expense to date" (*Co. No. 372)
"Portion charged to operations to date as depreciation" (*Co. No. 590)
"Amounts charged to operations as depreciation and amortization" (*Co. No. 214)
"Portion allocated to operations to date" (*Co. No. 83)
"Amount charged to operations to date" (*Co. No. 81)
"Reduced for wear of facilities" (*Co. No. 589)
"Real estate, machinery, equipment, etc. (at depreciated ledger values)" (*Co. No. 484)
"Plant and equipment at depreciated cost" (*Co. No. 319)

LONG-TERM LEASES—Disclosure by Lessees

Table 19 summarizes the nature of the information disclosed in the 1957 survey reports with regard to long-term leases and the related methods of disclosure.

*Refer to Company Appendix Section.

There were 225 survey companies that referred to, or implied, the existence of long-term leases in their 1957 reports. One hundred thirty-four of these companies merely mentioned or indicated that such leases existed but did not furnish any details with regard to them. The remaining 91 companies in this group provided in varying degrees and combinations such factual information 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 1957 annual reports to illustrate the various types of long-term lease disclosures are as follows:

Sale and Lease Back

CONTINENTAL BAKING COMPANY
Notes to Financial Statements

Note 1: The Company has entered into, or was negotiating at December 28, 1957, 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 $915,000. The costs of certain new properties, which will be reimbursed upon sale-lease-back, are included in sundry accounts receivable.

KEYSTONE STEEL & WIRE COMPANY
Notes to Consolidated Financial Statements

Note A: A new manufacturing plant, occupied by a subsidiary, was sold to an insurance company on June 28, 1957 for $5,600,000 and leased back for an initial term of 20 years at an annual rental of $420,000. The lease is renewable for eight five-year periods at substantially reduced rentals.

PENN-TEXAS CORPORATION
Notes to Financial Statements

Note 5: Sales of Property under Sale and Lease-back Agreements—During the year 1957 a subsidiary sold its land and buildings under a sale and lease-back agreement. Subsequent to such transaction the subsidiary sold its inventories and fixed assets, ceased manu-

TABLE 19: LONG-TERM LEASES

Disclosures by Lessees	Details Set forth in: Footnotes	Letter to Stockholders	1957 Total
Annual rental amount (*Co. Nos. 169, 276, 278, 520)	95	1	96
Aggregate rental amount (*Co. Nos. 120, 203, 491, 528)	10	—	10
Lease expiration date (*Co. Nos. 196, 391, 494)	26	1	27
Number of leases (*Co. Nos. 153, 271, 388, 486)	50	10	60
Term of leases (*Co. Nos. 400, 409, 412)	56	2	58
Renewal option (*Co. Nos. 125, 360, 415, 429)	15	1	16
Sell-lease-back feature (*Co. Nos. 39, 123, 179, 430)	16	6	22
Total	268	21	289

Number of Companies	
Setting forth details of long-term leases	91
Mentioning long-term leases but omitting details thereof	81
Indicating long-term leases without mention thereof by reference to leaseholds or leasehold improvements	53
Total	225
Neither referring to nor indicating long-term leases	375
Total	600

*Refer to Company Appendix Section.

facturing operations and subleased such premises for two years subject to cancellation at the end of the first year. Because of the cessation of operations by the subsidiary and the continuing rental obligation the entire profit ($1,612,080) resulting from such sale and lease-back agreement has been deferred.

The profit from further realization on a sale and lease-back agreement entered into in 1956 by Pratt and Whitney Company, Incorporated, is reflected in the statement of consolidated income as a special item, leaving $459,662 deferred which will be taken into income as cash payments on the mortgage of $894,502 are received.

Disclosure by Lessees

AMERICAN BOSCH ARMA CORPORATION
Notes to Financial Statements

Note 5: Long-Term Leases—Under the terms of leases for the Arma Division plants terminating in 1973, the Corporation's future operations will be charged with aggregate rentals of $6,400,000.

AMERICAN STORES COMPANY
Notes to Financial Statements

Note 4: Lease Commitments—The company was lessee under 570 leases expiring more than three years after March 30, 1957. Such leases call for minimum annual rentals (excluding taxes, insurance and maintenance expenses where payable by the lessee) totaling $7,894,000 of which about 84% relates to leases expiring within 15 years and the remainder relates to leases expiring in from 15 to 25 years.

ASSOCIATED DRY GOODS CORPORATION
Notes to Financial Statements

Note 8: The aggregate annual rentals for all real property leased to the Company, other than from its wholly-owned real estate subsidiaries, were approximately $2,617,000 for the fiscal year, excluding applicable realty taxes, insurance and maintenance, and additional rentals based upon percentage of sales. Approximately $966,000 of such amount relates to leases, the unexpired terms of which exceed 20 years. Two leases with real estate subsidiaries are pledged as collateral for annual mortgage instalment payments aggregating $360,000 for principal and interest. The wholly-owned real estate subsidiaries paid rentals of approximately $52,000 for the fiscal year under leases with unexpired terms exceeding 20 years.

BULLOCK'S, INC.
Notes to Financial Statements

Note G: Lease Commitments—The Company occupies 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:

One lease expiring within two years	$ 10,000
Twelve leases expiring from six to twenty-five years	774,073
Thirteen leases expiring from twenty-six to forty-nine years	584,592
	$1,368,665

ERIE FORGE AND 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, 1960, with renewal rights for two 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, 1957, were approximately $456,000.00. The Corporation is also obligated to maintain and repair such facilities and to maintain specified minimum insurance coverage.

FEDERATED DEPARTMENT STORES, INC.
Notes to Financial Statements

Note 3: Long-term leases of the Company at February 2, 1957 comprised 95 leases with terms of more than three years after that date and with an aggregate minimum rental of approximately $7,234,000. In addition to fixed rentals most of these leases require the Company to pay real estate taxes (recorded as taxes) and other expenses and, as to some of the leases, additional rentals based on a percentage of the sales. In so far as any of the main stores of the Company are in whole or in part on leased sites, no one of these is a percentage lease, the earliest expiration date on any of these leases is 1966, and all contain renewal provisions excepting eight, one of which expires in 2008, four in 2010, and three in 2016.

MONTGOMERY WARD & CO., INCORPORATED

The Year in Review: Real Estate Leases—The company has 1,854 leases with landlords covering retail stores, catalog stores, and warehouse locations. The minimum annual rentals for which the company is obligated under these agreements for the fiscal year 1957 total approximately $9,686,000. The total minimum rentals to the expiration of the leases, or to optional cancellation dates, amount to approximately $47,838,000. The company has no obligation under any of the leases beyond the year 1987, although renewal privileges exist under many of them.

NORTHROP AIRCRAFT, INC.
Notes to Financial Statements

Note 1: Long-Term Leases—The company has entered into long-term leases covering nine locations for various periods of time up to 1962. The aggregate annual rentals for these locations under the original terms of the leases amounts to $301,468 through 1959, $27,435 through 1961 and $30,720 through 1962. These leases, together with other leases, contain renewal options for various periods of time up to 1969. The leases generally provide that the lessees shall pay property taxes, insurance and other charges.

PENN FRUIT CO., INC.
Notes to Consolidated Financial Statements

Note 7: Long-Term Leases and Commitments—The Company had 67 leases on properties in use, expiring more than three years after August 31, 1957. Such leases call for minimum aggregate annual rentals totaling $2,539,864 of which about 15% relate to leases expiring within 15 years and the remainder relate to leases expiring from 15 to 35 years, with the exception of one lease expiring in 99 years.

The Company has entered into additional long-term leases covering 9 proposed supermarkets and a production building, which provide for minimum aggregate annual rentals of $487,049, the rentals to commence at the various dates of completion.

The sum of $337,467 in aggregate rent on leases of transportation equipment was payable in quarterly installments of varying amounts through April 26, 1960. The leases contain options to purchase the equipment at prices declining in proportion to rentals paid.

The sum of $816,381 in aggregate rent on leases of automatic sprinklers and other store equipment was payable monthly in annual rentals of $138,997 at various dates extending through July 14, 1965. In addition, the sum of $108,312 in aggregate rent on leases of automatic sprinkler equipment for 2 supermarkets and a production building not completed at August 31, 1957 was payable monthly in annual rentals of $13,539 at dates extending through July 1, 1965. The leases are subject to renewal at the option of the Company at nominal rentals.

Among the proposed supermarket leases entered into by the Company with others are three new supermarkets to be built by the lessors at predetermined costs advanced by them. It is estimated that there will be expended by the Company the sum of $393,000 for leasehold improvements to complete these stores according to its specifications. Construction has not commenced on two stores.

Another of the proposed supermarket leases entered into by the Company requires it to build a supermarket at a cost estimated at $350,000. Construction has not commenced on this store.

PUROLATOR PRODUCTS, INC.
Notes to Financial Statements

Note 3: 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 $1,774,710 from December 31, 1957. 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.

F. W. WOOLWORTH CO.
Notes to Financial Statements

Note E: Long-Term Leases—Minimum annual rentals for leased property, excluding rentals based on a percentage of sales and excluding payments of real estate taxes or other expenses, total approximately $34,100,000, the major portion of which relates to leases expiring subsequent to 1962.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, containers, dies, etc., were disclosed in the 1957 annual reports of 111 of the 600 survey companies. Such assets were generally shown in the noncurrent asset section of the balance sheet although, as in previous years, such items having "inventory" characteristics were included in the current asset section under inventories. Table 20 indicates the methods of presentation and the bases of valuation of small tools, etc., found in the 1957 survey reports.

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

Current Asset Section

CONTINENTAL STEEL CORPORATION
Consolidated Balance Sheet

Current Assets:	
Inventories:	
Valued principally at "Lifo" cost or market whichever lower—	
Raw materials	$3,446,668
Semi-finished and finished products	5,761,714
At average cost, or cost less depreciation— Supplies, rolls and similar short-lived equipment	1,917,534

COOK PAINT AND VARNISH COMPANY
Consolidated Balance Sheet

Current Assets:	
Inventories—at lower of cost (first-in, first-out method) or market:	
Raw materials	$1,135,944
Manufactured and semi-manufactured products	3,534,147
Jobbing goods	2,960,821
Cans and containers	176,962
	$7,807,874

COPPERWELD STEEL COMPANY
Statement of Financial Condition

Current Assets:	
Inventories (Note 2):	
Finished products	$ 1,777,478
Work in process	8,887,484
Raw materials	7,855,838
Supplies	1,355,833
Rolls, molds, and annealing covers	2,342,281
Total inventories	$22,218,914

Note 2: 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 $1,434,000 at December 31, 1957, and $970,000 at December 31, 1956. Rolls, molds, and annealing covers are carried at estimated useful value.

GOEBEL BREWING COMPANY
Balance Sheet

Current Assets:	
Inventories:	
Beer	$ 375,103
State revenue stamps	38,326
Materials and supplies	471,566
Total (at lower of cost or market value)	$ 884,995

TABLE 20: SMALL TOOLS, CONTAINERS, DIES, ETC.

Type of Asset	Balance Sheet Presentation: Shown in Current Asset Section Under Inventories	Shown in Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Deferred Charges	Under Other Assets	Notes to Financial Statements	1957 Total
Small tools, tools (*Co. Nos. 89, 116, 144, 393, 413)	5	2	27	1	3	2	40
Dies, lasts (*Co. Nos. 5, 28, 108, 512)	2	2	16	1	—	2	23
Jigs, fixtures (*Co. Nos. 110, 116, 193)	1	1	4	1	—	2	9
Patterns (*Co. Nos. 13, 109, 112, 174)	—	6	7	1	1	—	15
Templates, masterplates, forms, guides (*Co. No. 198)	—	—	1	—	—	—	1
Drawings (*Co. Nos. 138, 283, 592)	—	5	1	—	—	—	6
Molds, chills, flasks, stools (*Co. Nos. 172, 357, 587)	2	—	2	1	—	2	7
Rolls (*Co. Nos. 28, 170, 172)	3	—	2	—	—	1	6
Equipment — annealing, repair, short-lived, "can-making," and "charging box" (*Co. Nos. 170, 272)	3	—	1	—	—	—	4
Returnable containers, cases (*Co. Nos. 155, 171, 438)	7	—	10	—	—	—	17
Parts, spares, stores (*Co. Nos. 52, 219, 303, 341, 391)	18	1	4	2	7	1	33
Utensils, silverware, signs (*Co. No. 494)	—	—	1	—	—	—	1
Other (*Co. Nos. 11, 482)	2	2	3	1	—	—	8
Total	43	19	79	8	11	10	170

Type of Asset	Balance Sheet Valuation: Amortized Value	Unamortized Value	Nominal Value	Inventory Value	Fixed or Arbitrary Value	1957 Total
Small tools, tools	23	8	—	6	3	40
Dies, lasts	11	4	2	3	3	23
Jigs, fixtures	2	3	1	1	2	9
Patterns	4	2	8	—	1	15
Templates, masterplates, forms, guides	1	—	—	—	—	1
Drawings	1	—	5	—	—	6
Molds, chills, flasks, stools	3	—	—	3	1	7
Rolls	2	1	—	2	1	6
Equipment — annealing, repair, short-lived, "can-making," and "charging box"	2	—	—	2	—	4
Returnable containers	8	2	—	7	—	17
Parts, spares, stores	3	5	—	20	5	33
Utensils, silverware, signs	1	—	—	—	—	1
Others	4	2	1	1	—	8
Total	65	27	17	45	16	170

Number of Companies Presenting:	1957
Small tools, containers, dies, etc.	111
Account not presented	489
Total	600

Cartons and marketable bottles (at useful value)	$1,810,986
Less: deposits from customers	534,705
	$1,276,281
	$2,161,276

Noncurrent Asset Section Under Fixed Assets

MACK TRUCKS, INC.
Consolidated Balance Sheet

Fixed Assets, at cost:	
Land	$ 2,269,262
Buildings and improvements	20,827,763
Machinery and all other equipment	36,716,587
	$59,813,612
Less allowance for depreciation	32,283,222
	$27,530,390
Production model tools, dies, fixtures, etc., less amortization	1,271,810
Total fixed assets—net (Notes 1 and 3)	$28,802,200

Note 1: In 1957 and early 1958 the Company entered into agreements providing for (a) up to $100,172,500 of Collateral Trust Notes, Series A, to be issued to a group of banks under a revolving credit expiring July 31, 1958 and (b) $50,000,000 of 5¾% Collateral Trust Notes, Series B, due 1972 to be sold to certain insurance companies by June 2, 1958. As required by the agreements the Company has pledged with the Trustee "eligible" customers' obligations (certain accounts receivable and instalment obligations and the leases of the buses mentioned in Note 3) aggregating 125% of the outstanding notes of both series (the Company's note receivable from and investment in its Canadian subsidiary were pledged in lieu of Canadian customers' obligations). Of the cash shown in the balance sheet at December 31, 1957, $4,522,000 (representing collections on pledged customers' obligations) was held by the Trustee pending pledge of additional customers' obligations.

During the period from January 1, 1958 to February 7, 1958 the outstanding Series A Notes were reduced by $10,000,000 and the Series B Notes increased by $10,750,000.

Note 3: Fixed assets include buses leased to customers amounting, after allowance for depreciation, to $5,720,000 at December 31, 1957 and $3,796,000 at December 31, 1956.

THE MURRAY CORPORATION OF AMERICA
Consolidated Balance Sheet

Property, Plant, and Equipment—at cost, less accumulated depreciation and amortization:	
Land	$ 1,192,101
Buildings and land improvements	14,075,323
Machinery and equipment	16,733,685
Improvements to leased property	953,723
Construction and machinery installations in progress	2,505,169
Funds appropriated for additional facilities	3,000,000
	$38,460,001
Less accumulated depreciation and amortization	13,086,481
	$25,373,520
Tools and dies, less amortization	1,385,304
Total property, plant, and equipment	$26,758,824

WALWORTH COMPANY
Consolidated Balance Sheet

Plant and Equipment:	
Land	$ 1,220,672
Buildings	8,501,024
Machinery, equipment, patterns, tools, fixtures, etc.	28,258,617
Construction and installations in progress	2,135,883
	$40,116,196
Less reserves for depreciation and amortization	18,888,718
Total plant and equipment, less reserves	$21,227,478

Noncurrent Asset Section

THATCHER GLASS MANUFACTURING COMPANY, INC.
Consolidated Balance Sheet

Noncurrent Assets:	
Deferred mold cost and other charges	$405,103

WAGNER ELECTRIC CORPORATION
Consolidated Balance Sheet

Other Assets:	
Special tools and development expense	$185,915
Unamortized leasehold improvements	19,625
Security investments, at cost	37,784
Trade-mark, at cost, less amortization of $605,000 and $325,000, respectively	595,000
Patterns, patents, and designs, at nominal value	1
	$838,325

WARD BAKING COMPANY
Balance Sheet

Noncurrent Assets:	
Deferred and Prepaid Items:	
Prepaid insurance, taxes, etc.	$225,307
Deferred charges (pans, trays, crates, etc.)	712,298
	$937,605

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 1957 reports. Table 21 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 2, Table 47, "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 1955 through 1957, are set forth in Table 21. 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.

TABLE 21: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	I: Unconsolidated Subsidiary			II: Affiliated Company		
Balance Sheet Presentation	1957	1956	1955	1957	1956	1955
Investment in	126	135	117	134	107	118
Investment in, Advances to	81	80	82	50	38	39
Investment in, Advances to, Receivables due from	2	1	—	4	2	1
Investment in, Receivables due from	20	15	15	8	8	11
Advances to	—	—	—	1	1	1
Due from	—	—	1	—	—	1
Securities of	3	3	2	5	2	1
Other Assets	6	3	3	2	1	1
Total	238	237	220	204	159	173
Basis of Valuation						
A: Cost	113	106	93	110	80	94
B: Cost less reserve	21	23	25	10	12	20
C: Substantially at cost	1	2	1	—	—	—
D: Cost adjusted for equity in earnings	10	9	5	—	—	—
E: Cost less dividends	1	1	1	1	1	2
F: Cost or below cost	22	25	21	25	19	19
G: Below cost	1	2	1	—	—	—
H: "Not in excess of cost"	2	2	2	—	1	1
I: Lower of cost or estimated value	1	1	1	—	—	—
J: Assigned, appraisal, or reorganization value	2	—	—	2	—	—
K: Equity in net assets	11	7	7	1	2	2
L: Equity in net worth less reserves	2	2	2	—	—	—
M: Equity less unremitted profits	3	1	1	1	1	—
N: Dated equity value	—	1	2	—	—	—
O: Asset values at acquisition	1	—	1	—	1	1
P: Market less than cost	—	1	—	—	—	—
Q: Assigned value with additions at cost	2	3	4	—	1	2
R: Estimated realizable or recoverable value	1	1	1	—	1	—
S: Nominal value	6	3	5	2	2	3
T: At "No Value"	3	1	1	—	—	—
Total	203	191	174	152	121	144
Basis of valuation not set forth	53	58	63	46	41	37
Less reserve—(basis of valuation not set forth)	4	5	3	4	2	3
Total	260	254	240	202	164	184
Number of Companies with Investment Account for:						
Unconsolidated subsidiary companies	238	237	220	—	—	—
Affiliated companies	—	—	—	204	159	173
Account not presented	362	363	380	396	441	427
Total	600	600	600	600	600	600

Refer to Company Appendix Section—

I: *Unconsolidated Subsidiary*:—A: Co. Nos. 5, 19, 30, 90, 138; B: Co. Nos. 112, 191, 329, 362, 534; C: Co. No. 178; D: Co. Nos. 256, 393, 457, 583; E: Co. No. 160; F: Co. Nos. 48, 49, 316, 320, 404; G: Co. No. 508; H: Co. Nos. 51, 406; I: Co. No. 212; J: Co. Nos. 207, 549; K: Co. Nos. 146, 147, 181, 190, 254; L: Co. Nos. 64, 132; M: Co. Nos. 110, 131, 398; O: Co. No. 400; Q: Co. Nos. 45, 423; R: Co. No. 515; S: Co. Nos. 101, 241, 468, 548, 564; T: Co. Nos. 141, 353, 478.

II: *Affiliated Company*:—A: Co. Nos. 15, 33, 60, 92, 107, 157; B: Co. Nos. 129, 278, 443, 477, 505; E: Co. No. 92; F: Co. Nos. 12, 50, 56, 122, 123; J: Co. Nos. 283, 437; K: Co. No. 180; M: Co. No. 110; S: Co. Nos. 11, 560.

Examples—Unconsolidated Subsidiaries and Affiliated Companies

The following examples, selected from the 1957 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:

ALCO PRODUCTS INCORPORATED
Consolidated Statement of Financial Position
Noncurrent Assets:

Investments—at or below cost:	
Subsidiary company not consolidated (Note 2)	$ 10,000
Montreal Locomotive Works, Limited, common stock (Note 3)	507,000
Other security investments	94,001
	$611,001

Note 2: American Locomotive & Equipment Corp., a domestic wholly-owned subsidiary company which was inactive prior to 1957, is excluded from the 1957 consolidated financial statements as it is now being used to finance certain locomotive transactions and the parent company is not liable for any funded debt of the subsidiary. During the year, the subsidiary entered into a loan agreement to borrow funds not to exceed $4,400,000 to purchase locomotives from the Company for use by a railroad; such sales by the Company aggregated $3,988,971 in 1957 and are included in the accompanying Consolidated Statement of Income, together with the profit thereon. The subsidiary's funded debt, which amounted to $3,533,406 at the year end, matures in sixty quarterly installments and is secured by the assignment of the locomotives and payments for the use thereof. Subsequent to December 31, 1957, the subsidiary entered into a second loan agreement, similar and in addition to the one described above, to borrow funds not to exceed $6,000,000, of which $1,366,708 has been availed of.

Accounts Receivable, as shown on the accompanying Statement of Financial Position at December 31, 1957, include $455,565 due from this subsidiary.

Note 3: The Company's equity in the undistributed net earnings of Montreal Locomotive Works, Limited amounted to $167,402 and $127,682 for the years ended December 31, 1957 and 1956 respectively. Based on its holdings of 118,300 shares at December 31, 1957, Alco's equity in the net assets of Montreal amounted to $1,900,983—$1,393,983 representing undistributed earnings since acquisition.

ALLIS-CHALMERS MANUFACTURING COMPANY
Statement of Financial Position—Consolidated
Other Assets:

Investment in subsidiary companies not consolidated, at cost	$13,335,879

Notes to Financial Statements

Principle of Consolidation—The consolidated statements include all subsidiaries except Allis-Chalmers Credit Corporation, Canadian Allis-Chalmers Limited, Allis-Chalmers Australia Pty. Limited and Allis-Chalmers Great Britain Limited. The Company's equity in the net assets of these subsidiaries exceeded the cost of the investment therein by $1,885,000 at December 31, 1957. The operations of these subsidiaries are to be reflected in the consolidated statement of earnings only to the extent of dividends received; no such dividends were received in 1957.

The consolidated statement of financial position for 1957 includes net current assets in foreign countries, mostly in Canada, amounting to $6,179,000, which are stated at U. S. dollar cost or approximate quoted rates of exchange.

Notes to Financial Statements: Allis-Chalmers Credit Corporation—The investment in Allis-Chalmers Credit Corporation increased from $4 million to $6 million during the year. In addition, to finance certain customers' notes and contracts receivable acquired from the parent Company, short term borrowings from banks were made totaling $21 million as of December 31, 1957. Notes and contracts receivable totaled $23,672,000 as of December 31, 1957, as compared to $3,504,000 on December 31, 1956, or an increase of $20,168,000. This increase in the Credit Corporation accounts is reflected by a corresponding decrease in the trade receivables of the parent Company.

CITY STORES COMPANY
Statement of Financial Condition
Investments and Other Assets:

Investments in and receivables from unconsolidated subsidiaries—see page 12—and Note C	$1,293,275

Note C: Investments in unconsolidated subsidiaries at February 2, 1957 are carried in the statement of financial condition at amounts equal to the recorded net assets of such subsidiaries, whereas such investments as of January 28, 1956 were stated at cost less appropriate reserves. Further, the statement of income for the year ended February 2, 1957 includes the undistributed net income for the year of all unconsolidated subsidiaries, while the statement of income for the preceding year reflects the undistributed income of only two unconsolidated subsidiaries. The change during the year in the method of accounting with respect to unconsolidated subsidiaries had the effect of increasing net income for the year by approximately $99,000 over what it would have been under the method formerly employed, and resulted in a credit to consolidated income reinvested in business of approximately $57,000, representing accumulated undistributed net income of unconsolidated subsidiaries at the beginning of the year. Net income and special item ($1,422,408) of unconsolidated subsidiaries aggregated $2,011,775 for the year ended February 2, 1957, and net income of such subsidiaries for the preceding fiscal year amounted to $329,221.

CROWN CORK AND SEAL COMPANY INC.
Statement of Financial Position
Noncurrent Assets:

Investment in Crown Cork International Corporation	$1,460,000

Notes to Financial Statements

Investment in Crown Cork International Corporation—The investment in Crown Cork International Corporation, stated substantially at cost, is represented by its outstanding Class B stock which is 51.56 per cent of its outstanding equity stock and which is entitled to elect two-thirds of the Board of Directors. The assets of International consist principally of investments in and receivables from subsidiaries located in foreign countries.

The Company is informed by International that at December 31, 1956, the date of the latest available audited financial statements of the latter's foreign subsidiaries, the equity in the net assets of that corporation underlying the Company's investment, after providing certain reserves, amounted to approximately $10,000,000. This amount, however, does not take into account the taxes which might become payable by International in the event of distribution to it of all its proportionate share of the presently undistributed profits of its subsidiaries nor does it purport to represent the realizable value of the Company's equity in the net assets of Crown Cork International Corporation.

CRUCIBLE STEEL COMPANY OF AMERICA
Consolidated Financial Position
Plant and Investments:

Investments:	
Affiliated companies	$10,991,841

Supplementary Financial Information

Investments in Affiliated Companies—	
Snyder Mining Company	$ 3,287,376
Silicon Steels, Inc.	1,500,000
Crucible Center Company	50,000
Rem-Cru Titanium, Inc.	6,154,465
Total	$10,991,841

Investments are carried at cost except the investment in Snyder Mining Company which is stated at an amount equivalent to 50% of its net assets at December 31, 1956 with subsequent changes at cost. Investments represent 50% of the voting power in each affiliated company except Rem-Cru Titanium, Inc. at December 31, 1957. Full ownership of that company was acquired in December 1957. Consolidation of its assets and liabilities with Crucible has been deferred until management has completed the integration discussed on Page 16.

HARNISCHFEGER CORPORATION
Consolidated Balance Sheet
Other Assets:

Investment (at cost) in and advances to wholly-owned subsidiaries, not consolidated	$1,868,376
Investment in affiliated foreign companies—at assigned value	941,546

THE KENDALL COMPANY
Balance Sheet
Investments and Other Assets:

Investments in unconsolidated subsidiaries, at cost, less reserve (Note A)	$95,817

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.

PFAUDLER PERMUTIT INC.
Statement of Consolidated Financial Position
Investments and Other Assets:

Capital stock of subsidiaries not consolidated —Note C:	
Wholly-owned German subsidiary	$ 150,000
Partly-owned Mexican subsidiaries, at cost	372,273
Capital stocks of domestic and foreign associated corporations—at cost or assigned value	416,817
Mortgages receivable, franchise, and miscellaneous accounts	240,977
	$1,180,067

Note C: Investments in Subsidiaries Not Consolidated—The amount for investment in the wholly-owned German subsidiary represents the valuation determined at the date of recovery. The Company's equity in net assets as shown by the most recent available (unaudited) statements of its German and Mexican subsidiaries, after exchange translations, exceeded the carrying amounts for investments therein by $548,344.

PULLMAN, INCORPORATED
Consolidated Balance Sheet
Investments and Other Assets:

Investment in Trailmobile Finance Company (Note A)	$ 904,945
Noncurrent advances to Trailmobile Finance Company under the terms of its bank credit agreement	10,500,000
Other investments and long-term receivables	2,823,527
	$14,228,472

Note A: Principles of Consolidation—The Corporation follows the practice of consolidating all domestic and Canadian subsidiaries engaged in manufacturing, engineering and selling activities. Its wholly-owned finance subsidiary, Trailmobile Finance Company, is not consolidated and the investment in that company is carried in the consolidated balance sheet at cost, adjusted for undistributed earnings.

PREPAID EXPENSES AND DEFERRED CHARGES

The terminology used by the survey companies in presenting prepaid expenses or deferred charges in their balance sheets for the years 1950, 1955, 1956, and 1957 is summarized and classified in Table 22.

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, 589 presented prepaid expenses or deferred charges in their 1957 balance sheets. Of the 589 companies displaying such items, 190 companies presented them under "current assets," 127 companies presented them under both "current" and "noncurrent assets," and the remaining 272 companies included them among the "noncurrent assets."

Table 22 also indicates that the descriptive word "prepaid" was generally used in the current asset section of the balance sheet, whereas the term "deferred" was most frequently employed in the noncurrent asset section.

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

THE BEST FOODS, INC.
Consolidated Statement of Financial Position
Current Assets:
Expenses paid in advance (insurance, taxes, freight and others) $444,432

GOEBEL BREWING COMPANY
Balance Sheet
Current Assets:
Prepaid advertising, insurances, taxes and other expenses $217,919

JANTZEN, INC.
Consolidated Statement of Financial Position
Current Assets:
Prepaid insurance, advertising, supplies, etc. $242,350

Current and Noncurrent Asset Sections

ACME STEEL COMPANY
Statement of Consolidated Financial Condition
Current Assets:
Prepaid insurance and other expenses $502,237
Noncurrent Assets:
Unamortized debt discount and expense $559,347

McCORMICK & COMPANY
Balance Sheet
Current Assets:
Expenses paid in advance $427,788
Noncurrent Assets:
Debt expense chargeable to future operations $ 30,145

STOKELY-VAN CAMP, INC.
Consolidated Balance Sheet
Current Assets:
Prepaid freight, interest, insurances, taxes, etc. $1,189,664
Noncurrent Assets:
Prepaid insurance, etc. (current portion above) $ 343,235

TABLE 22: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used In	1957	1956	1955	1950
Current Asset Section:				
Prepaid	286	254	246	175
Prepaid and deferred	11	16	10	4
Deferred	6	5	5	3
Unexpired	5	8	8	6
Costs applicable to future periods	8	8	13	7
Various other terms	6	6	3	3
Total	322	297	285	198
Noncurrent Asset Section:				
Deferred	179	164	169	143
Deferred and prepaid	90	95	93	94
Deferred with certain items listed thereunder described "prepaid"	46	58	59	104
Prepaid	54	62	67	65
Costs applicable to future periods	15	14	12	17
Unamortized	33	22	32	13
Unexpired	10	6	6	4
Various other terms	9	4	1	10
Total	436	425	439	450
Number of Companies Presenting:				
Prepaid Expenses or Deferred Charges in—				
Current asset section	190	200	198	128
Current and noncurrent asset sections	127	106	138	76
Noncurrent asset section	272	282	251	386
No prepaid Expense or Deferred Charge items	11	12	13	10
Total	600	600	600	600

	Balance Sheet Presentation			
	1957		1956	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Advertising (*Co. Nos. 38, 266, 319, 491)	8	8	7	11
Debt discount (*Co. Nos. 4, 78, 260, 553)	—	26	—	21
Debt expense (*Co. Nos. 325, 497, 587, 591)	—	52	—	49
Employee welfare (*Co. Nos. 122, 248, 302, 499)	2	18	2	21
Expense advances (*Co. No. 372)	1	—	2	1
Financing expense (*Co. Nos. 162, 257, 343, 532)	2	5	—	7
Insurance (*Co. Nos. 41, 168, 336, 449)	110	80	115	94
Interest (*Co. Nos. 181, 526)	1	1	2	1
Mine stripping and expense (*Co. Nos. 21, 154, 330, 568)	—	4	—	4
Organization expense (*Co. No. 497)	—	1	—	1
Preoccupation and plant costs (*Co. Nos. 95, 205, 365, 563)	—	5	—	—
Rent (*Co. Nos. 267, 272, 314, 579)	9	18	15	23
Research and development (*Co. Nos. 91, 141, 276, 399)	1	10	—	7
Selling, delivery, freight, commissions (*Co. Nos. 25, 93, 210, 294)	3	4	2	3
Supplies (*Co. Nos. 122, 232, 310, 515)	17	20	18	23
Taxes (*Co. Nos. 9, 15, 181, 221, 406)	51	42	67	49
Tooling and factory expense (*Co. Nos. 219, 294, 328, 420)	3	4	2	1
Unused royalties (*Co. Nos. 189, 241, 599)	—	3	—	2
Various other captions (*Co. Nos. 166, 174, 418, 460)	4	—	9	2
"Prepaid or Deferred" (*Co. Nos. 101, 229, 348, 495)	276	329	198	274
"Prepaid or Deferred"** (*Co. Nos. 71, 235, 433, 451)	41	41	50	50
Total	529	671	489	644

*Refer to Company Appendix Section.
**In both the current and the noncurrent asset section.

WHEELING STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

Prepaid expenses	$1,301,995

Noncurrent Assets:

Unamortized debt discount and expense	$ 276,813

Noncurrent Asset Section

GENERAL BAKING COMPANY
Comparative Balance Sheet
Noncurrent Assets:
Deferred Charges:

Prepaid insurances, taxes, etc.	$ 856,740
Retirement annuity plan	957,715
	$1,814,455

S. H. KRESS & COMPANY
Statement of Financial Condition
Noncurrent Assets:

Prepaid insurance premiums, rents, etc.	$930,241

LEHIGH PORTLAND CEMENT COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Deferred debenture issue expense	$472,329

INTANGIBLE ASSETS

The balance sheets of 348 of the 600 survey companies disclosed intangible assets in their 1957 annual reports. Table 23 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 timber rights 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 23 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 1957 reports are as follows:

Shown Separately in Noncurrent Asset Section

ALASKA PACIFIC SALMON COMPANY
Balance Sheet
Noncurrent Assets:

Trademarks, tradebrands and patent, at appraised value at time of incorporation; subsequent additions at cost	$77,045

THE BASTIAN-BLESSING COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Patents—at cost, $63,097 less accumulated amortization of $36,103	$26,994

COLLINS RADIO COMPANY
Balance Sheet
Intangible Assets:

Patents—at cost	$240,380
Less—Amortization to date	84,803
	$155,577
Blueprints, drawings, research and other	1
	$155,578

HEARST CONSOLIDATED PUBLICATIONS, INC.
Consolidated Balance Sheet
Noncurrent Assets:

Circulation, press franchises, reference libraries, and goodwill	$19,750,165

McCORMICK & COMPANY, INCORPORATED
Balance Sheet
Noncurrent Assets:

Goodwill, trademarks, formulae, etc.	$1
Human relations	1

NEPTUNE METER COMPANY
Consolidated Statement of Financial Position
Intangible Assets:

Excess of cost of investments in subsidiaries over equity in net assets at dates of acquisition	$ 54,354
Patents and royalty agreement, at amortized cost	63,224
Goodwill	1
	$117,579

TABLE 23: INTANGIBLE ASSETS

A: Balance Sheet Presentation

Type of Intangible Asset*	Current Asset Section Under Inventories	Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Other Assets	Under Deferred Charges	Notes to Financial Statements	1957 Total
A: Patents, patent rights and applications	—	140	6	19	4	—	169
B: Trademarks, brand names	—	84	2	19	1	—	106
C: Copyrights	—	6	—	1	—	—	7
D: Goodwill	—	118	2	16	4	—	140
E: Goodwill re: subsidiary	—	20	1	2	—	1	24
F: Leasehold improvements	—	3	62	4	4	6	79
G: Leaseholds, leases, leased equipment	—	3	29	1	1	5	39
H: Developed leases—mining, oil	—	—	4	1	1	5	11
I: Formulae, processes, designs	—	17	—	4	1	—	22
J: Research and development	—	6	—	2	3	2	13
K: Licenses, franchises, memberships	—	17	4	6	—	—	27
L: Rights—water, water-power, land	—	—	13	—	—	—	13
M: Rights—mining, timber, cutting, fishing, and "other rights"	—	3	9	1	—	1	14
N: Contracts	—	6	—	1	—	—	7
O: Name lists, catalogs, trade routes	—	4	—	1	—	—	5
P: Scripts, scenarios, story and film rights	5	1	—	—	—	—	6
Q: Reference library	—	1	—	—	—	—	1
R: Finance and organization costs	—	1	—	1	5	—	7
S: Described as: "Intangible Assets"	—	14	4	—	1	—	19
T: Various other	—	15	1	2	—	3	21
Total	5	459	137	81	25	23	730

*Refer to Company Appendix Section—A: Co. Nos. 65, 176, 197, 226, 311, 318, 331, 485, 488; B: Co. Nos. 11, 32, 35, 171, 453, 556; C: Co. Nos. 318, 373, 424; D: Co. Nos. 18, 61, 110, 287, 310, 383; E: Co. Nos. 72, 173, 524, 545; F: Co. Nos. 69, 103, 141, 196, 228, 338, 361; G: Co. Nos. 24, 66, 102, 477, 556; H: Co. Nos. 62, 416, 540; I: Co. Nos. 35, 38, 150, 171; J: Co. Nos. 39, 115, 129, 283; K: Co. Nos. 213, 288, 456, 542; L: Co. Nos. 54, 56, 143; M: Co. Nos. 219, 236, 488; N: Co. Nos. 409, 458, 542; O: Co. Nos. 190, 371; P: Co. Nos. 423, 549; Q: Co. No. 288; R: Co. Nos. 233, 242, 246; S: Co. Nos. 136, 401, 444, 582; T: Co. Nos. 358, 373.

B: Balance Sheet Valuation and Amortization

Type of Intangible Asset	Amortized Value After Charges To: Income	Retained Earnings	Charge Not Shown	Total	Unamortized Value	Nominal Value	1957 Total
Patents, patent rights and applications	36	—	29	65	7	97	169
Trademarks, brand names	11	1	17	29	8	69	106
Copyrights	—	—	—	—	3	4	7
Goodwill	13	1	11	25	22	93	140
Goodwill re: subsidiary	6	—	8	14	8	2	24
Leasehold improvements	67	—	9	76	1	2	79
Leaseholds, leases, equipment leases	30	—	5	35	2	2	39
Developed leases—mining, oil	8	—	1	9	2	—	11
Formulae, processes, designs	3	—	1	4	3	15	22
Research and development	3	1	—	4	4	5	13
Licenses, franchises, memberships	14	—	2	16	5	6	27
Rights—water, water-power, land	6	—	2	8	5	—	13
Rights—mining, timber, cutting, fishing, and "other rights"	5	—	5	10	2	2	14
Contracts	—	—	1	1	1	5	7
Name lists, catalogs, trade routes	—	—	1	1	2	2	5
Scripts, scenarios, story and film rights	1	—	2	3	3	—	6
Reference library	—	—	—	—	1	—	1
Finance and organization costs	2	—	3	5	2	—	7
Described as: "Intangible Assets"	3	1	5	9	2	8	19
Various other	4	—	6	10	5	6	21
Total	212	4	108	324	88	318	730

Number of Companies Presenting:	1957
Intangible Assets	348
No Intangible Assets	252
Total	600

Shown Under Fixed Assets in Noncurrent Asset Section

GENERAL CIGAR CO., INC.
Consolidated Balance Sheet
Property and Equipment:

Buildings, machinery and equipment, at cost	$9,618,293
Less—Accumulated depreciation	3,584,426
	$6,033,867
Land	385,984
Unamortized cigar machine licenses	1,223,955
Goodwill, trade-marks, patent rights, etc.	1
	$7,643,807

AMORTIZATION OF INTANGIBLE ASSETS

The information contained in the 1957 survey reports with regard to the amortization of intangible assets is summarized in Table 23. There were 323 instances of intangible assets shown in the balance sheets at an amortized value. In 212 of these cases the amortization was charged to the income account; in 2 instances the charge was to the retained earnings account, and in the remaining 109 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 examples of charges to retained earnings for the write-off of intangible assets, refer to Section 4, *Goodwill, Intangible Assets.*

ACCOUNTS PAYABLE—Current Liabilities

Table 24 classifies and summarizes the various kinds of accounts payable items included among current liabilities in the 1957 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 current liability items. In addition to the above items payable to trade creditors, 74 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.

Fifteen of the survey companies included among their noncurrent liabilities various items such as customers' deposits on returnable containers, and royalties payable (*Co. Nos. 94, 125, 127, 141, 185, 223, 228, 254, 280, 286, 423, 434, 458, 527, 532).

TABLE 24: ACCOUNTS PAYABLE

Current Liability Description	Presentation: Separately	Presentation: With Other Items	1957 Total
Re: Trade Creditors—			
Accounts payable (*Co. Nos. 35, 37, 94, 132, 223, 254, 275, 424)	386	214	600
Notes payable (*Co. Nos. 96, 141, 276)	5	—	5
Royalties payable (*Co. Nos. 127, 190, 241, 249)	4	10	14
Trade acceptances or drafts payable (*Co. Nos. 293, 563)	1	3	4
"Accrued expenses"—not identified (*Co. Nos. 142, 192, 197, 346, 454, 495, 529, 538)	174	172	346
Total	570	399	969
Re: Trade Customers—			
Advances on non-government contracts (*Co. Nos. 119, 186, 203, 284, 437, 596)	22	3	25
Progress billings on non-government contracts (*Co. Nos. 65, 193, 351)	4	4	8
Additional costs on completed contracts (*Co. Nos. 75, 159)	4	1	5
Deposits for various trade purposes (*Co. Nos. 102, 137, 178, 288)	11	8	19
Deposits for merchandise containers (*Co. Nos. 251, 285, 290)	9	—	9
Credit balances—accounts receivable (*Co. Nos. 24, 88, 563)	8	12	20
Total	58	28	86

Number of Companies Showing:	
Accounts payable—trade creditors	600
Accounts payable—trade customers	74

*Refer to Company Appendix Section.
Refer also to Table 29.

The following examples, selected from the balance sheets of the 1957 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.

BOEING AIRPLANE COMPANY
Balance Sheet
Current Liabilities:

Notes payable to banks	$110,000,000
Accounts payable	110,292,401
Salaries and wages	40,797,421
Payroll, property, and excise taxes	5,562,012
Incentive compensation for officers and employees	3,995,000
Payable to Trustee under retirement plan	3,702,162
Allowance for 1954 renegotiation, net of taxes	4,637,956
Federal and state taxes on income	33,140,811
Total current liabilities	$312,127,763

CANADA DRY GINGER ALE, INCORPORATED
Consolidated Balance Sheet
Current Liabilities:

Accounts payable	$ 2,241,249
Notes payable	603,693
Dividends payable	536,766
United States and Canadian Federal income taxes	3,186,764
Other taxes	770,681
Salaries, wages, interest, and other accruals	945,326
Total current liabilities (exclusive of an indeterminable amount of container deposits which will be currently returned to customers—see below)	$ 8,284,479
Other Liabilities:	
Twenty Year 4% Sinking Fund Debentures due June 1, 1956, less $110,000 in treasury in 1957 ($530,000 redeemable annually beginning June 1, 1959)	$11,890,000
Liability to customers for deposits on returnable containers—estimated	3,568,923
Total other liabilities	$15,458,923

LESLIE SALT CO.
Statement of Consolidated Financial Position
Current Liabilities:

Accounts payable	$ 340,097
Accrued taxes, payroll, interest, etc.	551,276
Current portion of long-term debt (Note 2)	275,000
Dividend payable	116,520
Estimated Federal income taxes (less U. S. Treasury tax anticipation securities: 1957, $198,040)	231,500
Total current liabilities	$1,514,393

Note 2: At December 31, 1957 long-term debt consisted of the following:

4.55% First Mortgage Bonds (payable $336,000 annually February 1, 1960 to 1976 and $452,000 February 1, 1977)	$6,164,000
3% Mortgage Note (payable $25,000 annually August 15, 1958 and 1959 and $50,000 August 15, 1960)	100,000
Customer's advance ($250,000 due in July 1958 and 1959 and $300,000 in July 1960)	800,000
Total	$7,064,000
Less current portion	275,000
Remainder	$6,789,000

Under terms of the indenture executed in connection with the issue of the 4.55% First Mortgage Bonds approximately $4,485,000 of the consolidated retained income at December 31, 1957 was not available for payment of dividends. The indenture also requires that consolidated net working capital be maintained at a minimum of $1,250,000.

MIDWEST RUBBER RECLAIMING CO.
Statement of Financial Position
Current Liabilities:

Amounts owed for materials, wages, taxes, etc:	
Unpaid invoices for materials, services purchased, and expenses	$ 564,587
Payable to employees for wages and salaries	136,732
Long term note payment to be made within one year (Note 2)	100,000
Taxes, other than income taxes	115,958
Estimated federal income taxes	707,199
Provision for workmen's compensation claims	25,404
Current liabilities	$1,649,880

Note 2: The long term note payable bears interest at the rate of 4¼% per annum and is due in annual installments of $100,000, with prepayment privileges up to $100,000 additional annually, at no premium. The Board of Directors authorized a prepayment of $100,000 to be made with the annual installment due December 1, 1955. The loan agreement provides, among other things, that the company will maintain working capital of $1,750,000. The terms of the loan agreement and of the 4½% Cumulative Preferred Stock place certain restrictions on the payment of dividends on common stock; under the most stringent of these restrictions $808,657 of retained earnings at October 31, 1957 were unrestricted.

LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

There were 401 survey companies that evidenced the many types of liabilities to employees and stockholders as current liabilities in their 1957 balance sheets. The caption most frequently used was "salaries and wages payable." Other frequently used captions were "dividends payable," "payroll taxes withheld," "commissions payable," and "contributions to employee benefit plans." Table 25 summarizes the various types of liabilities regarding employees which appeared in the current liability section of the balance sheets of the 1957 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. 69, 235, 257, 301, 321, 337, 385).

Examples— Liabilities re Employees and Stockholders

Examples from the 1957 annual reports which illustrate various liabilities with regard to employees and stockholders, together with their balance sheet presentation, are given below:

ACME STEEL COMPANY
Statement of Consolidated Financial Condition
Current Liabilities:

Salaries and wages	$3,391,373
Employees' stock option accounts, less United States Treasury bills (cost $359,222) held therefor—Note D	70,114

Note D: Options to Purchase Common Stock—On August 26, 1957, pursuant to The 1957 Employees' Stock Option Plan of Acme Steel Company previously approved at the 1957 annual meeting of shareowners, the Company granted options to purchase Common Stock at a price of $27.25 a share (which was 90 per cent of the market price on that date). The options may be exercised at any time during the two-year period commencing August 26, 1958.

Deposits by employees (generally on a monthly basis) for purchase of stock under the Plan are held by the Company, with interest credited at the rate of 3 per cent thereon until the options are exercised.

At December 31, 1957, options to purchase 183,361 shares were outstanding. No additional options may be granted under the Plan.

AMERICAN SMELTING AND REFINING COMPANY
Consolidated Balance Sheet
Current Liabilities:

Salaries and wages accrued	$4,320,907

*Refer to Company Appendix Section.

TABLE 25: LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

Current Liability Description	Presentation Separately	With Other Items	1957 Total
Salaries or wages payable (*Co. Nos. 147, 157, 381, 534, 564)	62	229	291
Dividends or declaration payable (*Co. Nos. 30, 110, 191, 212, 298)	139	3	142
Payroll taxes withheld (*Co. Nos. 96, 174, 214, 242, 399)	26	74	100
Commissions payable (*Co. Nos. 217, 295, 325, 424, 484)	4	54	58
Unclaimed wages, retroactive salary (*Co. No. 174)	—	1	1
Deposits received for U. S. bond purchases (*Co. Nos. 200, 245, 415)	1	8	9
Deposits—various employee purposes (*Co. Nos. 255, 410, 496)	9	1	10
Deposits—salesmen's guarantee (*Co. Nos. 217, 287)	4	1	5
Accounts payable or employee balances (*Co. Nos. 58, 135)	2	4	6
Accident, compensation, or disability benefits (*Co. Nos. 79, 335)	1	3	4
Additional or other compensation (*Co. Nos. 98, 257)	4	4	8
Incentive compensation (*Co. Nos. 100, 341)	2	6	8
Bonus plan payments (*Co. Nos. 207, 368)	2	15	17
Employee benefit plan contributions (*Co. Nos. 106, 200, 244, 428)	23	18	41
Employee profit sharing plan (*Co. Nos. 91, 148, 322)	10	6	16
Vacation pay (*Co. Nos. 13, 164, 322)	10	25	35
Total	299	452	751

Number of Companies Showing:	
Current liabilities—employees and stockholders	401
No current liabilities—employees and stockholders	199
Total	600

*Refer to Company Appendix Section.

Noncurrent Liabilities:
Reserves:

Operating	$1,762,161
Additional compensation (Note 6)	2,407,374

Note 6: Additional Compensation Reserve—Under the provisions of the Additional Compensation Plan, $848,748 was appropriated from 1957 earnings. In 1957, $163,883 was paid in cash and contingently allotted in common stock to officers, and $1,128,490 was paid in cash and common stock to other eligible employees.

During 1957, $289,253 representing contingently allotted stock and dividend equivalents at December 31, 1956 were segregated from the reserve and reclassified as miscellaneous liabilities.

CONSOLIDATED PAPER COMPANY
Balance Sheet
Current Liabilities:
Accounts payable:

Trade	$1,397,020
Taxes withheld from employees	94,290
Sundry	11,895

Accrued liabilities:

Payrolls and commissions	185,448
Social security taxes	16,256
Federal income taxes	385,732
Property and other taxes	247,708
Vacation pay	445,000
Employees' death benefits	335,800

Note B: Taxable income for the year 1957 was reduced by a deduction for factory vacation pay of $342,700 accrued at the close of the year. This resulted in a non-recurring reduction of federal income taxes which, together with related adjustments increased net income by approximately $165,000.

THE CURTIS PUBLISHING COMPANY
Consolidated Balance Sheet
Current Liabilities:

Wages earned but not due	$1,749,103
Dividends declared but not due (Note 4)	293,073

Note 4: Capital Structure—On October 1, 1956 the $7 Preferred Stock was called for redemption at $120 per share. Prior to that date there was irrevocably deposited with the Paying Agent $3,878,400 covering this redemption and $56,987 covering dividend due October 1, 1956 on this stock. At December 31, 1957 there remained unpaid in the redemption account $21,120 and in the dividend account $430. (At December 31, 1956 the amounts were $114,000 and $882 respectively.)

CURTISS-WRIGHT CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Accrued wages, taxes and other expenses (Note 2)	$16,236,352

Note 2: Under the Corporation's stockholder-approved Modified Incentive Compensation Plan, additional compensation to 1,054 employees of $2,921,750, payable over a 5-year period, was awarded in 1958 based on the Corporation's earnings for the year 1957. The 1958 awards, together with unpaid instalments of prior years' awards, are included, net of applicable federal income taxes, in "Accrued wages, taxes and other expenses" in the consolidated balance sheet.

ERIE FORGE & STEEL CORPORATION
Balance Sheet
Current Liabilities:
Accounts payable and accrued expenses:

Trade accounts	$814,106
Salaries, wages and commissions, and amounts withheld from employees for taxes, bond purchases, etc.	535,044
Accrued rentals, taxes, and interest	636,919
Employees pension trust	188,319
Reserve for relining and repairing furnaces	134,484
Dividend payable May 10, 1957, on Common Stock	91,454

THE GARLOCK PACKING COMPANY
Consolidated Balance Sheet
Current Liabilities:

Accrued contributions under retirement income plan (Note 2)	$647,015
Accrued salaries, wages, commissions, etc.	475,916

Note 2: Retirement income benefits are provided by contracts with an insurance company for certain employees of the Company and its subsidiaries under basic past and future service pension plans, supplemented by a profit-sharing arrangement.

The entire cost of benefits accrued on account of past service, i.e., for service prior to the effective dates of the plans, is borne by the companies. Generally, it is expected that the cost of these past service benefits will be paid to the insurance company over a remaining period of not more than twelve years. The maximum cost of past service benefits, before taxes on income and subject to termination or amendment of the plans at the Company's option, to be provided by charges to earnings in future years is estimated to be approximately $630,000.

The cost of benefits accrued and to accrue on account of future service, i.e., for service subsequent to the effective dates of the plans, is contributed both by employees and the companies.

Under the profit sharing formula revised as of January 1, 1957, and approved by the stockholders April 3, 1957, the participating companies, who bear the entire cost of the profit sharing plan, base their contributions on a percentage of consolidated annual earnings before taxes on income in excess of a percentage of consolidated net worth at the end of the previous calendar year. The maximum contribution to be made with respect to any single year is determined by a percentage of the annual compensation paid in that year to employees covered by the plan.

THE GARRETT CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Salaries, wages and other compensation—Note B	$2,573,545
Withholds from employees for bond purchases and taxes	1,009,082
Local and payroll taxes	1,209,381
Vacation and sick-leave pay accrued	3,667,704

Note B: Deferred Compensation—The liability shown for salaries, wages and other compensation at June 30, 1957, includes $1,092,104 for payments (net of estimated related tax benefits) under the Company's deferred compensation plan. Of this amount $179,320 was charged against income of the year ended June 30, 1957 (includes $77,945 resulting from current salary adjustments and $2,896 applicable to a contract with a newly qualified employee). The future annual cost of the plan is not determinable; but for the five years following June 30, 1957, if contracts now in force are continued on their present basis, the amount (which is net of estimated tax benefits) to be provided by charge against income would vary from $111,263 for the fiscal year 1958 to $82,553 for the fiscal year 1962.

VEEDER-ROOT INCORPORATED
Condensed Consolidated Balance Sheet
Current Liabilities:

Accrued taxes	$1,854,453
Employees' income taxes withheld	119,790
Totals	$1,974,243
Less: United States Treasury bills and cash reserved for payment of taxes	1,974,243
Net	—
Accounts payable	$ 249,178
Accounts payable, Altoona land, buildings and equipment	—
Customers' advance deposits	54,192
Employees' deductions for savings bonds, attachments and group donations	12,311
Accrued salaries, wages and commissions	427,289
Pension contribution payable	99,794
Estimated vacation pay, net of taxes	72,349

INCOME TAX LIABILITY

Table 26 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 29 survey companies which did not disclose a liability for federal income taxes in their 1957 balance sheets (*Co. Nos. 5, 11, 67, 70, 77, 132, 141, 161, 206, 208, 240, 266, 287, 294, 306, 339, 346, 385, 391, 392, 452, 490, 492, 514, 528, 534, 541, 564, 568). Eleven of these companies indicated "loss from operations" and nine referred to "operating loss carryover."

The following examples, selected from the 1957 reports, are representative of the balance sheet presentations of the liability for income taxes. (For further

*Refer to Company Appendix Section.

TABLE 26: INCOME TAX LIABILITY

Current Liability—Balance Sheet Presentation and Classification	1957	1956	1955
"Federal Income Tax"	254	270	273
Above combined with:			
Other taxes	10	8	9
Other income taxes	6	5	6
Territorial and other taxes	1	1	1
Renegotiation	7	8	9
Redetermination	—	—	1
Non-tax items	1	1	2
Total	279	293	301
"Federal Income and Excess Profits Taxes" combined with other items	—	1	1
"Federal and State Income Tax"	50	52	56
Above combined with:			
Foreign taxes	20	17	15
Foreign and municipal taxes	1	1	1
Municipal taxes	1	—	2
Other taxes	3	5	5
Renegotiation	3	3	3
Total	78	78	82
"Federal and Foreign Income Taxes"	93	92	84
Above combined with:			
Other taxes	1	1	1
Other taxes and renegotiation	1	—	3
Renegotiation	5	6	6
Total	100	99	94
Classifications Set Forth as:			
"Income Taxes"	53	55	55
"Foreign income taxes"	1	1	1
"Income and other taxes"	7	7	4
"Income tax, domestic and foreign"	—	—	1
"Income tax and renegotiation"	—	1	3
Total	61	64	64
"Taxes"	38	33	35
"Federal, state and other taxes"	2	3	3
"Federal and state taxes"	2	3	1
"Federal, state, municipal taxes"	5	6	5
"Federal and general taxes"	3	3	2
"Domestic and foreign taxes"	2	2	1
"Taxes" and non-tax items	1	1	2
"Taxes and renegotiation"	—	—	1
Total	53	51	50
Number of Companies Presenting:			
Current liability for income tax or taxes	571	586	592
Not presenting such liability	29	14	8
Total	600	600	600

examples, see those following text "U. S. Government Securities Used to Offset Federal Income Tax Liability.")

THE AMERICAN DISTILLING COMPANY
Balance Sheet
Current Liabilities:

Provision for federal taxes on earnings—Note 6	$1,387,471

Note 6: Provision for Federal Taxes on Earnings—The provision for federal taxes on earnings is composed of the following at September 30, 1957:

Balance of provision for federal taxes on the current year's earnings, net of $257,447 previously paid	$1,262,764
Estimated provision for additional assessment applicable to fiscal years ending September 30, 1951 through 1955	124,707
	$1,387,471

E. L. BRUCE COMPANY
Comparative Consolidated Balance Sheet
Current Liabilities:

Federal taxes on income, estimated, less estimated tax installments paid for 1957, $83,290 (Note 2)	$428,709
State taxes on income, estimated	39,400

Note 2: The federal income tax returns of the parent company and subsidiary are in process of examination by the Internal Revenue Service for the four years ended June 30, 1956. From the information now available, it appears that, after application of a credit arising during the year ended June 30, 1957 for income taxes of the subsidiary recoverable under the loss carry-back provisions of the Internal Revenue Code, there will be a net refund of a moderate amount. The net amount of the adjustments of the income tax liabilities will be given effect in the accounts upon settlement with the tax authorities.

DAYSTROM, INCORPORATED
Consolidated Balance Sheet
Current Liabilities:

Federal taxes on income (Note 6)	$2,590,000
Less U. S. Treasury bills and tax notes	2,590,000
Long-term Liabilities:	
Deferred federal taxes on income (Note 6)	$1,738,158

Note 6: Federal Taxes on Income—Federal income and excess profits tax returns have been examined by the Internal Revenue Service up to and including the fiscal year ended March 31, 1950 and all taxes assessed as a result of such examinations have been paid.

Federal income and excess profits tax returns of one of the Company's subsidiaries for the years 1950 through 1954 have been examined by the Internal Revenue Service, and the examining agents have submitted reports alleging deficiencies of approximately $128,000 for such years. These deficiencies are being contested by the subsidiary and protests have been filed with respect thereto.

It is believed that adequate provision has been made in the accounts for possible additional Federal income tax assessments.

Certain of the Company's plant facilities are covered by Certificates of Necessity on which, for income tax purposes, amortization is being taken over a sixty month period, while normal depreciation is being taken in the accounts. Provision has been made in the accounts for the temporary tax benefit which has been charged against profits and credited to Deferred Federal taxes on income.

DOUGLAS AIRCRAFT COMPANY, INC.
Statement of Financial Position
Current Liabilities:

Federal taxes on income—estimated—Note B	$29,114,774

Note B: Income Taxes—Federal tax returns of the Company for fiscal years 1951, 1952, and 1953 have been under examination by the Internal Revenue Service. The revenue agent's report covering those years has not been received; however, preliminary discussions indicate that a deficiency will be asserted. The Company contends that there is no deficiency. If, however, one is asserted and sustained, there would be certain offsetting adjustments in tax liabilities for subsequent years not yet examined by the Internal Revenue Service. The Company believes that the net effect on its reported financial position which would result from such a deficiency would not be material.

FOOTE MINERAL COMPANY
Balance Sheet
Current Liabilities:

Federal and state income taxes, estimated (Note 2)	$1,731,200

Statement of Earnings
Separate last section:

Earnings before income taxes	$3,747,224
Federal and state income taxes, estimated (Note 2)	1,445,000
Net earnings	$2,302,224

Note 2: Federal Income Taxes—Federal income tax returns have been examined and settled through December 31, 1953. In connection with the examination of the 1954 return, the Internal Revenue Service and the company have disagreed as to the method of computing percentage depletion. The method proposed by the Service, if applied to 1954 and subsequent years, would give rise to income tax liabilities in excess of the provision made in the accounts. However, the company is of the opinion that its method of computation is appropriate and believes that adequate provision has been made for any tax which may eventuate.

HYGRADE FOOD PRODUCTS CORPORATION
Consolidated Balance Sheet
Current Liabilities:

United States and foreign taxes on income (Note 1)	$3,315,310
Noncurrent Liabilities:	
Reserves:	
Tax contingencies (Note 1)	$2,468,116

Statement of Consolidated Earnings
Separate last section:

Net earnings before taxes on income	$2,832,573
Provision for United States and foreign taxes on income (Note 1)	1,474,905
Net earnings	$1,357,668

Note 1: Federal income tax returns have been examined by the Internal Revenue Service through the fiscal year 1949 and additional assessments for the years 1946 through 1949 aggregating $2,830,000 (plus interest) have been proposed. The underlying issues, all of which are being disputed, are pending before the U. S. Tax Court. Approximately $2,000,000 has been provided with respect to such taxes, and the management believes this should be adequate for this contingency.

In its 1955 tax return, the Company deducted substantial losses relating to the sale or abandonment of certain tangible and intangible assets having tax bases higher than book values, as a consequence of which Federal income taxes otherwise reportable on returns for 1955 and 1956 were reduced by $2,300,000. However, provision for Federal income taxes in the financial statements has been made without considering the benefit of such special loss deductions.

For income tax purposes the company has adopted a method of accelerated depreciation (as permitted by the Internal Revenue Code) with respect to expenditures for certain plant facilities acquired in 1955 and thereafter, but for financial accounting purposes has recorded depreciation computed on the "straight line" method. This procedure had the effect of reducing the amount of Federal income taxes payable and the provision therefor reflected in the accompanying statement of earnings by approximately $180,000.

NATIONAL CYLINDER GAS COMPANY
Consolidated Balance Sheet
Current Liabilities:

Accrued accounts:	
Federal, state, and local taxes (Note 4)	$9,880,948

Note 4: Federal Income Tax—The federal income tax liabilities have been finally determined for all of the companies through 1954 and for some of them through 1955. The companies have paid all taxes shown to be owing by the returns filed and have made liberal provisions for any amounts which may be assessed for all prior years.

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

Merchandise inventories—at Lifo cost, as determined under the retail inventory method, which is less than market (See Note 2) .. $55,340,189

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 (See Note 2) .... $ 9,018,699

Current Liabilities:

Federal income taxes, less U. S. Government direct and indirect obligations of $9,788,897 (See Note 2) .... $ —

Note 2: The inventories are stated at August 3, 1957, at $13,277,806 and at July 28, 1956, at $12,517,651 less than they would have been if the first-in, first-out principle had been applied in determining cost.

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 allow 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 action in the United States District Court for the Southern District of New York to contest the District Director's determination. This action was decided in favor of the Corporation on January 31, 1957. The Government is appealing the decision to the United States Court of Appeals for the Second Circuit.

The Corporation's Federal income and excess profits tax returns have been examined through the fiscal period ended July 31, 1948. The examining Revenue Agents 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 $1,700,000 to date) would involve approximately $1,600,000 of Federal income taxes, including interest, in excess of the amounts paid and provided. Revenue Agents are 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.

TERMINOLOGY FOR "INCOME TAX LIABILITY"

The balance sheets of the 600 survey companies disclosed varying terminology in the presentation of income tax liability. There were 329 companies that used descriptive terms such as "estimated," "accrued," "provision," or "reserve" in conjunction with other words to disclose their tax liability. The remaining 242 companies, disclosing an income tax liability, simply indicated the nature of the tax without further descriptive terminology.

Table 27 indicates a continuing decrease in the use of the term "provision" in the descriptive terminology for the liability for income taxes, with the term "estimated" being most frequently used. This 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.*

*Refer to Company Appendix Section.

TABLE 27: INCOME TAX LIABILITY

Primary Descriptive Term	*1957	1956	1955	1950
Estimated, etc.	126	122	131	109
Provision, etc.	78	85	93	130
Reserve, etc.	21	21	22	48
Accrued, etc.	104	104	101	122
None Used With—				
Federal income taxes	213	223	214	180
Income taxes	18	19	19	
Taxes	11	12	12	
Total	571	586	592	589
No income tax liability	29	14	8	11
Total	600	600	600	600

*1957 Descriptive Term Used With:	Estimated	Provision	Reserve	Accrued	Used Alone	1957 Total
Federal income tax	60	37	11	34	137	279
Federal and state income taxes	20	8	1	10	18	57
Federal, state, and foreign taxes	7	4	1	2	7	21
Federal and foreign income taxes	22	9	6	12	51	100
Income taxes	17	15	1	10	18	61
Taxes	—	5	1	36	11	53
Total	126	78	21	104	242	571

Examples

The following examples of balance sheet terminology for Federal and other income or tax liability have been taken from the 1957 survey reports:

Estimated—(126 Companies):

"Estimated federal income taxes" (*Co. Nos. 217, 316, 381)
"Estimated federal taxes on income, less United States Government securities of $xxx" (*Co. No. 495)
"Estimated income taxes, less government securities" (*Co. No. 387)
"Estimated federal taxes on income" (*Co. No. 198)
"Estimated U. S. Federal and Canadian taxes on income" (*Co. No. 437)
"Estimated Federal and Canadian taxes on income for current and prior years" (*Co. No. 473)
"Estimated Federal income taxes and renegotiation" (*Co. Nos. 12, 334)
"Estimated income taxes owing to the U. S. and foreign governments" (*Co. No. 119)
"Estimated taxes on income" (*Co. Nos. 83, 575)
"Federal taxes on income—estimated less U. S. Government securities of $xxx" (*Co. Nos. 14, 273, 406, 471, 546)
"Federal taxes on income—estimated" (*Co. Nos. 106, 148, 245, 416, 496)
"Federal income taxes—estimated" (*Co. Nos. 65, 71, 252)
"Federal and state taxes on income—estimated" (*Co. Nos. 49, 113, 222, 285, 519)
"Federal and other taxes based on income (estimated)" (*Co. No. 517)
"Federal, state and Canadian taxes on income—estimated" (*Co. No. 60)
"Federal, state, and foreign taxes on income—estimated" (*Co. No .203)

"Federal, dominion, and state taxes on income—estimated" (*Co. No. 265)
"Federal, foreign and state taxes based on income—estimated" (*Co. No. 118)
"Federal, state and Canadian taxes on income—estimated, less U. S. Government securities: $xxx" (*Co. No. 403)
"Federal and Canadian taxes on income—estimated" (*Co. Nos. 507, 543)
"U. S. taxes on income (estimated)" (*Co. No. 379)
"U. S. and Canadian taxes (estimated)" (*Co. No. 359)
"Taxes on income—estimated" (*Co. No. 4, 485)

Provision—(78 Companies):
"Provision for Federal taxes on income" (*Co. Nos. 80, 156, 412)
"Provision for Federal income taxes" (*Co. Nos. 17, 195, 218, 268, 511)
"Provision for Federal income taxes (less U. S. Government securities of $xxx)" (*Co. Nos. 145, 183)
"Provision for federal taxes on earnings" (*Co. No. 34)
"Provision for United States income taxes (after deducting United States Government securities—$xxx)" (*Co. No. 151)
"Provision for Federal income taxes, estimated" (*Co. No. 13)
"Provision for Federal and state taxes on income and for renegotiation" (*Co. No. 527)
"Provision for federal and state taxes on income" (*Co. No. 532)
"Provision for federal, state and foreign income taxes" (*Co. No. 216)
"Provision for federal and foreign taxes on income" (*Co. No. 33)
"Provision for United States and foreign taxes on taxable net income" (*Co. No. 42)
"Provision for federal and other taxes" (*Co. No. 241)
"Provision for taxes on income" (*Co. Nos. 76, 325, 580)
"Provision for income taxes" (*Co. Nos. 55, 182, 553)
"Provision for taxes, including taxes on income" (*Co. No. 21)
"Provision for federal taxes" (*Co. No. 337)

Reserve—(21 Companies):
"Reserve for Federal income tax(es)" (*Co. Nos. 64, 88, 102, 291)
"Reserve for Federal, state and foreign income taxes" (*Co. No. 8)
"Reserves for U. S. and Cuban taxes on income" (*Co. No. 50)
"Reserve for federal and foreign taxes on income" (*Co. No. 397)
"Reserve for Federal and Canadian income taxes" (*Co. No. 93)
"Reserve for Federal and Canadian Income Taxes and Renegotiation" (*Co. No. 548)
"Reserve for taxes on income" (*Co. No. 159)
"Reserves for federal, state and local taxes" (*Co. No. 472)

Accrued—(104 Companies):
"Accrued federal taxes on income" (*Co. No. 85)
"Accrued Federal income taxes" (*Co. No. 251)
"Accrued Federal income tax (less U. S. Government Securities purchased for payment thereof $xxx)" (*Co. No. 166)
"Accruals: Federal income taxes, less $xxx United States tax notes in 1957" (*Co. No. 46)
"Accrued liabilities: Federal taxes on income" (*Co. No. 147)
"Accrued taxes: Federal income" (*Co. No. 96)
"Accrued Federal and State taxes after deduction, or offset, of U. S. Treasury Tax Anticipation notes for 1957 $xxx" (*Co. No. 447)
"Accrued liabilities—Federal and state income taxes" (*Co. No. 16)
"Accrued federal, state, local and foreign taxes" (*Co. No. 499)
"Accrued Federal, State and Town Taxes" (*Co. No. 523)
"Accrued liabilities: Federal income taxes and renegotiation" (*Co. No. 484)
"Accrued Federal income taxes and renegotiation of government contracts" (*Co. No. 567)
"Accrual for Federal, state and foreign taxes on income" (*Co. No. 408)
"Accrued liabilities: U. S. and foreign taxes on income" (*Co. No. 58)
"Accrued interest and taxes (including provision for U. S. Federal taxes on income)" (*Co. No. 501)
"Accrued federal income and other taxes" (*Co. No. 340)
"Accrued taxes on income" (*Co. Nos. 466, 502, 599)
"Accrued income taxes" (*Co. No. 529)
"Accrued taxes" (*Co. No. 94, 398, 409)
"Accrued liabilities: Estimated provision for taxes based on income" (*Co. No. 280)
"U. S. Federal and State income tax accruals" (*Co. No. 314)
"Taxes accrued" (*Co. Nos. 15, 330)

Federal income tax—(213 Companies):
"Federal income tax(es)" (*Co. Nos. 18, 61, 120, 154, 184, 189, 279, 282)
"Federal taxes on income" (*Co. Nos. 92, 243, 402, 516, 591)
"Federal income taxes payable" (*Co. No. 196)
"Federal taxes on income, less United States Tax Anticipation Bills of $xxx" (*Co. No. 465)
"Federal and state taxes on income (less United States Government securities $xxx)" (*Co. Nos. 139, 375)
"Federal and state taxes on income" (*Co. Nos. 168, 286, 442)
"Federal and State income taxes, less government securities of $xxx" (*Co. No. 366)
"Federal and state income taxes" (*Co. No. 574)
"Federal, Canadian and State income taxes" (*Co. No. 384)
"Federal, state and foreign taxes on income" (*Co. No. 489)
"Federal, state and Canadian taxes on income—$xxx less U. S. Government securities at cost" (*Co. No. 329)
"Federal, State and Foreign Taxes (less Tax Certificates: $xxx)" (*Co. No. 479)
"Federal, State and Canadian taxes on income" (*Co. Nos. 223, 257)
"Federal and Canadian income taxes" (*Co. No. 202)
"Federal and Canadian taxes on income" (*Co. Nos. 107, 110, 596)
"Federal and foreign taxes on income, net after government tax notes of $xxx" (*Co. No. 28)
"Federal taxes on income and renegotiation" (*Co. No. 98)
"Federal income taxes and renegotiation" (*Co. No. 40)
"Federal and foreign taxes on income and renegotiation" (*Co. No. 237)
"Federal, state and territorial taxes on income" (*Co. No. 157)
"Federal and other taxes on income" (*Co. No. 130)
"Federal and other taxes based on income" (*Co. No. 544)

*Refer to Company Appendix Section.

"United States Taxes on Income, less U. S. Treasury Securities, $xxx" (*Co. No. 233)
"United States income taxes" (*Co. No. 497)
"United States and Canadian Federal income taxes" (*Co. No. 125)
"U. S. and Canadian income taxes" (*Co. Nos. 75, 261)
"United States and foreign taxes on income" (*Co. Nos. 87, 158, 201)
"United States and foreign income taxes" (*Co. No. 256)
"United States, Canadian and state taxes, less United States Government securities—at cost, plus accrued interest—$xxx" (*Co. No. 350)

Income taxes—(18 Companies):
"Income taxes" (*Co. Nos. 26, 103, 137, 348, 383, 504)
"Income and social security taxes" (*Co. No. 174)
"Income and other taxes" (*Co. No. 74)
"Income taxes payable" (*Co. No. 520)
"Taxes on income" (*Co. Nos. 59, 152, 444, 463, 531)

Taxes—(11 Companies):
"Taxes" (*Co. No. 323)
"Taxes payable (including income taxes)" (*Co. No. 505)
"Taxes (less Government securities of $xxx)" (*Co. No. 180)
"Taxes payable" (*Co. No. 358)
"Taxes payable and accrued" (*Co. No. 349)
"Federal, State and other taxes" (*Co. No. 39)
"Federal, State and local taxes" (*Co. No. 498)
"United States taxes less U. S. Treasury securities—$xxx" (*Co. No. 270)
"Local, State and Federal Taxes" (*Co. No. 560)
"General and Federal taxes" (*Co. No. 597)
"Accounts and Taxes Payable" (*Co. No. 24)

U. S. GOVERNMENT SECURITIES USED TO OFFSET INCOME TAX LIABILITY

United States Government securities were disclosed in the balance sheets of 303 survey companies either as current assets or as deductions from the federal income tax liability in the current liability section.

Table 28 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.

Additional U. S. Government Securities Included in Current Assets

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet

Current Assets:	
Government securities, at cost (market $1,-061,000)	$1,085,177
Current Liabilities:	
Federal and foreign taxes on income, net after government tax notes of $306,600	$ 930,523

*Refer to Company Appendix Section.

TABLE 28: U. S. GOVERNMENT SECURITIES USED TO OFFSET FEDERAL INCOME TAX LIABILITY

Number of Companies with U. S. Government Securities Presenting—	1957	1956
All Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities or similar caption	26	28
Treasury notes	2	9
Treasury notes, and bills or certificates	2	1
Treasury tax notes or certificates	1	4
Treasury tax anticipation notes, certificates, or bills	4	7
Treasury bills	3	5
Total	38	54
Certain Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities or similar caption	71	74
Treasury notes	4	3
Treasury notes, and bills or certificates	4	1
Treasury tax notes or certificates	4	6
Treasury tax anticipation notes, certificates, or bills	5	8
Treasury bills or certificates	4	—
Total	92	92
All Government securities as Current Assets with such securities identified as:		
U. S. Government securities or similar caption	153	169
Treasury notes	5	4
Treasury bills or certificates	14	11
U. S. Government or treasury bonds	1	1
Total	173	185
Number of Companies with No U. S. Government Securities Presenting:		
Federal income tax liability	278	269
No Federal income tax liability	19	—
Total	297	269
	600	600

CAPITOL RECORDS, INC.
Consolidated Balance Sheet

Current Assets:	
Cash and U. S. Government securities:	
Cash	$2,886,957
U. S. Government securities (at cost plus accrued interest, excluding $3,002,367 applied against liability for Federal income taxes)	2,483,842
	$5,370,799
Current Liabilities:	
Taxes payable:	
Federal income taxes (less U. S. Government securities, $3,002,367)	$ —
Canadian income taxes	35,000
Other (including amounts withheld from employees' compensation)	433,385
	$468,385

BELL & GOSSETT COMPANY
Balance Sheet
Current Assets:

U. S. Treasury bills	$ 214,108

Current Liabilities:
Federal taxes on income:

Payable currently	$1,272,280
Deferred under relief provision of the Internal Revenue Code, including interest	94,697
	$1,366,977
Less: U. S. Treasury bills	1,272,280
	$ 94,697

BRIGGS & STRATTON CORPORATION
Balance Sheet
Current Assets:

United States Government securities, at cost	$3,277,979

Current Liabilities:

Provision for Federal and Wisconsin income taxes	$6,654,931
Less—United States Government securities, at cost, including interest	6,654,931
	$ —

CROWN ZELLERBACH CORPORATION
Consolidated Balance Sheet
Current Assets:

United States Government securities	$22,150,000
Less United States income taxes	18,653,000
	$ 3,497,000

Current Liabilities:
Accrued income taxes:

United States $18,653,000 less securities	$ —
Canadian	133,000

M. H. FISHMAN CO., INC.
Consolidated Balance Sheet
Current Assets:

United States Government Securities (See Contra)	$348,280

Current Liabilities:

Federal Income Taxes (See Contra) (Note A) —Amount due was deducted from U. S. Treasury Bills—Tax Anticipation Series on hand in the amount of $346,964	$ —

Note A: The liability of the Parent Company for federal income taxes for the year 1957 and for most of the subsidiaries for the years 1955 to 1957, inclusive, is subject to final determination by the Internal Revenue Service.

No Additional U. S. Government Securities Included in Current Assets

AMERICAN CHAIN & CABLE COMPANY, INC.
Consolidated Balance Sheet
Current Liabilities:

Federal and Canadian taxes on income	$5,138,154
Less, United States Treasury Notes	991,194
	$4,146,960

AMERICAN SEATING COMPANY
Consolidated Balance Sheet
Current Liabilities:
Accruals:

Federal income taxes, less $496,715 United States tax notes in 1957	$1,101,969

CHICAGO TOWEL COMPANY
Balance Sheet
Current Liabilities:

Accounts payable and accrued expenses	$ 289,235
Provision for federal income taxes	1,896,955
Less—prepayment in 1957	498,750
Less—U. S. short term securities—at cost	988,278
	1,487,028
	$ 409,927
	$ 699,162

LESLIE SALT CO.
Statement of Consolidated Financial Position
Current Liabilities:

Estimated Federal income taxes (less U. S. Treasury tax anticipation securities, $198,040)	$231,500

SHERWIN-WILLIAMS COMPANY
Consolidated Balance Sheet
Current Liabilities:

Federal taxes on income—estimated	$13,100,000
Less U. S. Treasury Certificates of Indebtedness	3,991,943
	$ 9,108,057

SUN CHEMICAL CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Accrued income taxes	$1,079,665
Less—United States and Canadian Government securities	(774,000)

No Offset of U. S. Government Securities Against Federal Income Tax Liability

AMERICAN HOME PRODUCTS CORPORATION
Consolidated Balance Sheet
Current Assets:

U. S. and other domestic governmental obligations, at cost (approximate market)	$18,179,337
Foreign governmental obligations, at cost (principally British Tax Notes)	1,743,810

Current Liabilities:

Accrued federal and foreign taxes on income	$31,536,779

AMERICAN SMELTING AND REFINING COMPANY
Consolidated Balance Sheet
Current Assets:

U. S. government and other marketable securities (market value—$9,999,040)	$10,066,839

Current Liabilities:
Accrued taxes:

U. S. and foreign taxes on income	$15,477,331

THE BUDD COMPANY
Statement of Financial Position
Current Assets:

U. S. and Canadian Government Bonds at cost plus accrued interest	$7,459,378

Current Liabilities:

Estimated income taxes	$8,653,431

GOOD HUMOR CORPORATION
Consolidated Balance Sheet
Current Assets:
U. S. Treasury Certificate, 4%, due August 1, 1958 at cost $100,000
Current Liabilities:
Provision for federal income taxes $463,291

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The various types of short-term borrowing and long-term indebtedness presented in the 1957 balance sheets of the 600 companies included in the survey are summarized in Table 29.

The annual reports of these companies disclose that 117 had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 483 companies, 40 presented short-term borrowing only; 264 disclosed only long-term indebtedness, and 179 presented both short-term borrowing and long-term indebtedness in their balance sheets.

A total of 111 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 agreement disclosed were: V-loan (9 companies), revolving credit (34 companies), or simple credit agreements (68 companies).

An additional 7 companies disclosed that they had entered into credit agreements subsequent to the end of their accounting period. Five companies reported that borrowing under credit agreements were repaid during the year. One company (*Co. No. 512) reported "The bank credit agreement entered into in 1956 was drawn on to the extent of $7,000,000 during 1957, all of which had been repaid by December 31, 1957."

Notes payable continues to be the most prevalent type of both short-term borrowing and long-term indebtedness disclosed in the 600 reports surveyed.

Examples from the 1957 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:

TABLE 29: SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

Balance Sheet Description	Current Liability A: Short-Term	Noncurrent Liability B: Long-Term
Notes payable (*Co. Nos. 19, 130, 196, 216, 334, 473, 532)	183	362
Bonds payable (*Co. Nos. 179, 272, 353, 474, 530)	—	11
Debentures (*Co. Nos. 15, 114, 233, 332, 486, 543)	—	78
Sinking fund debentures (*Co. Nos. 21, 130, 226, 343, 462, 534)	—	137
V-loan agreement (*Co. Nos. 367, 441)	2	—
Equipment contracts (*Co. Nos. 141, 386, 407)	—	10
Purchase money obligations (*Co. Nos. 64, 184, 278, 379)	1	28
Real estate obligations (*Co. Nos. 56, 473)	—	2
U. S. and Foreign Government loans (*Co. Nos. 253, 474)	—	2
Loans payable (*Co. Nos. 5, 38, 119, 151, 409, 559)	32	35
Mortgages payable (*Co. Nos. 96, 163, 205, 340, 450)	3	105
Contracts payable (*Co. Nos. 61, 239, 469, 549)	5	14
Other long-term liabilities (*Co. Nos. 22, 45, 122, 288)	1	10
Owed by—subsidiaries or affiliates (*Co. Nos. 3, 97, 206, 499)	10	9
Owed to—subsidiaries or affiliates (*Co. Nos. 132, 178, 435, 495)	13	4
Total	**250	807

Number of Companies With:	1957
Short-term borrowing only	40
Short-term borrowing and long-term indebtedness	179
Long-term indebtedness only	264
Neither short-term borrowing nor long-term indebtedness	117
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.

ALPHA PORTLAND CEMENT COMPANY
Balance Sheet
Current Liabilities:
Amount due within one year under bank loan agreement (Note C) .... $ 500,000
Noncurrent Liabilities:
Notes payable to bank (Note C):
Initial notes (less, in 1957, $500,000 due within one year) $13,500,000

Note C: Under the terms of a bank Loan Agreement dated October 1, 1957, which replaces the Loan Agreement dated June 1, 1956, the bank has agreed that during the period ending March 31, 1958, it will make loans to the Company up to an aggregate of $20,000,000. The loans, represented by initial notes, bear interest at 4½% per annum with a commitment fee of ½ of 1% per annum computed on the unused amount of the bank's commitment. At April 1, 1958 the initial notes will be converted into a term note at the same interest rate. The term note will mature in semi-annual instalments beginning on November 30, 1958, in amounts so that the payments will aggregate $500,000 in 1958, $2,500,000 in 1959 and $3,000,000 in 1960; thereafter, each semi-annual instalment will be $1,750,000 until payment of the note.

The agreement provides, among other things, that the Company (1) will maintain current assets in excess of current liabilities (in defining those terms the agreement specifically excludes from current liabilities the initial notes) by at least $8,000,000 and (2) will not after October 1, 1957, declare any dividends or authorize or make any other distribution (except in stock of the Company) or payments on account of the purchase or other acquisition of any stock of the Company which in the aggregate would exceed 65% of the total net income of the Company realized after January 1, 1957. At December 31, 1957 earned surplus available for cash dividends amounted to $2,656,838.

AMERICAN BOX BOARD COMPANY

Consolidated Statement of Financial Position

Current Liabilities:	
Payable to bank	$ 750,000
Long-term Liabilities:	
5% note maturing in 1965	$ 1,000,000
4% junior convertible notes maturing in 1975	3,000,000
4% senior notes maturing in 1977	10,000,000
6% senior notes maturing in 1977	2,250,000
Total long-term liabilities	$16,250,000

Notes to Financial Statements: Long-term Liabilities—The loan agreements provide for aggregate annual payments of $742,500 commencing December 1, 1958; $912,500 commencing December 1, 1966; and $612,500 commencing December 1, 1976.

The Junior Convertible notes are subordinated to the 4% and 6% Senior notes; redeemable at the option of the company at 109.33% to December 1, 1961 and at diminishing premium rates thereafter; and are convertible into common stock of the company at a conversion price of $40.91 to December 1, 1960, $43.21 per share to December 1, 1965, and $45.50 per share thereafter. The company has reserved 73,331 shares of its authorized and unissued common stock for this purpose.

The loan agreements, among other things, limit dividends and other cash distributions on the company's capital stock to 75% of the consolidated earnings from November 30, 1955. The amount of consolidated earnings available for such distributions was $1,482,682 at November 30, 1957.

The 6% Senior loan agreement also provides that the company maintain consolidated working capital of not less than $2,000,000 up to November 30, 1958, and $3,000,000 thereafter.

The 4% Senior notes and the 6% Senior notes are redeemable at the option of the company at 104% and 107%, respectively, to December 1, 1958, and at diminishing premium rates thereafter.

THE AMERICAN TOBACCO COMPANY

Consolidated Balance Sheet

Current Liabilities:	
Notes payable to banks	$ 92,350,000
Loan payable by British subsidiary	835,098
Accrued taxes	52,132,302
Accounts payable and accrued expenses	13,428,599
Dividend on preferred stock for quarter ended December 31	791,746
Debentures to be redeemed through sinking fund operations (Note 4)	11,600,000
Total current liabilities	$171,137,745
Debentures (Note 4)	179,330,000
	$350,467,745

Note 4: Debentures outstanding at December 31, 1957, comprise:

	Principal Amounts	
	Redeemable Within One Year*	Redeemable After Dec. 31, 1958
Twenty year 3%, due April 15, 1962	$ 3,759,000	$ 40,826,000
Twenty year 3%, due January 1, 1968	3,000,000	45,000,000
Twenty-five year 3%, due October 15, 1969	3,402,000	52,573,000
Twenty-five year 3¼%, due February 1, 1977	1,439,000	40,931,000
	$11,600,000	$179,330,000

*Estimated principal amounts to be redeemed through sinking fund operations at prices as provided by the indentures.

ARMOUR AND COMPANY

Consolidated Statement of Financial Position

Current Liabilities:	
Notes payable	$ 27,249,134
Accounts payable, including payrolls, interest, etc.	30,634,522
Reserve for Federal income taxes	3,206,383
General and social security taxes	4,898,984
Long term debt and subordinated long term debt payable within one year	6,718,409
	$ 72,707,432
Long-Term Debt:	
First Mortgage Twenty-Five Year 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	$ 45,000,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	10,446,000
3½% Sinking Fund Debentures, due September 1, 1968	28,000,000
Agreements for the purchase of refrigerator cars, payments due quarterly	—
Purchase Money Notes, payments due in installments to 1967	1,145,223
	$ 84,591,223
3½% Cumulative Income Debentures (Subordinated), due November 1, 1972	18,339,000
5% Cumulative Income Subordinated Debentures, due November 1, 1984	59,181,800
	$162,112,023

Notes to Financial Statements

Long-term Debt—Long-term debt maturities and sinking fund requirements for the fiscal year 1958 aggregate $6,217,689. Of this amount $1,615,000 has been anticipated by the purchase and retirement of first mortgage bonds; the balance of $4,602,689 has been deducted from long-term debt and included in current liabilities at November 2, 1957. The amount payable in 1959 will be $5,073,246, in 1960 $5,073,887, in 1961 $5,607,888, and in 1962 $6,608,582.

Subordinated Long-term Debt—The indenture under which the 3½% income debentures were issued provides that the Company pay into a sinking fund in each year after 1947 an amount sufficient to bring total sinking fund payments up to an average of at least $1,400,000 per annum during such period. The amount of the required payment in any one year may be greater or less than $1,400,000 under a formula based mainly on the Company's earnings. The indenture under which the 5% income debentures were issued provides, under certain conditions, for required and optional retirements through a sinking fund. Payments into the sinking funds are required to be made in 1958 for the redemption of $1,384,000 principal amount of 3½% income debentures and $731,720 principal amount of 5% income debentures, which amounts have been deducted from subordinated long-term debt and included in current liabilities at November 2, 1957.

CROWN ZELLERBACH CORPORATION

Balance Sheet

Current Liabilities:	
Dividends payable	$ 6,260,000
Trade accounts payable	14,531,000
Long-term debt, installments due within one year (Note 4)	5,726,000
Accrued income taxes:	
United States $18,653,000 (1957) and $34,035,000 (1956) less securities	—
Canadian	133,000
Other current liabilities	17,484,000
Total current liabilities	$ 44,134,000
Long-term Debt, net of installments due within one year (Note 4):	
Serial notes payable	$ 94,912,000
Bonds payable	11,750,000
Timberland purchase contracts	3,262,000
	$109,924,000

Note 4: Long-Term Debt—Consolidated funded debt totals $115,650,000, of which $5,726,000 maturing within one year is included under current liabilities. Unsecured notes aggregating $98,437,000 bear interest at rates ranging from 2⅜% to 4⅛%, bonds secured by mortgages totaling $12,704,000 bear interest at rates ranging from 3% to 5%, and timber purchase contracts totaling $4,509,000 bear interest at rates ranging from 3.6% to 6%.

Payments of funded debt during the next five years will be as follows: 1958, $5,726,000; 1959, $5,870,000; 1960, $11,200,000; 1961, $2,300,000; 1962, $5,100,000.

FOOTE MINERAL COMPANY
Balance Sheet
Current Liabilities:

Installments of long-term debt due within one year	$ 675,000

Noncurrent Liabilities:
Long-term debt:

4% term loan, less installments due within one year (Note 3)	$1,125,000

Note 3: 4% Term Loan—The 4% term loan is payable in quarter-annual installments of $225,000 each. Until January 1, 1960 the company may also borrow up to $2,000,000 on short-term notes under a revolving credit arrangement. Among other things, the loan agreement requires maintenance of net working capital of $1,750,000 through December 31, 1957 and $2,000,000 thereafter. This requirement has the effect of restricting the payment of cash dividends; at December 31, 1957 retained earnings to the extent of $4,431,352 were free of such restriction.

PHILCO CORPORATION
Consolidated Balance Sheet
Current Liabilities:

V loan	$27,000,000
Notes payable, banks	—
Promissory notes	7,653,068
Debenture installments maturing within one year	—
Accounts payable	9,359,757
Accrued payrolls, allowances and other expenses	13,053,209
Accrued taxes	10,984,680
Operating reserves for product warranties	2,588,183
Total current liabilities	$70,638,897
Sinking fund notes—3½% due 1980	23,000,000
Promissory notes—4% due 1958	—
Debentures payable	950,000
	$94,588,897

Notes to Financial Statements

Consolidated Balance Sheet—The Company is contingently liable on certain guarantees of notes and accounts of its unconsolidated subsidiaries in England, Switzerland and Brazil for working capital purposes. At December 29, 1957, these guarantees amounted to approximately $1,570,000.

The Company has guaranteed the payment of first mortgage bonds totaling $140,000 issued by its subsidiary in England.

The 3½% Sinking Fund Notes are due August 15, 1980. The Company is required to pay $383,000 of the principal amount of the notes on August 15, 1959 and on August 15, 1960 and to pay $767,000 of the principal amount of the notes annually thereafter. The notes provide that the Company may not declare any dividends, other than stock dividends, on its common stock or purchase any of its own common stock in excess of earnings after December 31, 1954, plus $20,000,000 and plus the net proceeds from any sale of stock after August 31, 1955. Under this provision, $24,490,000 of the Company's consolidated retained earnings at December 29, 1957 was free of such restriction.

Debentures, issued by the Canadian subsidiary, represent $200,000 of 4% debentures maturing in 1980, and $750,000 of 4¾% debentures payable in $25,000 annual installments with balance maturing in 1978.

DEFERRED INCOME

Deferred income or credit items were disclosed by 80 of the survey companies in their balance sheets for 1957. Table 30 indicates that a total of 91 items were included and placed usually above the stockholders' equity section of the balance sheet, although certain items such as unearned interest or finance charges were deducted from the related asset accounts.

Varying descriptions were given by the companies referring to deferred income (See Table 30), some of which are given in the examples which follow:

TABLE 30: DEFERRED INCOME

Balance Sheet Presentation	1957	1956
With Related Current Asset:		
Billings on uncompleted contracts (*Co. Nos. 159, 219)	2	1
Unearned finance charge (*Co. Nos. 18, 368, 457, 587)	6	6
Unearned interest (*Co. Nos. 191, 359)	2	3
In Current Liability Section:		
Billings on uncompleted contracts (*Co. Nos. 65, 193, 351, 413)	5	4
Metal treatment charge (*Co. No. 42)	1	2
Rent on leased equipment, films, or meters (*Co. No. 549)	1	1
Customer service prepayment (*Co. Nos. 7, 197, 362)	5	5
Unearned deposits or royalties (*Co. No. 253)	1	—
"Deferred income" (*Co. No. 140)	1	1
Above Stockholders' Equity Section:		
Billings on uncompleted contracts (*Co. No. 288)	1	1
Discount on reacquired securities (*Co. No. 288)	1	1
Government contract income (*Co. No. 352)	1	1
Magazine subscription income (*Co. Nos. 358, 371, 373)	5	5
Premium on debentures issued (*Co. No. 254)	1	2
Profit on foreign sales (*Co. No. 448)	2	1
Profit on sales or installment contracts (*Co. Nos. 72, 196, 462)	5	7
Profit on fixed assets sold (*Co. Nos. 430, 552)	3	4
Rent on leased equipment, films, or meters (*Co. Nos. 225, 353, 446, 528)	7	8
Unearned deposits or royalties (*Co. Nos. 199, 498)	2	4
Unearned finance charges (*Co. Nos. 86, 297, 592)	3	1
Unearned interest (*Co. Nos. 195, 563, 592)	3	3
Unfinished voyage revenue (*Co. No. 561)	1	1
Various other (*Co. Nos. 125, 288, 422)	10	8
"Deferred credits" (*Co. Nos. 62, 139, 295, 330, 520)	13	18
"Deferred income" (*Co. Nos. 254, 318, 373, 423, 502)	9	8
Total	91	96
Number of Companies Presenting Deferred Income Items in:		
Current asset section	10	9
Current liability section	14	12
Above stockholders' equity section	56	61
Total	80	82
Not presenting deferred income items	520	518
Total	600	600

*Refer to Company Appendix Section.

BURROUGHS CORPORATION
Consolidated Statement of Financial Condition
Current Liabilities:
Payments by customers for products and services to be delivered in the future $21,520,630

THE HALOID COMPANY
Consolidated Balance Sheet
Above Capital and Surplus:
Rental income prepaid, less expenses applicable thereto (Note 10) $283,695

Note 10: The Company and its subsidiary have deferred an amount of $283,695, representing that portion of income, namely $813,505, from the rental of leased equipment covering terms extending into 1958 less commissions and other expenses applicable thereto in the amount of $243,809 and less federal and state taxes thereon in the amount of $286,000.

McCALL CORPORATION
Balance Sheet
Above Stockholders' Equity:
Deferred magazine subscription income (Note 4) $6,239,474

Note 4: Federal Income Tax Refund Claims—The Company has filed claims for refund of prior years federal income taxes in substantial amounts as a result of a 1957 ruling by the Internal Revenue Service under which circulation expenses are deductible as incurred. The refund claims are not reflected in the financial statements. It is the intention of the Company to credit the refunds if and when received to deferred magazine subscription income account.

MONTGOMERY WARD & CO., INCORPORATED
Balance Sheet
Current Assets:
Receivables, principally time payment accounts, less reserves for doubtful accounts and unearned carrying charge income of $14,513,678 in 1957 .... $237,915,314

THE NATIONAL CASH REGISTER COMPANY
Financial Position
Current Liabilities:
Customers' service prepayments $11,067,169

NATIONAL PRESTO INDUSTRIES, INC.
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Deferred income—Unrealized gross profit on installment sales $640,703

SOCONY MOBIL OIL COMPANY, INC.
Consolidated Balance Sheet
Below Long-term Debt:
Deferred credits $5,178,534

MINORITY INTERESTS

Table 31 discloses the balance sheet and income statement presentation of the minority stockholders' interest in subsidiaries not wholly owned as shown in the 1957 survey reports. Only 102 of the 483 survey companies presenting consolidated financial statements disclosed the existence of minority interests in the consolidated subsidiary companies.

TABLE 31: MINORITY INTERESTS

Balance Sheet Presentation	1957	1956	1955
Above—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 141, 256, 286, 441, 593)	84	74	60
Minority stockholders' interest in capital stock and surplus (*Co. Nos. 56, 85, 366, 458)	7	9	11
Minority stockholders' interest in capital stock (*Co. Nos. 28, 146, 363, 486)	4	5	5
Within—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 179, 501, 518)	3	4	3
Total	98	92	79
Income Statement Presentation			
In separate last section:			
After current tax estimate (*Co. Nos. 37, 87, 260, 315, 451)	30	30	30
Before current tax estimate (*Co. Nos. 18, 39, 146, 175)	4	6	2
With current tax estimate	—	—	1
Listed among operating items (*Co. Nos. 122, 158, 261, 479, 599)	33	26	20
Within Earned Surplus Section of Combined Income and Earned Surplus Statements (*Co. Nos. 96, 173)	2	2	2
Total	69	64	55
Consolidated Financial Statements with Minority Interest set forth in:			
Balance sheet only	31	29	26
Balance sheet and income statement	66	63	52
Income statement only	3	2	4
Accompanying footnotes only	2	2	1
Total	102	96	83
Not referred to in report	381	380	376
Total	483	476	459
Unconsolidated Financial Statements with:			
Subsidiary companies	36	34	42
No subsidiary companies	81	90	99
Total	600	600	600

*Refer to Company Appendix Section.

Examples—Minority Interests

The balance sheet and income statement presentations of the minority interests in consolidated subsidiary companies are illustrated in the following examples selected from the 1957 annual reports of various companies. For additional examples relating to minority interests refer to those shown under "Consolidation of Subsidiaries" elsewhere in this section.

Above Stockholders' Equity Section

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet
Above Capital Stock:
Preferred stock of subsidiary held by public ... $420,000
Consolidated Statements of Income and Earned Surplus
Among Costs and Expenses:
Preferred dividend—foreign subsidiary ...... $ 24,500

BEAUNIT MILLS, INC.
Consolidated Balance Sheet
Above Capital:
Minority interest in subsidiary companies:

Preferred stock at par (redemption price 1957, $281,600)	$256,000
Common stock and surplus	106,891
	$362,891

Consolidated Statement of Income
Separate Last Section:
Net income of subsidiary companies applicable to minority interest .... $ 14,498

CHESAPEAKE INDUSTRIES, INC.
Consolidated Balance Sheet
Above Stockholders' Equity:
Minority interest in consolidated subsidiaries (Note 8) $922,172
Statement of Consolidated Surplus
Within Retained Earnings:
Minority interest in subsidiary's retained earnings to December 31, 1957 (Note 8) $919,204

Note 8: Minority Interest in a Subsidiary Company—In January 1958 a non-affiliated company exercised an option to purchase 1,500 shares of Pathe Laboratories, Inc. stock at $1 per share. The minority interest in the subsidiary's retained earnings to December 31, 1957 amounted to $919,204 and has been charged directly to retained earnings; $87,460 relates to the year 1957; $76,841 to 1956 and the balance to earlier years.

CITY STORES COMPANY
Statement of Financial Condition
Above Ownership:
Minority Interests:

Preferred stock (par value)	$195,600
Common stock equities	608,103
	$803,703

Statement of Income and Income Reinvested in the Business
Deducted from Various Income Items:
Minority share of net income—Note J $210,921
Deducted from "Special Items Credits":
Minority share of special items—Note J $211,000

Note J: As of October 27, 1956, the Company transferred its investments, representing approximately a 98% interest in City Specialty Stores, Inc. to Specialty Stores Company, Inc. (formerly Hearn Department Stores, Inc.) in exchange for 1,168,112 shares of participating preferred stock of Specialty Stores Company, Inc. Holders of the participating preferred shares of Specialty Stores Company, Inc., as a group, are entitled to receive, on the basis of the shares of that company presently outstanding, approximately 85% of any dividends declared, and, in event of the liquidation of the issuer, an amount equal to $10.00 per share in priority over the shareholders of any other class, plus approximately 85% of any remaining assets. The statement of income includes the operations of City Specialty Stores, Inc. and its consolidated subsidiaries for the entire year and the operations of Specialty Stores Company, Inc. and its other subsidiaries from October 27, 1956, the date of acquisition.

MARMON-HERRINGTON COMPANY, INC.
Consolidated Balance Sheet
Above Capital:
Minority interest, preferred stock of subsidiary (redemption value $597,765) (Note E) $569,300
Consolidated Statements of Earnings and Retained Earnings
Separate Last Section:
Minority interest, dividend requirements on preferred stock of subsidiary .... $ 28,465

Note E: The Company has agreed with the holders of the preferred stock that upon payment of the notes payable to banks it will cause the subsidiary either to offer to purchase such preferred stock at $50 per share or to request shareholders to reclassify such stock into a new class under which annual payments of the greater of $100,000 or 15% of the net income of the subsidiary would be made into a sinking fund to be used to retire such new stock.

NEPTUNE METER COMPANY
Consolidated Statement of Financial Position
Above Stockholders' Equity:
Minority interests:
Minority interests in subsidiaries (Note 1) ... $245,905
Consolidated Statement of Income and Accumulated Earnings
Separate Last Section:
Less minority interests in net income of subsidiaries .... $ 58,676

Note 1: The consolidated financial statements include the statements of the company and all of its subsidiaries, all but three being wholly-owned. The subsidiaries include Canadian companies and a United Kingdom company with net assets, excluding intercompany accounts, at December 31, 1957 of $2,611,408.

During 1957 the company acquired, for cash, majority interests in three domestic subsidiaries. As of February 1, 1958, the minority interests in these companies were acquired by the company for cash.

THE PURE OIL COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Minority interests in capital stock and surplus of subsidiaries $5,123,573
Statement of Income
Among Costs and Expenses:
Income applicable to minority interests ...... $ 858,206

Within Stockholders' Equity Section

SINCLAIR OIL CORPORATION
Consolidated Balance Sheet
Stockholders' Ownership:
Minority stockholders of Venezuelan Petroleum Company $2,797,804
Statement of Consolidated Income
Among Other Deductions:
Net income applicable to minority interests in Venezuelan subsidiaries .... $ 378,328

STANDARD OIL COMPANY (INDIANA)
Consolidated Balance Sheet
Stockholders' Ownership:
Minority stockholders of subsidiaries $1,791,657
Consolidated Statement of Earnings
Among Deductions:
Minority interest in net earnings of subsidiaries $ —

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 Résumé,* 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.

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 1957 annual reports.

Contingency Reserves

The 1957 annual reports of the survey companies contained 62 reserves for contingencies. As disclosed in Table 32, such reserves were usually shown either above the stockholders' equity section (39 reserves in 1957), or within the stockholders' equity section of the balance sheet (23 reserves in 1957). Extensive references are given at the foot of Table 32 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 1957, the annual reports, in most cases, did not disclose the accounts to which the related entries were made. The majority of the companies which eliminated the reserve for contingencies during 1957 disclosed the elimination by a credit to the retained earnings account.

Examples of contingency reserves as presented in the 1957 annual reports are provided below:

TABLE 32: CONTINGENCY RESERVES

Balance Sheet Presentation*	1957	1956	1955	1954
A: Among: *Current Liabilities*	—	—	1	1
B: Above: *Stockholders' Equity*	39	39	42	45
C: Within: *Stockholders' Equity*	23	25	29	36
Total	62	64	72	82
Terminology Used				
"Reserve"	48	49	55	62
"Provision"	—	—	1	—
Various other terms	14	15	16	20
Total	62	64	72	82
Number of Companies With:				
Contingency reserves	62	64	72	82
No contingency reserves	538	536	528	518
Total	600	600	600	600

*Refer to Company Appendix Section—B: Co. Nos. 12, 24, 26, 33, 34, 38, 58, 92, 145, 163, 256, 261, 270, 320, 373, 423, 432, 443, 458, 496, 568, 574; C: Co. Nos. 64, 122, 130, 174, 189, 197, 214, 237, 286, 287, 340, 342, 404, 428, 511, 513, 519.

Reserve Created

AMERICAN AIR FILTER COMPANY, INC.
Consolidated Balance Sheet
Above Capital and Retained Earnings:

Reserve for contingencies	$150,000

Notes to Financial Statements: . . . In accordance with action of the Board of Directors a reserve for contingencies was provided against the hazards related to future commitments.

Reserves Maintained

BENDIX AVIATION CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserves:	
Sundry operating reserves	$2,260,749
For contingencies (See Note 8)	2,500,000
Total reserves	$4,760,749

Note 8: Contingent Liabilities—There are various suits pending against the Corporation, some of which are for substantial amounts. 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.

CONSOLIDATED LAUNDRIES CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserves:	
Workmen's compensation insurance	$ 75,000
Contingencies	80,000
Total reserves	$155,000

LOEW'S INCORPORATED
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserve for contingencies	$2,218,265

Note 6: Contingent Liability—Since 1947, the Company, together with other companies in the industry, has been subject to numerous anti-trust suits brought by various independent theatre owners for damages, many of which have been settled. It is not possible to determine the ultimate cost to the Company of suits now pending or possible future actions of a similar nature. However, in the opinion of the management, the Company's liability under such actions is not deemed to be material in relation to the financial position of the Company.

Reserve Eliminated

BATES MANUFACTURING COMPANY
Consolidated Statement of Financial Position
Within Stockholders' Equity Section:

Income retained in the business:	
Reserve for contingencies (1956—$2,000,000)	$ —
Reserve for property replacements (1956—$1,300,000)	—
Unreserved (1956—$10,728,088)	12,640,089

Consolidated Statement of Income
Following Net Income (Loss) for the Year:

Special Reserves Restored to Income Retained—Unreserved:	
Reserve for contingencies	$ 2,000,000
Reserve for property replacements	1,300,000
	$ 3,300,000

Employee Benefit Reserves

There were 109 employee benefit reserves shown by 102 of the 600 survey companies in their 1957 annual reports. Table 33 discloses the various types of employee benefit reserves found in the survey reports for the years 1954 through 1957. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (98 reserves in 1957); 8 reserves were classified as current liabilities, and 3 reserves were presented within the stockholders' equity section in 1957.

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 ten reports the related charges were found in the income statement (*Co. Nos. 10, 41, 42, 285, 328, 348, 377, 396, 424, 496). An extensive list of references to those survey companies which indicated reserves for employee benefits in their 1957 reports is provided at the foot of Table 33. Table 5, Section 3—"Pension and Retirement Plans" provides related information and examples of income statement presentation.

TABLE 33: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation*	1957	1956	1955	1954
Among: *Current Liabilities* for—				
Incentive compensation plan	2	—	2	1
Profit sharing plan	1	1	1	1
Welfare or benefit plan	1	2	1	—
Pension plan not funded	2	3	2	2
Pension plan—past and current service costs	2	2	1	1
Pension plan—current service costs	—	1	—	—
Above: *Stockholders' Equity* for—				
Bonus plan	6	7	7	6
Deferred or contingent compensation plan	23	21	13	16
Incentive compensation plan	9	8	8	4
Profit sharing plan	2	2	2	3
Retired employee benefits	9	8	2	1
Welfare or benefit plans	4	7	8	8
Employment contract	2	1	1	1
Severance pay	2	1	—	—
Pension or Retirement Plan:				
Annuity costs	1	4	6	8
Pension plan costs	31	28	33	29
Past service costs	3	4	5	6
Past and current service cost	3	3	3	4
Current service cost	—	—	—	1
Future service cost	1	—	—	1
Former plan liability	2	1	—	1
Within: *Stockholders' Equity* for—				
Employment contract	1	1	1	1
Pension plan—past service costs	1	—	—	—
Retired employee benefits	1	1	—	—
Total	109	106	96	95
Terminology Used				
"Reserve"	63	60	56	61
"Provision"	14	16	14	14
Various other terms	32	30	26	20
Total	109	106	96	95
Number of Companies With:				
Employee benefit reserves	102	91	84	85
No employee benefit reserves	498	509	516	515
Total	600	600	600	600

*Refer to Company Appendix Section—Co. Nos. 4, 10, 12, 13, 15, 25, 41, 42, 45, 48, 49, 50, 53, 56, 66, 71, 95, 150, 152, 154, 173, 174, 191, 232, 234, 240, 256, 273, 288, 290, 291, 303, 308, 311, 320, 334, 344, 348, 355, 356, 357, 373, 375, 377, 403, 406, 419, 420, 429, 431, 432, 433, 439, 448, 449, 467, 469, 474, 489, 496, 505, 507, 517, 520, 533, 539, 565, 567, 581, 591, 595.

The examples which follow illustrate the various types of employee benefit reserves and their disclosure in the financial statements:

*Refer to Company Appendix Section.

Pensions and Annuities

AMERICAN METAL CLIMAX, INC.
Consolidated Balance Sheet
Above Stockholders' Equity:

Reserves (Page 41)	$4,672,200

Notes to Financial Statements: Reserves—

Workmen's compensation self-insurance	$ 589,853
Pension plans:	
For United States hourly paid employees (Page 43)	3,417,957
Supplemental pension and profit sharing plan for United States salaried employees (Page 43)	250,000
Other	414,390
	$4,672,200

Notes to Financial Statements: Pension Plans—Climax Molybdenum Company instituted its Retirement Annuity Plan in 1947, at which time the cost of past service annuities was charged to accumulated earnings retained in the business. The annual costs of such Plan for 1957 and 1956 were $410,025 and $404,440, respectively. The Plan, which is contributory, is voluntary and available to all regular employees with one year's service. It provides for annuity benefits, the amount of which is dependent on length of service and rate of base earnings, normally beginning at age 65 for men and age 60 for women (except for male employees at Climax, Colorado, where the age is 60). Also, it provides a savings feature for employees leaving their employment with the Company before the retirement age at which time the employees can receive their contributions to the Plan plus 10 per cent for each year's membership in the Plan up to a maximum amount, after ten years' membership in the Plan, equal to the employees' contributions.

It is anticipated that the Climax Plan will be continued in American Metal Climax, Inc. with respect to Climax hourly-rated employees. It is further anticipated that as of January 1, 1958 the Climax Plan with respect to U. S. salaried employees will be suspended and employees now covered under that Plan will become eligible to participate in the American Metal Retirement Plan and the Supplemental Pension and Profit Sharing Plan, described hereafter.

The contributory retirement Plan of The American Metal Company, Limited, adopted in 1937, is effective for the salaried employees of the Company and certain subsidiary companies. The Plan provides for normal retirement at age 65 for males and age 60 for females. The current service costs of the Plan for the years 1957 and 1956 were $348,993 and $336,961, respectively. All past service costs have been met.

During 1952 The American Metal Company, Limited instituted a Supplemental Pension and Profit Sharing Plan for United States salaried employees. 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 1957 were $47,772 and during 1956 were $46,351. 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 1957 is $235,565, the contribution with respect to 1956 was $412,504.

Under the union agreements of those domestic operating subsidiaries of The American Metal Company, Limited which had 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. These liabilities will continue in American Metal Climax, Inc. 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 $99,291 in 1957 and $98,895 in 1956. Provision for the current service obligation after giving effect to income taxes at 44 per cent was $338,427 in 1957 and $304,696 in 1956.

REYNOLDS METALS COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Vested pension rights—Note H	$1,145,000

Note H: Retirement and Pension Plans—The Company and certain of its consolidated subsidiaries have contributory retirement plans for salaried employees which may be amended or terminated at any time, and if terminated the companies will be relieved of making contributions to the plans thereafter. The cost of the plans for 1957 amounted to $1,539,138. Based on actuarial estimates, the unfunded cost of past service benefits was approximately $687,000 at December 31, 1957.

Non-contributory pension plans for employees represented by certain labor unions are effective until December 31, 1959. Although the plans are not being funded, the actuarially computed liability to employees who have retired, or who were eligible to retire, as of December 31, 1957, has been recognized in the accounts. The cost of funding past service benefits accumulated to December 31, 1957, would have amounted to approximately $19,000,000, if the plans did not have a terminal date.

STANDARD OIL COMPANY (NEW JERSEY)
Consolidated Statement of Financial Position
Deduction from total assets less current liabilities:

Annuity, insurance, and other reserves	$359,961,388

Financial Review: Annuity, Insurance and Other Reserves—Reserves at December 31, 1957, consisted of $223,563,000 for annuities, $70,601,000 for marine and fire insurance, $61,410,000 for employee service and separation allowances required in foreign countries, and $4,387,000 for other purposes.

With respect to the companies' liabilities under annuity plans, funds have been deposited with trustees, book reserves have been provided, and annuities have been purchased under group contracts. During 1957 consolidated companies paid $83,914,000 to trustees, insurance companies, and annuitants. These payments do not include those made by employees under current contributory plans. The companies also increased book reserves for annuities by $26,386,000, resulting in a total charge of $110,300,000 to current income. One of the affiliates has segregated $34,914,000 in marketable securities against its annuity obligations. These securities are recorded in Prepaid Charges and Other Assets. The actuarial liabilities under annuity plans are reviewed periodically, and future adjustments may be required.

Incentive Compensation

OTIS ELEVATOR COMPANY
Balance Sheet
Below Current Liabilities:

Reserves:	
For pensions	$ 597,345
Incentive compensation reserve—Note 4	1,576,150
Incentive compensation contingent reserve—Note 5	1,136,682
General reserve	2,383,314
Total	$5,693,491

Note 4: Incentive Compensation Reserve—The amount in this reserve at December 31, 1957 is available for distribution or contingent allotment subsequent to that date. It includes $776,150 carried forward from prior years and $800,000 appropriated by the Board of Directors for 1957.

During 1957, there was allotted to officers and managerial employees incentive compensation for the year 1956 in the aggregate amount of $613,558. Of this amount $197,490 was paid in cash and there was contingently allotted to the incentive compensation contingent reserve $416,068, representing 9,676 shares of the Company's Common Stock at $43 per share.

Note 5: Incentive Compensation Contingent Reserve—This Reserve represents the market value at December 31, 1957 of shares contingently allotted to that date to certain officers and managerial employees for distribution to such employees over a period of years following retirement, plus dollar amounts equivalent to dividends declared from date of allotment—less the federal income tax deduction which would be allowable as at December 31, 1957 were this Reserve completely paid out as of that date.

RADIO CORPORATION OF AMERICA
Consolidated Financial Position
Above Shareholders' Equity:

Incentive Plan (Note 2):	
Awards payable	$6,987,429

Note 2: RCA Incentive Plan—The RCA Incentive Plan, which was approved by the shareholders 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 1957 the maximum credit determined by the Independent Public Accountants as required by the Plan.

Net profit for year	$38,548,794
Add: Provision for incentive awards (included in "Wages and Salaries")	3,000,000
Interest on long term debt	8,334,390
Incentive Plan net earnings	49,883,184
Less: 5% of capital employed ($523,436,313)	26,171,816
Incentive Plan base	23,711,368
Maximum credit to incentive reserve (based on earnings): 15% of Incentive Plan base	3,556,705
Maximum credit to incentive reserve (based on dividends): 25% of all dividends paid in year ($23,934,712)	$ 5,983,678

The Incentive Committee directed that $3,000,000 be credited to the Incentive Reserve during 1957. Awards for the year 1957 determined by the Incentive Committee totaled $3,495,820.

The Consolidated Balance Sheet at December 31, 1957 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

REMINGTON ARMS COMPANY, INC.
Consolidated Balance Sheet
Below Current Liabilities:

Provision for awards to employees under bonus plan, exclusive of amount included in other accounts payable, $1,401,742 in 1957	$2,170,577

Bonus Fund Computation: Computation of amount credited to Class "B" Bonus Fund for 1957 in accordance with the terms of the bonus plan—

Net income for the year (page 22)		$8,047,481
Add:		
Provision for class "B" bonus fund—deducted in computing net income		1,346,508
Interest on indebtedness having, at the time of creation, a maturity beyond one year ($176,958, less Federal tax benefit)—deducted in computing net income		84,940
		9,478,929
Less—5% of "bonus net capital employed":		
Average of the 12 monthly amounts of—		
Issued and outstanding capital stock	$11,173,340	
Surplus	39,433,629	
Indebtedness having, at the time of creation, a maturity beyond one year	4,320,833	
"Bonus net capital employed"	$54,927,802	
5% of "bonus net capital employed"		2,746,390
"Bonus net income"		$6,732,539
Amount credited to class "B" bonus fund—20% of "bonus net income"		$1,346,508

E. I. DU PONT DE NEMOURS & COMPANY
Consolidated Balance Sheet
Below Current Liabilities:

Bonus awarded in cash—payable beyond one year (Note 2-b)	$25,396,069
"B" bonus fund—unawarded balance (Note 2-c)	$ 632,876

Note 2: Bonus Plans—Plans "A" and "B"

a. Accounts payable—miscellaneous includes:
At December 31, 1957—installments of bonus awarded under these Bonus Plans for years 1954 through 1957 payable in cash in 1958 and bonus awarded for 1957 in cash to be invested in new common stock of the company in 1958, in the aggregate amount of $40,000,954.
At December 31, 1956—installments of bonus awarded for years 1953 through 1956 payable in cash in 1957 and bonus awarded for 1956 payable in 1957 in purchased common stock of the company, in the aggregate amount of $38,620,668.

b. Bonus awarded in cash—payable beyond one year consists of:
At December 31, 1957—installments of bonus awarded for years 1955 through 1957 payable in cash in 1959, 1960 and 1961.
At December 31, 1956—installments of bonus awarded for years 1954 through 1956 payable in cash in 1958, 1959 and 1960.

c. "B" Bonus Fund—unawarded balance is available for future awards. Bonus Plan "B" provides that any unawarded portion of the "B" Bonus Fund shall be carried forward and be available for awards in a succeeding year or years.

Bonus Fund Computation: Computation of Maximum Amount which may be credited to "B" Bonus Fund for 1957, in accordance with provisions of Bonus Plan "B"; and Amount Available for Distribution—

Net income for the year (page 28)		$396,610,341
Deduct—Income from the company's investment in General Motors Corporation common stock, net after Federal taxes applicable thereto—included in computing net income:		
Income from G.M. stock	$126,000,000	
Less—Federal taxes applicable thereto	9,828,000	116,172,000
		$280,438,341
Add—Provision for "B" Bonus Fund—deducted in computing net income		34,113,000
		$314,551,341

Deduct—6% of "bonus net capital employed":

	December 31, 1957	December 31, 1956	
Capital Stock and Surplus	$2,342,598,941	$2,179,843,213	
Less — Investment in General Motors Corporation common stock	967,050,000	894,600,000	
	$1,375,548,941	$1,285,243,213	
Add — Provision for "B" Bonus Fund — deducted in computing net income	34,113,000	—	
	$1,409,661,941	$1,285,243,213	
"Bonus net capital employed"—average of above		1,347,452,577	
6% of "bonus net capital employed"			80,847,155
"Bonus net income"			$233,704,186
Maximum amount which may be credited to "B" Bonus Fund—20% of "bonus net income"			$ 46,740,837
Amount credited to "B" Bonus Fund			$ 34,113,000
Add—Unawarded portion in Fund carried forward from previous year (including forfeited awards)			3,250,726
Total amount in Fund available for bonus awards			$ 37,363,726
Deduct—Awards (9,702) for the year			36,730,850
Unawarded portion in "B" Bonus Fund			$ 632,876

CORN PRODUCTS REFINING COMPANY
Consolidated Balance Sheet
Current Liabilities:
Accounts payable and accrued items—Note 6 $12,261,026

Note 6: Additional Compensation—Provision for additional compensation under the profit sharing plan amounting to $378,161 in 1957 and $344,000 in 1956 is included in selling, general and administrative expenses. The cumulative provision for additional compensation in the amount of $799,478 at December 31, 1957 and $1,028,817 at December 31, 1956 is included in accounts payable and accrued items.

BELL & HOWELL COMPANY
Statement of Financial Position
Current Liabilities:
Employees' profit sharing trust—Note A $918,942

Note A: Profit Sharing Retirement Plan—The plan covers all employees of Bell & Howell Company and Bell & Howell Canada, Ltd. and provides for annual contributions equal to 20% of their consolidated net income (as defined in the plan, but before provision for contributions under the plan and taxes on income) less amounts paid as Christmas bonuses.

Severance and Retirement Benefits

PENNSALT CHEMICAL CORPORATION
Consolidated Balance Sheet
Above Stockholders' Equity:
Reserves:
Employees' retirement benefits (Note 8) $1,525,000

Note 8: Employee Retirement Benefit Plan—Under the Company's non-funded and non-contributory employee retirement benefit plan, as amended, $269,150 was paid to pensioners during 1957 and charged to income. The actuarially estimated liability under the plan for retirement benefits payable over future years to employees on pension or eligible therefor at December 31, 1957 approximated the amount reserved therefor, after the related tax reduction.

UNITED STATES RUBBER COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Reserves:
Retirement allowances $8,902,366

Financial Notes

Reserve for Retirement Allowances—The Retirement and Disability Allowance Plan provides generally for retirement allowances to employees beginning at age 65, based upon compensation and length of service, less applicable statutory benefits. Subject to continuance during the period of certain labor agreements, the plan may be repealed or modified as to employees in active service, and the allowances to all employees retired under the plan may be proportionately reduced. A total of $3,452,526 was paid in retirement allowances in 1957, an increase of $395,821 over amounts paid in 1956. It is estimated that the amount payable in 1958 will be approximately $4,000,000 and that during the four years thereafter the amount will increase at an average of about $500,000 a year, assuming the plan is not repealed or modified. These amounts are before reduction for income taxes.

There is no obligation to fund the cost of benefits. In accordance with past practice, a reserve of $8,902,366 has been provided, which is equivalent to retirement allowances payable over the next 5 years, based on the retirement roll at the end of the year and the application of 1957 income tax rates.

Foreign Activity Reserves

Table 34 sets forth the various types of foreign activity reserves presented in the 1957 annual survey reports. Thirty-five companies disclosed 39 reserves in their balance sheets. In most instances they were placed above the stockholders' equity section of the balance sheet (25 reserves in 1957).

*Refer to Company Appendix Section.

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. 38, 150, 263, 270, 310, 355, 563, 567) or in the statement of retained earnings (*Co. No. 263).

TABLE 34: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation*	1957	1956	1955	1954
With: *Related Assets* for—				
Foreign investment	5	4	4	4
Foreign losses	2	2	1	1
Foreign exchange	1	—	—	—
Above: *Stockholders' Equity* for—				
Foreign exchange	8	7	7	7
Foreign investments	6	4	4	4
Foreign losses	2	2	2	2
Foreign operations	4	4	4	4
Unremitted foreign profits	3	3	4	2
Workmen's compensation—statutory requirement	2	1	3	3
Within: *Stockholders' Equity* for—				
Foreign investment	—	1	1	1
Foreign losses	1	1	1	1
Unremitted foreign profits	1	1	—	2
Foreign statutory requirement	4	4	5	6
Total	39	34	36	37
Terminology Used				
"Reserve"	30	30	29	30
Various other terms	9	4	7	7
Total	39	34	36	37
Number of Companies With:				
Foreign activity reserves	35	30	31	26
No foreign activity reserves	565	570	569	574
Total	600	600	600	600

*Refer to Company Appendix Section—Co. Nos. 32, 38, 42, 48, 66, 150, 167, 169, 178, 191, 216, 233, 259, 263, 333, 420, 425, 478, 567, 582.

Examples—Foreign Activity Reserves

Examples illustrating the various types of foreign activity reserves presented in the 1957 reports are as follows:

AMERICAN HOME PRODUCTS CORPORATION
Consolidated Balance Sheet
Above Capital:
Reserves:
Foreign losses and exchange adjustments ... $2,100,000

Consolidated Statement of Income
Deduction from Income:
Miscellaneous deductions, principally foreign losses and exchange adjustments $1,651,380

LONE STAR CEMENT CORPORATION
Comparative Consolidated Balance Sheet
Above Capital and Surplus:
Reserves:
Severance compensation in South America .. $ 105,013
Capital and Surplus:
Statutory surplus of South American subsidiary $1,061,577
Comparative Consolidated Statement of Income and Earned Surplus
Costs and Expenses:
Net foreign exchange adjustments for realized losses .... $ 129,375
Special Items—Credit or (Debit):
Net foreign exchange adjustments other than those charged above (Note 2) .... $(1,368,519)
Amount transferred to statutory surplus by South American subsidiary .... (81,610)

Note 2: The Consolidated Balance Sheet includes net current and working assets located in Cuba and South America aggregating $5,989,939 at December 31, 1957 and $6,599,872 at December 31, 1956 and other net assets of the Cuban and consolidated South American subsidiaries aggregating $13,397,540 at December 31, 1957 and $13,424,253 at December 31, 1956. 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 consolidated 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. 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.

RITTER COMPANY, INC.
Consolidated Balance Sheet
Investments (Note 1):

Foreign subsidiaries—wholly-owned	$ —
Domestic subsidiary—(64.5% owned) (book value $15,935)	10,000
Convertible participating preference stock of a domestic corporation (at cost, less special dividends)	—
Total investments	$10,000

Note 1: Basis of Consolidation—A. Wholly-owned domestic subsidiaries:

The consolidated financial statements include the accounts of the Company and its wholly-owned domestic subsidiaries. The accounts of Liebel-Flarsheim Company, a wholly-owned subsidiary, are included in the consolidated statements for the period June 1, 1957 to December 31, 1957.

All intercompany accounts and transactions have been eliminated.

B. 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 $85,658 were received from these subsidiaries in 1957.

The investments at December 31, 1957 in these subsidiaries which are located in Germany and France are recorded on the books as follows:

Cost	$1,173,496
Less: Reserve	1,173,496
Carrying Value	$ None

The book value of these subsidiaries as per audit reports at December 31, 1956, converted at exchange rates then in effect, totaled $2,324,641 or $2,324,641 in excess of carrying value. Audits at December 31, 1957 have not been completed.

THE FIRESTONE TIRE & RUBBER COMPANY
Consolidated Balance Sheet
Above Capital Stock:
Reserves:
For foreign investments $24,412,683

GENERAL MOTORS CORPORATION
Consolidated Balance Sheet
Above Capital:
Reserves:
General reserve applicable to foreign operations $141,667,396

Notes to Financial Statements

Foreign Operations—Net investments outside the U. S. and Canada, after deducting the general reserve applicable to foreign operations of $141,667,396, amounted to $271,170,243 at December 31, 1957. In addition to the amounts summarized in the table below, General Motors Acceptance Corporation, a wholly-owned non-consolidated subsidiary, had total assets outside the United States and Canada at December 31, 1957 of $92,362,037; after deducting foreign borrowings, other liabilities and reserves, the related net investment was $10,923,528.

The general reserve applicable to foreign operations established at the end of 1954 is available to absorb any extraordinary losses which might arise from foreign operations, including the effect of major exchange revaluations and losses from discontinuing foreign operations in any locality, either voluntarily or because of conditions beyond the Corporation's control. There has been no change in this reserve since 1954.

The United States dollar equivalent of local working capital items is determined generally on the basis of the official rate of exchange. The free or curb rate of exchange is used when such rate is significantly lower than the official rate of exchange. In the event that changes in foreign exchange rates result in a reduction in the value, as measured in dollars, of the net working capital of any foreign subsidiary or branch, the reduction becomes a charge against consolidated net income to the extent that it exceeds applicable reserves. No substantial charge against consolidated income was required in 1957 or 1956.

INTERCHEMICAL CORPORATION
Consolidated Balance Sheet
Above Shareholders' Equity:
Reserve:
For assets in foreign countries (Note 4) $1,678,630
Consolidated Statement of Income and Income Retained for Use in the Business
Other Deductions (within income statement):
Provision for unremitted foreign income .... $ 244,219

Note 4: Net assets in foreign countries of $2,310,201 in 1957 and $2,233,855 in 1956 (included in the Consolidated Balance Sheet) are reserved for in the amounts of $1,678,630 in 1957 and $1,434,411 in 1956, such reserve including $1,178,630 and $934,411 respectively for foreign income not remitted because of foreign exchange restrictions.

Guarantee or Warranty Reserves

Table 35 discloses the various types of guarantee or warranty reserves presented by the survey companies. Thirty reserves were disclosed in the balance sheets of 28 of the 600 survey companies. One-half of the reserves were shown in the balance sheets among current liabilities and the remainder were shown above the stockholders' equity section.

Little or no information was provided by these companies concerning the nature or amount of increases or decreases in such accounts. Examples of guarantee or warranty reserves are given below:

TABLE 35: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation*	1957	1956	1955	1954
Among: *Current Liabilities* for—				
Product warranty	3	3	3	3
Product guarantee	5	3	2	4
Service guarantee	2	4	2	3
"Guarantee"	1	1	1	1
Contract completion	4	2	2	2
Above: *Stockholders' Equity* for—				
Product warranty	1	1	1	1
Product guarantee	8	11	11	9
Service warranty	2	1	1	—
"Guarantee"	1	2	2	2
"Warranty"	2	3	2	3
Coupon redemption	1	1	3	3
Commercial paper guarantee	—	—	1	2
Total	30	32	31	33
Terminology Used				
"Reserve"	19	20	21	18
"Provision"	4	3	5	6
Various other terms	7	9	5	9
Total	30	32	31	33
Number of Companies With:				
Guarantee or warranty reserves	28	28	30	33
No guarantee or warranty reserves	572	572	570	567
Total	600	600	600	600

*Refer to Company Appendix Section—Co. Nos. 8, 73, 76, 129, 136, 159, 200, 224, 271, 320, 393, 425, 441, 481, 506, 528.

BORG-WARNER CORPORATION
Statement of Consolidated Assets and Liabilities
Above Stockholders' Investment:
Provision for warranties and special purposes . $4,942,265

MOTOROLA, INC.
Balance Sheet
Current Liabilities:
Reserves for product and service warranties .. $927,166

NATIONAL CYLINDER GAS COMPANY
Consolidated Balance Sheet
Current Liabilities:
Provision for losses on construction contracts—net of federal income taxes (Note 9) .... $ 360,942

Statement of Consolidated Earnings
Deduction from Total Income:
Loss on performance guaranty of Canadian subsidiary $1,193,450

Note 9: Plant Construction Contracts—The Company has two contracts for the construction for others of chemical plants which were constructed during the years 1954 to 1956, being substantially completed at December 31, 1956. Both of the contracts contained performance guaranty clauses as to the productive capacity of the related plants. Similarly, a wholly-owned Canadian subsidiary of the Company has another such construction contract also containing a performance guaranty clause under which the Company is contingently liable as guarantor of the subsidiary's performance under the contract. To date the plants have not met such guaranties.

In revising the plants to satisfy such performance guaranties (including that of the Canadian subsidiary) the Company incurred additional costs totaling about $900,000 in 1956 and $2,895,000 in 1957, and anticipates further costs approximating $752,000 subsequent to December 31, 1957. Each of the foregoing amounts is stated without consideration to the applicable reduction in federal income tax.

The accompanying balance sheet at December 31, 1957 includes provision for the estimated remaining costs on these contracts. The portion thereof applicable to the contract of the Canadian subsidiary has been charged against earnings for the year ended December 31, 1957 and the earlier costs assumed by the Company under this contract have been charged against earnings in the periods in which the costs were incurred. The total loss sustained to June 30, 1957 on the Company's two contracts was allocated to the periods involved as work on the contracts progressed in the percentage that incurred costs for each period bore to estimated total costs to June 30, 1957, after giving effect to estimated costs to complete as of that date. The accompanying financial statements for the year ended December 31, 1956 differ from those previously reported by the Company due to the recognition therein of estimated costs to complete the contracts as of June 30, 1957 and to the aforementioned retroactive reallocation of losses involved to June 30, 1957. Such reallocation reduced net earnings for the affected periods in the following amounts, net of federal income tax:

Year ended December 31:

1956	$145,067
1955 and 1954	812,069

An additional provision of $369,585 (reduced by applicable federal income tax), reflecting revised estimated costs to complete, was charged against earnings subsequent to June 30, 1957.

A. O. SMITH CORPORATION
Consolidated Statement of Financial Position
Current Liabilities:
Accounts payable and other current liabilities $19,470,562
Reserves (Note 2) .... —
Product guarantee .... —

Note 2: Reclassification of Reserves—At July 31, 1957 the reserve for product guarantee was classified as a current liability, the reserves for workmen's compensation and research and development were transferred to earnings reinvested in business and the cash segregated for research and development was included in current assets.

STUDEBAKER-PACKARD CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Reserve for product warranty on automobiles and under government contracts $1,479,766

Insurance Reserves

There were 98 insurance reserves shown by 88 of the 600 survey companies in their 1957 annual reports. Table 36 discloses the various types of insurance reserves together with their balance sheet presentation.

Of the 98 reserves disclosed, 90 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 1957, 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:

ATLAS POWDER COMPANY
Balance Sheet
Above Shareowners' Investment:
Provision for insurance $215,941

TABLE 36: INSURANCE RESERVES

Balance Sheet Presentation*	1957	1956	1955	1954
Among: *Current Liabilities* for—				
Self-insurance	1	1	1	2
Workmen's compensation self-insurance	1	1	1	1
Workmen's compensation	2	2	1	1
Public liability	1	1	1	—
Above: *Stockholders' Equity* for—				
Self-insurance**	1	2	5	6
Self-insurance	19	19	18	21
Workmen's compensation self-insurance	12	17	18	21
Workmen's compensation**	5	3	7	8
Workmen's compensation	13	13	14	14
General insurance**	2	3	2	2
General insurance	21	21	22	25
Fire loss	6	7	4	5
Accident insurance	3	2	2	3
Public liability	2	2	2	3
Employer's liability	2	2	2	2
Marine insurance	2	2	1	2
Tornado insurance	1	1	1	2
Casualty risks	1	1	1	—
Within: *Stockholders' Equity* for—				
Self-insurance**	1	1	2	1
Workmen's compensation self-insurance	—	—	—	1
General insurance	—	—	4	3
Employer's liability	1	1	1	—
Fire loss	1	1	2	2
Total	98	103	112	125
Terminology Used				
"Reserve"	82	89	98	107
"Provision"	5	5	5	6
Various other terms	11	9	9	12
Total	98	103	112	125
Number of Companies With:				
Insurance reserves	88	90	102	108
No insurance reserves	512	510	498	492
Total	600	600	600	600

*Refer to Company Appendix Section—Co. Nos. 15, 17, 24, 70, 94, 104, 128, 191, 207, 233, 290, 314, 401, 443, 501, 509, 517, 567, 568, 569, 574, 588, 595.
**With cash or securities segregated therefor.

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
Consolidated Balance Sheet
Above Capital and Surplus:
Reserves:

For insurance	$ 958,903
For retirement payments (Note 2)	1,377,500
	$2,336,403

Noncurrent Assets:

Cash and U. S. Government securities (at market which is below cost), segregated against reserves for insurance and retirement payments	$2,336,403

THE CUBAN-AMERICAN SUGAR COMPANY
Statement of Consolidated Assets and Liabilities
Above Capital Stock and Surplus:

Reserve for compensation and special insurance (see contra)	$706,402

Above Plant and Equipment:
Funds:
For compensation and special insurance, including cash and securities deposited for the former with the Cuban Government as guaranty (see contra reserve):

Cash	$161,266
Securities	636,047
	$797,313

THE EAGLE-PICHER COMPANY
Consolidated Balance Sheet
Above Stockholders' Equity:

Reserves for self insurance	$1,065,757

S. S. KRESGE COMPANY
Consolidated Balance Sheet
Current Liabilities:

Estimated public liability and compensation claims	$391,334

LONE STAR CEMENT CORPORATION
Comparative Consolidated Balance Sheet
Above Capital and Surplus:
Reserves:

Self insurance	$2,386,370

MIDWEST RUBBER RECLAIMING COMPANY
Statement of Financial Position
Current Liabilities:

Provision for workmen's compensation claims	$25,404

REPUBLIC STEEL CORPORATION
Statement of Consolidated Financial Position
Noncurrent Liabilities:

Insurance reserve*	$7,000,000

Noncurrent Assets:

Insurance reserve fund—United States Government securities at cost (approximate market)*	$7,000,000

*As set forth in "Details of Items in Statement of Consolidated Financial Position."

SKELLY OIL COMPANY
Balance Sheet
Above Stockholders' Equity:

Reserve for workmen's compensation and public liability risks	$368,357

Property Reserves

Table 37 discloses in a comparative summary for the years 1954 through 1957 the various types of property reserves shown in the annual reports of the 600 survey companies, and their balance sheet presentation. Forty-two survey companies presented 43 reserves in their 1957 reports. The reserves were presented most frequently above the stockholders' equity section of the balance sheet (24 reserves in 1957) but a substantial number were also presented with the related asset (12 reserves in 1957). In instances where there were increases or decreases in these reserves during 1957, 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. 32, 53, 169, 206, 207, 482).

Extensive references are given within Table 37 to companies revealing various property reserves. For a discussion of extraordinary depreciation and higher plant replacement costs reserves, refer to Section 3.

TABLE 37: PROPERTY RESERVES

Balance Sheet Presentation*	1957	1956	1955	1954
With: *Related Fixed Assets* for—				
Revaluation of property	3	3	2	2
Loss on property	4	9	5	4
Extraordinary depreciation	—	2	5	7
Plant facilities	—	—	1	—
Purpose not stated	2	3	1	1
Intangible drilling costs	1	1	1	1
Moving expense	1	—	—	—
Obsolescence of property	1	—	—	—
Among: *Current Liabilities* for—				
Furnace rebuilding, relining	2	1	1	1
Repairs, painting, maintenance	—	—	—	1
Above: *Stockholders' Equity* for—				
Revaluation of property	1	—	—	—
Construction contract	—	—	1	1
Furnace rebuilding, relining	8	9	9	9
Glass tank renewal	2	2	1	—
Plant rehabilitation	1	2	3	3
Repairs, painting, maintenance	6	6	10	10
Loss on property	1	1	1	2
Mine development costs	1	1	1	1
Intangible assets	—	1	1	1
Normal depreciation	1	1	2	2
Obsolescence of property	—	1	2	2
Accelerated amortization	—	1	1	1
Restoration of leased property	1	1	—	—
Higher plant replacement costs	2	3	3	3
Within: *Stockholders' Equity* for—				
Revaluation of property	—	—	2	3
Loss on property	1	1	1	1
Plant contingencies	1	1	1	1
Higher plant replacement costs	2	3	6	6
Steamship replacements—fleet	1	1	1	1
Extraordinary depreciation	—	—	—	1
Total	43	54	62	65
Terminology Used				
"Reserve"	30	38	44	43
"Provision"	3	5	4	4
Various other terms	10	11	14	18
Total	43	54	62	65
Number of Companies With:				
Property reserves	42	50	53	56
No property reserves	558	550	547	544
Total	600	600	600	600

*Refer to Company Appendix Section—Co. Nos. 32, 53, 63, 80, 95, 125, 146, 154, 155, 170, 206, 207, 222, 259, 269, 273, 301, 304, 309, 347, 357, 396, 439, 448, 548, 561, 568, 574, 589.

Examples—Property Reserves Revaluation of Property and Loss on Disposal of Property

CANADA DRY GINGER ALE, INCORPORATED
Consolidated Balance Sheet

Property, Plant, and Equipment:

Cases (less reserve, for balance sheet purposes, provided from earned surplus and equal to 50% of ledger value of cases—1957, $3,910,046) $3,910,046

Statement of Consolidated Earned Surplus

Deduction:

Increase in reserve for cases, for balance sheet purposes, to amount equal to 50% of ledger value of cases .... $ 42,706

Note A: The statement of consolidated income includes provision for depreciation of buildings, machinery, equipment, etc., of $1,652,229 and $1,363,399 for the years ended September 30, 1957 and 1956, respectively.

The practice of the companies with respect to returnable 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 $2,196,083 and $2,066,351 for the years ended September 30, 1957 and 1956, respectively.

For income tax purposes the Canadian subsidiary writes down containers in the plants to deposit prices and writes off estimated containers in the hands of customers, less customers' deposits thereon. The Canadian subsidiary also claims for tax purposes, but does not use for book purposes, the maximum depreciation permitted under the income tax regulations. The resulting reductions in Canadian income taxes were approximately $106,000 and $230,000 for the years ended September 30, 1957 and 1956, respectively. For the same two years, reductions in United States Federal income taxes resulting from depreciation deductions for tax purposes which exceeded the book deductions were approximately $55,000 and $70,000, respectively.

THE MURRAY CORPORATION OF AMERICA
Consolidated Balance Sheet

Shareowners' Investment:

Earnings retained for use in the business:

Reserved for possible losses in connection with disposal of Detroit properties	$ 2,000,000
Not reserved for specific purposes	38,771,431

STUDEBAKER-PACKARD CORPORATION
Consolidated Balance Sheet

Properties—Note F:

Land ($4,018,097) and buildings at cost or less	$45,160,055
Machinery and equipment—at cost	52,475,415
	$97,635,470
Less accumulated amortization and provisions for depreciation	48,440,758
	$49,194,712
Less reserve for general obsolescence and possible loss on disposal of high operating cost and surplus plants, property, and equipment	21,273,339
	$27,921,373

Note F: Properties—In 1956, the Board of Directors established a reserve of $32,000,000 for general obsolescence and possible loss on disposal of high operating cost and surplus plants, property, and equipment. Losses aggregating $10,726,661 (of which $10,244,732 occurred in 1957) have been charged to this reserve as a result of disposals of surplus properties; remaining properties presently classified as surplus are carried at approximately $5,000,000. No provisions for depreciation of idle facilities held for disposal have been made since November 2, 1956. Costs and expenses incident to the maintenance of such facilities have been charged to the reserve previously provided for costs of liquidating Detroit area operations. . . .

Higher Plant Replacement Cost

THE B. F. GOODRICH COMPANY
Statement of Consolidated Financial Position
Above Common Stock:
Reserves:
For increased replacement cost of facilities . $33,000,000
(Appropriated from Income Retained for Use in the Business)

UNIVERSAL LEAF TOBACCO CO., INC.
Consolidated Balance Sheet
Above Capital Stock:
Special reserve for depreciation (Note 3) $650,000

Note 3: Special reserve was set up in prior years to provide for future replacement of old plant facilities at higher current costs.

Furnace Rebuilding, Relining

AMERICAN WINDOW GLASS COMPANY
Consolidated Balance Sheet
Above Shareholders' Equity:
Reserves, net of estimated future income tax effect:
Furnace repairs $707,404

Statement of Consolidated Earnings
Costs and Expenses:
Provision for furnace repairs and standby expenses $569,885

Tax Reserves

The 1957 annual reports of the 600 survey companies disclosed 133 tax reserves shown in the balance sheets of 119 companies. They were presented most frequently above the stockholders' equity section of the balance sheet (104 reserves in 1957). Table 38 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 1957, 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
Tax Contingencies

CITIES SERVICE COMPANY
Consolidated Balance Sheet
Above Stockholders' Equity:
Reserves:
Reserve for contingencies (prior years' taxes) $10,509,524

TABLE 38: TAX RESERVES

Balance Sheet Presentation	1957	1956	1955	1954
With: *Related Assets* for—				
Deferred taxes:				
On installment sales (*Co. No. 267)	1	1	1	1
On mine leaseholds	—	—	1	1
Deferral of tax benefit re amortization of emergency facilities (*Co. No. 56)	1	1	1	2
New depreciation methods (*Co. No. 320)	1	—	—	—
Future taxes (*Co. No. 587)	1	—	—	—
Among: *Current Liabilities* for—				
Prior years taxes (*Co. Nos. 84, 146, 288, 536)	12	12	7	7
Tax contingencies (*Co. Nos. 214, 475)	4	1	—	2
Deferred tax on installment sales (*Co. No. 273)	1	1	1	1
Deferral of tax benefits re amortization of emergency facilities	—	—	2	3
New depreciation methods (*Co. No. 374)	2	1	—	—
Taxes (*Co. No. 64)	2	—	—	—
Future taxes (*Co. No. 90)	2	—	—	—
Above: *Stockholders' Equity* for—				
Prior years taxes (*Co. Nos. 78, 145, 232, 406)	8	5	9	11
Tax contingencies (*Co. Nos. 58, 251, 379, 419)	8	7	7	8
Future taxes (*Co. Nos. 9, 70, 169, 375, 476)	19	8	9	1
Taxes (*Co. Nos. 77, 451)	4	1	1	2
Deferred tax on installment sales (*Co. Nos. 359, 430)	4	4	1	2
Deferred tax on mine development costs (*Co. No. 10)	2	1	2	2
Deferral of tax benefit re amortization of emergency facilities (*Co. Nos. 63, 91, 187, 272, 313, 430, 545)	24	27	24	22
Amortization of emergency facilities and new depreciation methods (*Co. Nos. 134, 198, 322, 402)	9	9	5	2
New depreciation methods (*Co. Nos. 12, 111, 246, 337, 494)	23	16	7	2
Foreign taxes (*Co. No. 401)	3	1	—	—
Within: *Stockholders' Equity* for—				
Tax contingencies (*Co. No. 58)	1	1	1	1
Taxes (*Co. No. 510)	1	1	1	1
Total	133	98	80	71
Terminology Used				
"Reserve"	55	48	49	38
"Provision"	11	5	3	4
Various other terms	67	45	28	29
Total	133	98	80	71
Number of Companies With:				
Tax reserves	119	90	73	68
No tax reserves	481	510	527	532
Total	600	600	600	600

*Refer to Company Appendix Section.

AMERICAN HOME PRODUCTS CORPORATION
Consolidated Balance Sheet
Above Capital:
Reserves:

Contingent liabilities, principally possible additional taxes of prior years	$5,074,362

Prior Years Taxes

THE SUPERIOR OIL COMPANY
Consolidated Balance Sheet
Current Liabilities:

Taxes payable (Note 4)	$6,765,878

Consolidated Statement of Income and Earnings
Expenses:

Taxes (Note 4)	$9,369,903

Note 4: Taxes on Income—During 1957, the Company paid additional California taxes plus interest thereon for the franchise year 1952 and received notices of additional taxes for 1953 and 1954 based upon separate accounting for income attributable to sources within the state instead of an allocation of income to the state which was used in the returns. While the Company will file claims for refund of the 1952 taxes and interest paid and will contest subsequent assessment, a provision (of which $2,350,000 related to prior years) was made in 1957 for such taxes and interest thereon.

Franchise and income taxes in other states have not been finally determined since 1952 but no additional assessments are expected.

The federal income tax returns filed by the Company have been examined and settled through the year ended August 31, 1953. The federal tax returns for the Company and its subsidiaries for the year ended August 31, 1957 will report no taxable income.

Future Taxes

PARKE, DAVIS & COMPANY
Consolidated Balance Sheet
Above Stockholders' Investment:
Deferred Liabilities:

Taxes on income (Note D)	$5,000,000

Note D: Deferred Taxes on Income—It is the policy of the Company to provide for estimated United States income taxes on undistributed earnings of foreign subsidiaries, which will be payable in the event of their transfer to the parent corporation. The amounts so provided to December 31, 1957, aggregated $5,000,000, of which $2,200,000 has been charged to earnings of the current year.

PITTSBURGH STEEL COMPANY
Consolidated Balance Sheet
Above Shareholders' Equity:

Reserve for future income taxes	$13,745,000

Consolidated Statement of Income and Accumulated Earnings

Income before estimated income taxes	$ 8,075,000
Provision for estimated income taxes:	
Federal normal and surtax	1,516,000
Future federal income taxes	2,260,000
State	144,000
	$ 3,920,000
Net income for the year	$ 4,155,000

Supplementary Financial Information

Depreciation and Future Income Taxes—Depreciation computed in accordance with the company's regular practice has been provided on all facilities, including those constructed under necessity certificates. In computing taxable income, amortization of the certified portion of these facilities is being deducted over a five-year period. As a result, the aggregate depreciation of $6,756,677 for 1957 is $4,561,358 less than the amount deductible in determining taxable income. This results in a current tax saving, and provision for the income taxes thus deferred has been made by a charge to income of $2,260,000. Depreciation computed on the sum of the years-digits method has been provided on depreciable property acquired during 1956 and 1957.

THE YOUNGSTOWN SHEET AND TUBE COMPANY
Consolidated Balance Sheet
Above Shareholders' Equity:
Reserves:

For future federal income taxes (Note 1)	$12,900,000

Consolidated Statement of Income and Earned Surplus

Income before taxes on income:	$81,996,579
Provision for taxes on income:	
Current year	32,678,000
Future years (Note 1)	6,810,000
	$39,488,000
Net income for the year	$42,508,579

Note 1: . . . Pursuant to a closing agreement with the Treasury Department, there are certain Erie costs and charges (principally necessity certificate amortization, financing costs and development expenditures) which the shareholders of Erie are taking currently as deductions in computing taxable income, although the costs and charges are not now recorded as such on the shareholders' books. To the extent that such deductions are taken now they will not be allowable to the shareholders as deductions for future years income tax purposes when the charges are then included by Erie in the cost of taconite pellets produced; thus future federal income taxes will be increased accordingly. In 1957 the Company's share (35%) of such deductions amounted to $13,081,250 resulting in a reduction in present federal income taxes of $6,810,000 which has been taken as a charge against current income and credited to a reserve which will be available to absorb the relative increase in future federal income taxes.

Deferral of Tax Benefit re Amortization of Emergency Facilities

ARCHER-DANIELS-MIDLAND COMPANY
Consolidated Balance Sheet
Above Shareholders' Equity:
Reserves:

For deferred taxes on income—Note B	$306,765

Note B: The Company is amortizing certain grain storage facilities over a five-year period for income tax purposes as permitted under the provisions of the Internal Revenue Code. Normal depreciation on these facilities is being charged against income. The excess of the amortization allowable for tax purposes resulted in temporary tax benefits of $306,765 in the current and prior year, which amount has been charged to operations ($154,018 in the current year) and deferred, to be returned to income as a partial offset against the normal depreciation charges in future years beyond the five-year amortization period.

CONTINENTAL CAN COMPANY, INC.
Comparative Consolidated Balance Sheet
Above Shareholders' Equity:

Reserves principally for deferred federal income taxes and foreign exchange	$2,972,000

Note 10: Miscellaneous—Reference is made to the indicated sections of the text of this Annual Report for information as to: Capital Program, pages 4 and 16; Federal Income Taxes, page 15 ("Depreciation and Depletion"); Non-recurring Capital Gain, page 14 ("Earnings"); and Employees Group Insurance and Pensions, page 16.

Page 15: Depreciation and Depletion—Provisions out of operating income for depreciation and depletion amounted to $26,278,000 in 1957, compared with $23,421,000 in 1956. Accelerated depreciation under approved Necessity Certificates, included in these totals, was $1,207,000 in 1957 and $1,329,000 the year previous.

For tax purposes, but not for book purposes, capital expenditures since January 1, 1954, have been depreciated on "the sum of the years—digits" or "declining balance" methods. For 1957, this reduced income taxes by approximately $2,368,000, of which amount $1,335,000 was set aside in a reserve for deferred income taxes, leaving about $1,033,000 added to net income for the year. In 1956, the corresponding amount added to net income was approximately $1,300,000. We expect to provide a reserve in 1958 for the full amount of any similar tax savings for that year.

CUTLER-HAMMER, INC.
Balance Sheet
Above Capital Stock and Surplus:
Reserves:
For deferred federal taxes on income (See Note 2) $2,861,562

Note 2: The charges for depreciation of buildings and equipment, which amounted to $1,480,334 in 1957 and $1,253,544 in 1956, included depreciation computed at normal rates for emergency facilities covered by a Necessity Certificate. For Federal income tax purposes the company has elected to amortize the cost of such facilities over a five year period. The reduction in taxes resulting from this election, amounting to $200,241 and $476,220 in the years 1957 and 1956 respectively, has been included in the tax provisions and set up as a reserve for Federal taxes on income payable on the normal depreciation after the expiration of the amortization period.

GENERAL REFRACTORIES COMPANY
Comparative Balance Sheet
Above Capital:
Reserve for deferred federal income taxes (Note 2) $2,710,177

Note 2: The company has elected to amortize over a 60-month period for Federal income tax purposes the certified portion of certain of its plant facilities covered by Certificates of Necessity. The company initially recorded this amortization in its accounts, but effective as of January 1, 1954, while continuing to use the 60-month amortization period for tax purposes, the company for corporate purposes adopted the policy of writing off the unamortized balance of the certified portion of the cost of these facilities on the basis of the remaining years of economic usefulness estimated as of that date. The amount of temporary tax benefit resulting from the excess of tax amortization has been charged against earnings and credited to a reserve for deferred Federal income taxes. The amount so deferred will be taken into earnings in the years following the amortization period, when depreciation on the certified portion of these facilities then reflected in the accounts will not be deductible for income tax purposes.

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)	$20,946,000

Consolidated Statement of Operations
Estimated provision for federal income taxes (Note 1):

Current year	$ 8,441,000
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	2,771,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income tax expense	(383,000)
	$10,829,000

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 $4,600,000 and $7,700,000, respectively, in 1957 and 1956. 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 1957 and 1956 amounted to $2,771,000 and $4,047,000, 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.

Miscellaneous Other Reserves

The assorted types of "miscellaneous other reserves" found in the reports of the survey companies for the years 1954 through 1957 and their balance sheet presentation are shown in Table 39. There were 73 such reserves shown by 67 companies in their 1957 annual reports. The most common balance sheet presentation of these items was above the stockholders' equity section (48 reserves in 1957). In a few instances where there were increases in these reserves during 1957, 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 1957, were seldom disclosed. Such charges or credits when shown were to the income account, to a liability account, or to 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 39 extensive references are given to survey companies revealing Miscellaneous Reserves in their 1957 annual reports.

Examples are presented below to indicate the various types of reserves disclosed by the companies.

AVCO MANUFACTURING CORPORATION
Consolidated Financial Position
Current Liabilities:
Reserve for losses from discontinuance of certain appliance operations (Note 1) $2,060,548

Note 1: In the fourth quarter of the 1956 fiscal year the Corporation announced the discontinuance of production and distribution of Bendix laundry equipment and Crosley appliances and radio and television receivers which had been unprofitable in recent years. The operations of these businesses to August 31, 1956 have been included in sales, costs and expenses in the statement of consolidated earnings; operations subsequent to that date have been excluded from the statement of consolidated earnings and the losses therefrom charged against the $16,000,000 reserve established as of August 31, 1956.

CANNON MILLS COMPANY
Consolidated Balance Sheet
Surplus:

Capital (Note 1)	$ 2,534,001
Earned (including $55,000,000 reserved by the board of directors for working capital)	73,811,399

Note 1: (Not reproduced here)

THE B. F. GOODRICH COMPANY
Statement of Consolidated Financial Position
Above Common Stock:
Reserves:
For purchase contracts, foreign losses, sales adjustments and other purposes $17,064,193

TABLE 39: MISCELLANEOUS OTHER RESERVES

Balance Sheet Presentation	1957	1956	1955	1954
With: *Related Assets* for—				
Loss on investments (*Co. No. 341)	5	2	2	2
Among: *Current Liabilities* for—				
Appraisal claims (*Co. No. 306)	1	1	1	—
Discontinued operations (*Co. No. 73)	1	1	—	—
Sales returns or allowances (*Co. No. 110)	3	2	2	3
Sugar-beet crop payment (*Co. No. 274)	1	1	1	1
Additional costs (*Co. No. 47)	1	1	1	1
"General" and "Sundry" purposes (*Co. No. 8)	2	1	1	1
Price determination refund (*Co. No. 528)	2	—	—	—
Above: *Stockholders' Equity* for—				
Discontinued operations (*Co. No. 73)	1	3	2	2
Deposits refundable (*Co. No. 9)	1	2	2	2
Estimated claims payable (*Co. No. 451)	1	1	1	1
Expenses under merchandising program (*Co. No. 183)	1	1	1	1
Litigation pending (*Co. No. 58)	3	5	3	3
Loss on receivables (*Co. No. 66)	1	1	1	1
Preferred stock retirement	—	1	1	1
Purchase contracts (*Co. No. 269)	1	1	—	—
Research or development	—	1	1	1
Sales returns or allowances (*Co. No. 269)	2	2	2	2
"General" and "Sundry" purposes (*Co. Nos. 21, 70, 78, 433, 591)	29	28	31	32
"Operating" purposes (*Co. Nos. 12, 48, 234)	7	10	11	11
Unrealized profit on land contracts receivable (*Co. No. 148)	1	1	1	1
Within: *Stockholders' Equity* for—				
Preferred stock retirement (*Co. No. 409)	4	4	5	6
Charter requirement	—	1	1	1
Sinking fund (*Co. No. 64)	1	1	1	1
Working capital (*Co. No. 126)	1	1	1	1
"General" and "Sundry" purposes (*Co. No. 536)	3	2	2	2
Total	73	75	75	77
Terminology Used				
"Reserve"	60	61	61	65
"Provision"	5	5	6	5
Various other terms	8	9	8	7
Total	73	75	75	77
Number of Companies With:				
Miscellaneous reserves	67	68	70	72
No miscellaneous reserves	533	532	530	528
Total	600	600	600	600

*Refer to Company Appendix Section.

AIR REDUCTION COMPANY, INCORPORATED
Consolidated Balance Sheet
Above Capital and Retained Earnings:
Reserves:
Deposits to insure cylinder returns, etc. $118,067

ALCO PRODUCTS, INCORPORATED
Consolidated Statement of Financial Position
Above Shareholders' Ownership Evidenced By:
Reserves:
Operating reserves $571,014

NEPTUNE METER COMPANY
Consolidated Statement of Financial Position
Within Stockholders' Equity (Notes 5, 6, 7):
Reserve for purchase and retirement of preferred stock $64,950

Consolidated Statement of Income and Accumulated Earnings
Net Charge—resulting from operations of preferred stock purchase fund $27,281

Note 6: The $2.40 cumulative preferred stock is redeemable on any dividend date at $50.00 a share, 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.

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 40. 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 1957 annual survey reports (See Table 40 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 41.

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 42.

TABLE 40: CLASSIFICATION OF CAPITAL STOCK

Combination of Stock Classes	1957	1956	1955	1950
Common Stock and one type of Preferred Stock (*Co. Nos. 12, 63, 114, 136, 242, 255, 281, 342, 348, 451, 476, 521)	254	247	254	269
Common Stock (*Co. Nos. 1, 4, 6, 155, 161, 176, 229, 241, 318, 411, 416, 576)	198	191	186	158
"Capital Stock" (*Co. Nos. 52, 62, 68, 122, 143, 240, 294, 302, 393, 452, 534, 540)	104	110	113	122
Common Stock and two types of Preferred Stock (*Co. Nos. 26, 73, 132, 266, 375, 404, 450, 506, 532)	32	43	36	36
Common Stock (two types) (*Co. Nos. 126, 186, 247, 425)	4	3	4	3
Common Stock (two types) and one type of Preferred Stock (*Co. Nos. 192, 372, 475)	3	2	3	6
"Capital Stock" (two types) (*Co. No. 156)	1	1	1	2
Common Stock and three or more types of Preferred Stock (*Co. Nos. 118, 541)	2	1	1	3
Common Stock (two types) and three types of Preferred Stock (*Co. No. 121)	1	1	1	1
Common Stock (two types) and two types of Preferred Stock (*Co. No. 303)	1	1	1	—
Total	600	600	600	600
Number of Companies Presenting:				
Only Common Stock	202	194	190	161
Both Common and Preferred Stock	293	295	296	315
Only "Capital Stock"	105	111	114	124
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples of Balance Sheet Presentation

The following examples illustrate the various methods of presentation of capital stock information in the balance sheet:

ALLIS-CHALMERS MANUFACTURING COMPANY
Consolidated Statement of Financial Position
Ownership of Net Assets:

Preferred stock, authorized 273,003 shares of $100 par value 4.08% Cumulative convertible series (shares outstanding—1957, 103,635)	$ 10,363,500
Common stock, authorized 12,500,000 shares of $10 par value (shares outstanding—1957, 8,214,281)	82,142,810
Capital in excess of par value of common stock	79,912,441
Earnings retained—approximately $70,000,000 is restricted	125,108,613
	$297,527,364

AMERICAN OPTICAL COMPANY
Consolidated Balance Sheet
Shareholders' Equity:

Common shares, par value $1.00 each Authorized 3,000,000 shares; issued 813,556 shares	$ 813,556
Capital surplus from restatement of common shares	21,778,065
Total capital	$22,591,621
Income retained for use in the business (note 3)	24,253,775
	$46,845,396
Less treasury shares, at cost—19,393 shares in 1957	835,699
Total shareholders' equity	$46,009,697

Note 3: The long-term debt at December 27, 1957 was as follows:

	Due within One Year	Due after One Year
Twenty year 3⅜% Sinking Fund Notes	$200,000	5,000,000
Twenty year 3⅛% Sinking Fund debentures: Authorized and issued $10,000,000; outstanding	—	7,865,000
3¼% debentures maturing annually $100,000 (Canadian) to April 1, 1962	101,500	406,000
	$301,500	13,271,000

Under the October 1, 1952 loan agreement of the twenty year 3⅜% Sinking Fund notes, the Company is required to make annual sinking fund payments through October 1, 1972 of principal amounts ranging from $200,000 to $400,000.

The trust indenture of the twenty year 3⅛% Sinking Fund debentures dated March 1, 1948 requires the Company to deposit annually funds to provide for retirement of $5,365,000 of presently outstanding debentures by March 1, 1967. The balance of $2,500,000 matures on March 1, 1968. The sinking fund instalment of $400,000 due in 1958 has been prepaid.

The indentures relating to the foregoing indebtedness contain certain restrictions as to payment of cash dividends and retirement of the Company's capital stock. At December 27, 1957, $7,340,159 of retained income was not so restricted.

DENNISON MANUFACTURING COMPANY
Consolidated Statement of Assets, Liabilities and Capital
Capital (Note E):

Debenture stock, $8.00 cumulative, par value $100.00 per share	$ 2,942,000
"A" Common stock, par value $5.00 per share	2,859,310
Voting Common stock, par value $5.00 per share	376,590
Capital in excess of par value	2,106,035
Earnings reinvested	13,974,626
	$22,258,561
Less treasury stock at cost	344,399
Net capital	$21,914,162

Note E: Capital Stock—Pertinent data regarding the three classes of capital stock at December 31, 1957 are submitted herewith:

	Number of Shares Authorized	Issued
Debenture stock, $8.00 cumulative	29,420	29,420
"A" Common stock	600,000	571,862
Voting Common stock	80,000	75,318

Debenture stock is entitled in liquidation to and is callable at $160.00 a share plus unpaid accumulated dividends.

The following shares were held in the Company's treasury: "A" Common stock — 18,728 shares; Voting Common stock — 55,214 shares.

AVCO MANUFACTURING CORPORATION

Consolidated Financial Position

Stockholders' Equity:

$2.25 cumulative convertible preferred stock, without par value (stated value $50 per share)	
Authorized and issued: 1957—132,927 shares, less 5200 shares in treasury	$ 6,386,350
Preferred stock, without par value (series not yet designated)	
Authorized: 200,000 shares—Issued and outstanding: none	
Common stock, par value $3 per share	
Authorized: 15,000,000 shares (Notes 5 and 6)	
Issued and outstanding: 1957—9,075,846 shares	27,227,538
Additional paid-in capital	20,776,766
Retained earnings (Note 7)	36,000,881
Total stockholders' equity	$90,391,535

Note 5: 774,026 shares of common stock were reserved at November 30, 1957 for conversion of outstanding $2.25 cumulative convertible preferred stock in the ratio of 6.06 shares of common stock for each share of such preferred stock.

Note 6: At November 30, 1957 there were outstanding options on 545,400 shares of common stock of which options on 293,800 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 February 15, 1958 to November 12, 1962. At November 30, 1957, 162,444 shares were reserved for options not then granted.

Note 7: Under the agreements relating to Avco's outstanding bank loan and long term debt $31,907,072 of the retained earnings at November 30, 1957 were not available for the payment of cash dividends on the common stock.

BRISTOL-MYERS COMPANY

Consolidated Statement of Financial Position

Shareholders' Equity:

Capital Stock:	
Preferred stock, par value $100 per share ..	$ 5,700,000
Authorized 1957—82,000 shares	
Original issue—75,000 shares 3¾% cumulative	
Retired to: December 31, 1957—18,000 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 Earnings Retained in the Business:	6,689,642
Appropriated	5,669,481
Set aside for estimated increase in replacement cost of property, plant and equipment	
Unappropriated	24,776,212
	$46,836,415
Deduct: Cost of Treasury Stock	3,379,796
Preferred stock, 1957—9,000 shares, $816,403	
Common stock, 1957—70,432 shares, $2,563,393	
	$43,456,619

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, 1957. The sinking fund redemption price is $104.50.

Notes to Financial Statements

Earnings Retained in the Business—The earnings retained in the business as shown in the statement of financial position include $15,516,203 (of which $1,319,873 is applicable to Canadian subsidiaries and $14,196,330 to domestic subsidiaries) representing the undistributed net earnings of subsidiaries, which earnings have not been realized by the Company through dividends. Of the total retained earnings, $5,669,481 has been appropriated and set aside as the estimated amount by which the accumulated depreciation on a replacement cost basis exceeds the amount provided. Certain restrictions on retained earnings imposed by the 25-year 3⅜% Debenture Indenture are outlined in the next note.

Stock Option Plan—At December 31, 1957, options to purchase 66,050 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 $58.25 per share (representing market price at time of grant). Of these, options covering 17,850 shares will not become exercisable until September 20, 1958; an option covering 1,000 shares will not become exercisable until January 14, 1959; an option covering 500 shares will not become exercisable until December 9, 1959; and options covering 3,200 shares will not become exercisable until December 16, 1959. At January 1, 1957, options to purchase 81,550 shares were outstanding; during 1957: options covering 1,200 shares expired, options covering 4,700 shares were granted, and options covering 19,000 shares were exercised, the latter at an aggregate price of $645,350. At December 31, 1957, 13,750 shares remained available for the granting of options under the Plan, compared to 17,250 shares on January 1, 1957.

Acquisition Subsequent to December 31, 1957—On January 6, 1958, pursuant to an agreement dated November 7, 1957, the assets (except cash and marketable securities), business and goodwill of Grove Laboratories, Inc., Ladue, Missouri, and its subsidiaries were acquired in exchange for (1) the issuance of 66.667 shares of authorized and unissued common stock of Bristol-Myers Company having a negotiated value between the parties of $3,500,000 and (2) $4,811,825 in cash.

BUFFALO-ECLIPSE CORPORATION

Consolidated Balance Sheet

Stockholders' Equity:

Common stock, $1.00 par value:	
Authorized (Note 5) 1,500,000 shares	
Issued and outstanding 519,176 shares	$ 519,176
Scrip certificates outstanding at $1.00 par value per full share (Note 6)	1,804
Investment in excess of par value of stock	3,928,287
Retained earnings used in the business (Note 3)	10,216,480
Total Stockholders' Equity	$14,665,747

Note 3: Revolving Bank Credit Agreement—The Company has a revolving bank credit agreement dated July 21, 1955, which permits borrowings of up to $2,500,000, to be evidenced by 90-day notes. The interest rate is 3% to 3½% per annum. The Company must pay a commitment fee quarterly at the rate of ⅜ of 1% per annum on the average unusued portion of the credit. Borrowings under the agreement must be repaid on or before July 31, 1960. At July 31, 1957, the Company had borrowings under the agreement totaling $1,750,000.

While the agreement is in force and while any of the borrowings thereunder remain unpaid, among other things: (a) the Company must maintain net working capital of at least $5,000,000; (b) the Company must maintain bank balances aggregating not less than $1,200,000, except that it may fail to maintain such balances for not more than 10 days in a calendar month provided the aggregate average daily balances during such month shall exceed $1,200,000; (c) the Company must hold short-term United States Government securities in an amount at least equal to the liability for Federal income taxes; (d) the Company must, as of July 31 of each year reduce its total liabilities to an amount not more than $1,000,000 in excess of the aggregate value of its cash, current accounts receivable and Government securities; (e) without the prior written consent of the banks which have extended 75% or more of the total commitments, the Company may not pay any dividends upon its stock (except dividends in its Common Stock) nor purchase nor retire any of such stock except from net earnings accumulated subsequent to July 31, 1954, plus the sum of $200,000, nor make any capital expenditures aggregating in any one year in excess of $700,000, except for the special limitation of $1,400,000 in effect for the fiscal year ended July 31, 1957. Unrestricted retained earnings at July 31, 1957 were $2,004,608.

Note 5: Common Stock Reserved—Authorized Common Stock as of July 31, 1957 includes 1,804 shares reserved for exchange of scrip certificates.

Note 6: Scrip Certificates—During the fiscal year ended July 31, 1957, the Company paid three 1% Common Stock dividends. No fractional shares were issued, but scrip certificates were issued for fractional share interests.

Scrip certificates carry no dividend or voting rights. They may be exchanged, prior to expiration when they become void for all purposes, for shares of Common Stock in combinations representing, in the aggregate, one or more full shares of the Common Stock. As of July 31, 1957, the following amounts were outstanding:

Kind	Expiration Date	Amount
Green	12/31/57	46,584/100
Yellow	3/31/58	56,147/100
Orange	6/30/58	77,703/100
		180,434/100

TABLE 41: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1957	1956	1955	1950
Common Stock with Shares described as:				
Par value stock	425	408	395	319
Par value stock at—				
"Stated value" per share	5	6	3	3
"Stated value" per total	4	2	2	—
"Assigned value" per share	—	—	—	1
No par value stock at—				
"Stated value" per total	14	13	12	—
"Stated value" per share	12	12	16	28
"Assigned value" per share	—	—	—	1
"Declared value" per share	1	1	1	1
Not further described	43	53	65	134
Share value not mentioned	—	—	—	1
Total	504	495	494	488
"Capital Stock" with Shares described as:				
Par value stock	74	78	81	80
Par value stock at—				
"Stated value" per share	4	2	—	1
No par value stock at—				
"Stated value" per total	6	6	3	—
"Stated value" per share	5	6	6	8
"Liquidating value" per share	—	—	—	1
Not further described	17	20	24	35
Total	106	112	114	125
Preferred Stock with Shares described as:				
Par value stock	262	236	230	272
Par value stock at—				
"Redemption value" per share	1	2	1	—
No par value stock at—				
"Stated value" per total	9	2	2	—
"Stated value" per share	17	20	21	25
"Liquidating value" per share	11	9	7	8
"Assigned value" per share	1	3	1	1
Not further described	31	27	40	54
Share value not mentioned	1	1	—	3
Total	333	300	302	363

CONTINENTAL STEEL CORPORATION
Consolidated Balance Sheet

Capital Stock and Retained Earnings:

Capital Stock—Common	
Authorized—1,000,000 shares of $14 par value	
Issued—516,401 shares in 1957	$ 7,229,614
Capital in excess of par value or cost of shares issued for stock dividend	270,455
Retained earnings, per accompanying statement—(Under the terms of our 3¾% Promissory Note, dividends may be paid only from that portion of the retained earnings which is in excess of $8,986,339)	16,189,752
	$23,689,821
Deduct—Cost of 259 shares of common stock held in treasury (Reissued in 1957 as part of stock dividend)	—
	$23,689,821

CROWN ZELLERBACH CORPORATION
Balance Sheet

Stockholders' Equity:

Minority Interest in Canadian subsidiaries	$ 5,005,000
Crown Zellerbach Corporation Stockholders:	
Cumulative preferred stock (note 5):	
No par value, $100 liquidation and stated value.	
Authorized 541,759 shares, issuable in series:	
Initial series $4.20 stock, at December 31, 1957, authorized and outstanding 294,862 shares	$ 29,486,000
Common stock (note 6):	
$5 par value. Authorized 30,000,000 shares, outstanding at December 31, 1957, 13,810,545 shares	69,053,000
Other capital (details on page 22)	23,255,000
Income retained in the business (details on page 22)	255,757,000
Total Equity—Crown Zellerbach Corporation	$377,551,000
Total stockholders' equity including minority	$382,556,000

Note 5: 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 6: Common Stock—Authorized and unissued common shares were reserved at December 31, 1957, for issuance under the Selected Employees Stock Option Plan as follows:

Dates options granted	Number of shares	Option prices
October 23, 1951	10,760	$16.59
February 10, 1953	11,320	20.00
August 3, 1954	41,825	32.17
August 30, 1955	18,000	50.12
January 24, 1957	33,500	50.77
February 28, 1957	14,000	49.05
Total	129,405	

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 subsequently are exercisable only after two years from date of grant, and then at the maximum rate of 20% per annum, cumulatively.

There are 128,705 additional shares of authorized and unissued common stock reserved for options which may be granted in the future.

Note 7: Income Retained in the Business—The amount of dividends which can be declared from income retained in the business is restricted under the Corporation's Articles of Incorporation and agreements related to long-term debt at December 31, 1957. There is a $61,209,000 margin over the most stringent of these restrictions.

THE CURTIS PUBLISHING COMPANY
Consolidated Balance Sheet
Capital Structure (Note 4):

Prior Preferred Stock:	
No Par $3 Cumulative, additional $1 cumulative to extent earned, callable at $75	
Authorized and issued 347,585 shares	$17,379,250
In treasury 10,305 shares	
Balance outstanding 337,280 shares	
No Par $.60 Cumulative, additional $1 cumulative to extent earned, callable at $25	
Authorized and issued 265,149 shares	2,651,490
In treasury 16,374 shares	
Balance outstanding 248,775 shares	
Common Stock—Par Value $1	
Authorized and issued 3,457,335 shares	3,457,335
In treasury 15,500 shares	
Balance outstanding 3,441,835 shares	
Stated capital	$23,488,075
Undivided profits (Note 5)	16,357,478
	$39,845,553
Less cost of stock in treasury	1,046,159
	$38,799,394

Note 4: Capital Structure—On October 1, 1956 the $7 Preferred Stock was called for redemption at $120 per share. Prior to that date there was irrevocably deposited with the Paying Agent $3,878,400 covering this redemption and $56,987 covering dividend due October 1, 1956 on this stock. At December 31, 1957 there remained unpaid in the redemption account $21,120 and in the dividend account $430.

Note 5: Restriction of Undivided Profits—By reason of the Company's acquisition of its own Prior Preferred and Common Stocks held in the Treasury and uncancelled, $1,046,159 (the cost of such Treasury shares) of the Undivided Profits at December 31, 1957 is restricted and not available for dividends or purchase of additional Treasury shares.

FRANK G. SHATTUCK COMPANY
Consolidated Balance Sheet
Stockholders' Equity:

Capital stock:	
Authorized, 1,500,000 shares without par value.	
Issued 1,290,000 shares, at stated value	$15,125,000
Retained earnings (note 1)	6,971,384
	$22,096,384
Less cost of capital stock reacquired and held in treasury, 190,000 shares	1,541,711
Total stockholders' equity	$20,554,673

Note 1: Under the terms of the 3½% bank note, payable in instalments to February 1, 1965, which was issued pursuant to an agreement dated September 30, 1954, the company must prepay without premium $62,500 in quarterly instalments and, in addition, so long as the unpaid principal amount of the note is $2,000,000 or more must prepay without premium on May 1 of each year additional amounts equal to 50% of the consolidated net earnings for the preceding year in excess of $1,000,000. The prepayments due in 1958 amount to $250,000 which are included in current liabilities at December 31, 1957. Under certain conditions the note may be redeemed in whole or in part on any instalment date without payment of premium. Other terms of the note agreement provide that consolidated working capital is to be maintained at not less than the greater of (a) $5,000,000, or a sum equal to 200% of the unpaid principal amount of the note outstanding, whichever is lesser, or (b) $3,000,000; and that cash dividends may be paid only from consolidated net earnings accruing after December 31, 1954 plus $500,000. The amount of such unrestricted retained earnings at December 31, 1957 is $806,732.

THE DUPLAN CORPORATION
Consolidated Financial Position
Stockholders' Equity:

Common stock, no par value, stated value $2.50 a share — authorized 1,200,000 shares, issued and outstanding 976,023 shares (Note 4)	$ 2,440,057
Additional paid-in capital (no change during year)	4,990,291
Earnings reinvested in the business (Note 3)	4,263,871
	$11,694,219

Note 3: Under long-term debt agreements, payment of cash dividends is restricted until, among other things, working capital of the parent company is above $7,500,000. At September 30, 1957, that working capital was $5,129,286.

Note 4: In January, 1957, the stockholders approved a restricted stock option plan under which options may be granted to key executives to purchase up to 50,000 shares of common stock at the closing market price on date of grant. Options granted may extend for periods up to five years. In December, 1956, five year options were granted for 19,000 shares at 7⅝ per share which may be exercised 40% one year after grant date and 30% after each of the second and third years.

McCORMICK & COMPANY, INCORPORATED
Balance Sheet
Stockholders' Investment (Note C):

	Shares Authorized	Shares Outstanding	
Preferred Stock, $100 par value:			
5% cumulative, redeemable at $105	30,000	8,474	$ 847,400
Common Stock, no par value:			
Voting	100,000	60,536	
Non-Voting	300,000	190,409	
Less Treasury Stock		737	
Net Shares Outstanding		189,672	
	400,000	250,208	$3,141,142
Retained Earnings ($1 million restricted as to cash dividends under the 3.3% debentures)			4,684,400
Total			$7,825,542
Total stockholders' investment			$8,672,942

Note C: The common stock non-voting has the same rights, terms, and conditions as the common stock, except that it carries no voting rights other than in the sale of the company or the merger of the company into another corporation where McCormick & Company, Incorporated is not the surviving corporation.

PARKER PEN COMPANY
Consolidated Balance Sheet
Capital Stock and Surplus:

Capital stock—	
Class A, $2 par value—	
Authorized and issued 500,000 shares including in 1957, 49,500 shares in treasury	$ 1,000,000
Class B nonvoting, $2 par value	
Authorized and issued 500,000 shares including 34,500 shares in treasury	$ 1,000,000
	$ 2,000,000
Earned surplus (per accompanying summary)	17,866,425
	$19,866,425
Less—Treasury stock (69,000 shares at par value in 1957 and 1956 and 15,000 shares acquired in 1957 at cost)	363,000
Total capital stock and earned surplus	$19,503,425

TABLE 42: STATUS OF CAPITAL STOCK

Number of Shares Shown	1957	1956	1955	1950
For—Common Stock				
Authorized, issued, outstanding	168	169	175	192
Authorized, issued	194	187	183	159
Authorized, outstanding	128	121	117	111
Authorized, issued, outstanding, unissued	4	3	3	6
Authorized, outstanding, unissued	—	1	1	5
Authorized	2	2	3	3
Authorized, issued, unissued	1	1	—	—
Issued	1	2	3	2
Outstanding	1	3	4	2
Issued, outstanding	1	1	1	1
Status not set forth	4	5	4	7
Total	504	495	494	488
For—"Capital Stock"				
Authorized, issued	43	47	50	57
Authorized, issued, outstanding	39	41	42	49
Authorized, outstanding	18	18	15	10
Authorized, issued, outstanding, unissued	—	1	1	1
Issued	1	—	2	1
Issued, outstanding	2	2	2	3
Outstanding	2	2	—	1
Authorized	—	—	1	—
Status not set forth	1	1	1	3
Total	106	112	114	125
For—Preferred Stock				
Authorized, issued	95	90	94	115
Authorized, outstanding	101	87	87	96
Authorized, issued, outstanding	79	73	77	100
Authorized, outstanding, unissued	1	—	1	2
Authorized, issued, outstanding, unissued	1	1	—	1
Authorized	3	3	4	3
Outstanding	1	4	4	4
Issued	1	1	1	1
Authorized—None issued to date	45	33	27	32
Status not set forth	6	7	6	8
Authorized, issued; undesignated and unissued	—	1	1	1
Total	333	300	302	363

Following are illustrations from the 1957 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 95, 140, 151, 251, 413 show in the balance sheet that the stock is extended at "stated value" while *Company Numbers 122, 127, 142, 159, 160, 189, 217, 337 377, 402, 417, 472, 474, 508, make no reference to this fact. An illustration of each follows:

*Refer to Company Appendix Section.

BOEING AIRPLANE COMPANY
Balance Sheet
Stockholders' Investment:

Capital stock, par value $5 a share—Authorized—10,000,000 shares	
Issued and outstanding—6,953,583 shares at stated value	$94,834,035
Retained earnings (after transfer to the capital stock account of $78,640,468)	84,066,913
	$178,900,948

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 1957—1,481,071 shares	$32,618,493
Income retained in the business, excluding amounts transferred to capital stock	21,480,491
	$54,098,984

Treasury Stock

Of the 600 survey companies, 298 referred to treasury stock in their 1957 reports as follows:

Two hundred and four companies referred only to *common* treasury stock; 46 companies showed only *preferred* stock in treasury; 48 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 43).

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 1955 through 1957 are given in Table 43.

"Treasury Stock"—Examples

(a) From the stockholders' equity section of the balance sheet, with "treasury" stock as a deduction

TABLE 43: TREASURY STOCK

Balance Sheet Presentation	"Common" Treasury Stock 1957	1956	1955	"Preferred" Treasury Stock 1957	1956	1955
Within Stockholders' Equity Section:						
Deducted from *total* of capital stock and surplus (*Co. Nos. 40, 80, 124, 170, 407, 565)	149	133	124	36	38	41
Deducted from *total* of capital stock and capital surplus (*Co. No. 424)	1	1	1	—	—	—
Deducted from *total* of capital surplus and earned surplus (*Co. Nos. 57, 261)	2	2	2	—	—	—
Deducted from retained earnings (*Co. Nos. 336, 545, 548, 585)	4	4	5	—	1	1
Deducted from issued stock of the same class (*Co. Nos. 159, 181, 270, 289, 362, 409)	77	76	77	52	45	48
Set forth with issued stock of the same class (*Co. No. 4)	1	1	1	—	—	2
In Noncurrent Asset Section:						
Separately set forth therein (*Co. Nos. 12, 33, 256)	10	10	10	1	2	1
Set forth therein as a part of various special funds (*Co. Nos. 50, 273, 520)	8	7	8	1	1	1
Set forth in Notes to Financial Statements (*Co. Nos. 64, 140, 278, 375, 539)	5	6	10	4	4	8
Total Presentations	257	240	238	94	91	102
Basis of Valuation						
Per-Share-Value Shown At:						
Cost	159	140	133	40	42	44
Par value	57	57	49	45	37	38
Stated value	9	8	8	5	4	4
Cost or less than cost	5	2	2	—	—	—
Less than cost	1	3	1	—	—	—
Reduced value	—	—	1	—	—	—
Carrying value	—	—	—	—	—	1
Lower of cost or market	2	2	2	—	—	—
Liquidation value	—	—	—	—	—	1
Per-share-value not shown	24	28	42	4	8	14
Total Valuations	257	240	238	94	91	102
Number of Companies Presenting:						
Only "common" treasury stock	204	188	181	—	—	—
Both "common and preferred" treasury stock	48	44	49	48	44	49
Only "preferred" treasury stock	—	—	—	46	46	48
Total Treasury Stock	252	232	230	94	90	97
No treasury stock	348	368	370	199	205	199
No "preferred" stock	—	—	—	307	305	304
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

from the total of capital stock and surplus; from the capital surplus account; or from the retained earnings account:

WALKER MANUFACTURING COMPANY OF WISCONSIN
Comparative Consolidated Balance Sheet

Capital:	
Contributed capital (Note D):	
Preferred stock (Note B)	
Common stock (Note C)	$ 1,185,004
Amounts in excess of par value of capital stock	1,537,436
	$ 2,722,440
Retained earnings (Notes A and D)	8,564,619
	$11,287,059
Less, Treasury stock at cost—in 1957, 518 common shares	18,011
	$11,269,048

Note A: The serial notes payable outstanding at October 31, 1957 are payable $75,000 semiannually to April 1, 1960 and $100,000 semiannually thereafter with the balance due April 1, 1970.

The Company's charter and the loan agreement relating to the serial notes contain certain restrictions including restrictions on the payment of cash dividends on common stock and reacquisition of either common or preferred stock. Under the most restrictive of such provisions:

1. $2,843,656 of earnings retained for use in the business at October 31, 1957 is free of such restrictions;
2. Such payments may not be made if they would reduce working capital below $5,500,000; and
3. Working capital of not less than $4,500,000 must be maintained at all times.

Note B: There are no preferred shares authorized at October 31, 1957. Of the shares previously outstanding, 12,488 were converted into common and 5 were redeemed.

Note C: The common stock is $4 par value. At October 31, 1957 there were 550,000 authorized shares of which 296,251 were issued. At October 31, 1956 there were 300,000 authorized shares of which 241,034 were issued and 41,320.5975 were reserved for conversion of preferred stock. A restricted stock option is outstanding for 5,250 shares of common stock at $17.98, exercisable over a five-year period commencing January 9, 1957, no part of which had been exercised at October 31, 1957.

Note D: On November 29, 1957 the Board of Directors declared a ten percent stock dividend on the common stock, payable to shareholders of record December 6, 1957. Upon issuance of the stock approximately $1,037,000 will be transferred from retained earnings to contributed capital.

PARKE, DAVIS & COMPANY
Consolidated Balance Sheet
Stockholders' Investment:

Capital Stock, no par value:	
Authorized 5,000,000 shares (Note C)	
Issued 4,922,809 shares at December 31, 1957 at stated capital amount, including $172,120 added in 1957 from exercise of stock options	$ 14,451,497
Additional paid-in capital, including $175,184 added in 1957 with respect to stock options	729,805
	$ 15,181,302
Less cost of Capital Stock in treasury (940 shares at December 31, 1957	30,071
	$ 15,151,231
Earnings retained for use in the business:	
Balance at beginning of year	$ 88,112,767
Net earnings for the year	27,929,887
	$116,042,654
Less cash dividends declared ($2.90 a share in 1957)	14,268,891
Balance at end of year	$101,773,763
Total Stockholders' Investment	$116,924,994

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.

A summary of transactions for the year 1957 with respect to the Executive Stock Option Plan follows:

		Shares
Options outstanding at January 1, 1957		41,452
Add options granted at $38.89 a share		1,205
		42,657
Less:		
Options exercised (at prices ranging from $29.12 to $38.89 a share)	10,531	
Options terminated	228	10,759
Options outstanding at December 31, 1957 (at prices ranging from $29.12 to $38.89 a share, being 85% of the highest market price at the dates the options were granted)		31,898

Options for 12,781 shares were exercisable at December 31, 1957.

In addition, an option granted to an officer in 1950 was outstanding at December 31, 1956, for 500 shares of treasury stock at $31.99 a share. Under this option, 250 shares were purchased during 1957, leaving 250 shares under option at December 31, 1957.

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, 6,300 shares	(674,100)
	$ 5,317,900
Common stock—$6.25 par value (70,000 shares reserved for restricted (95%) stock options—options for 56,550 shares granted January 8, 1957 reduced to 55,800 at December 31, 1957 by cancellation for 750)	
Authorized, 3,000,000 shares	
Outstanding, 1,431,100 shares	8,944,375
Treasury (see below)	
	$14,262,275
Capital surplus	$ 1,249,602
Earned surplus	36,275,175
	$37,524,777
Common stock held in treasury—5,825 shares at cost	(97,591)
	$37,427,186
	$51,689,461

PARAMOUNT PICTURES CORPORATION
Consolidated Balance Sheet
Capital:

Common stock $1 par value:	
Shares authorized, 2,766,912	
Shares issued, 2,066,116	$ 2,066,116
Less—Shares held in treasury, 126,400	
Shares outstanding, 1,939,716	
Capital surplus	55,946,115
Retained earnings	20,605,530
	$78,617,761
Less—Cost of treasury shares	4,028,452
	$74,589,309

QUAKER OATS COMPANY
Consolidated Balance Sheet
Capital Stock and Earnings Retained in the Business:

Preferred, $100.00 par value, 6% cumulative, Authorized 250,000 shares; issued 180,000 shares	$ 18,000,000
Common, $5.00 par value, Authorized 4,000,000 shares; issued 3,355,967 shares	16,779,835
Amount in excess of par value	12,837,770
Earnings retained in the business	54,321,670
	$101,939,275
Less stock held in treasury—June 30, 1957, 4,392 shares of preferred, at cost	571,555
	$101,367,720

THE TORRINGTON COMPANY
Consolidated Balance Sheet
Capital Stock—No Par Value:

Authorized, 2,000,000 shares	
Outstanding, 1,628,970 shares	
Held in treasury, 51,030 shares	
Issued, 1,680,000 shares at stated value	$ 7,000,000
Net earnings retained in the business	$24,009,343

Deduct Capital Stock reacquired and held in treasury, at cost less reserve—51,030 shares	354,030
Balance	$23,655,313

(b) From the stockholders' equity section of the balance sheet, with "treasury" stock set forth with, or as a deduction from, issued shares of the same class of capital stock:

GENERAL MOTORS CORPORATION
Consolidated Balance Sheet

Capital:	
Capital stock:	
Preferred, without par value (authorized, 6,000,000 shares):	
$5.00 series, stated value $100 per share (issued, 1,875,366 shares; in treasury, 39,722 shares; outstanding, 1,835,644 shares)	$ 183,564,400
$3.75 series, stated value $100 per share (issued and outstanding, 1,000,000 shares)	100,000,000
Common, $1 2/3 par value (authorized, 500,000,000 shares; issued, 280,989,096 shares at December 31, 1957)	468,315,160
Total capital stock	$751,879,560
Capital surplus	451,436,795
Net income retained for use in the business (earned surplus)	3,701,791,427
Total capital	$4,905,107,782

SIMONDS SAW AND STEEL COMPANY
Consolidated Balance Sheet

Capital:	
Capital stock without par value, 500,000 shares authorized and issued, less 3,000 shares held in treasury	$ 2,982,000
Additional paid-in capital	693,055
	$ 3,675,055
Accumulated earnings retained for use in the business	30,271,474
	$33,946,529

UNITED STATES GYPSUM COMPANY
Balance Sheet

Stockholders' Equity:	
Preferred stock—	
Authorized 100,000 shares, $100 par value, 7% cumulative and noncallable; outstanding 78,222 shares (after deducting 9,055 shares held in treasury)	$ 7,822,200
Common stock—	
Authorized 18,000,000 shares, $4 par value; outstanding 7,999,080 shares (after deducting 256,140 shares held in treasury)	31,996,320
Paid-in surplus—arising from sale of stock for amounts in excess of par value (no 1957 change)	21,800,367
Earned surplus—representing earnings retained for use in the business	183,758,445
	$245,377,332

ACME STEEL COMPANY
Statement of Consolidated Financial Condition

Shareowners' Equity:	
Common Stock, par value $10.00 a share:	
Authorized 3,000,000 shares; issued 2,782,727 shares in 1957 (including 13,559 shares in treasury) Notes C and D	$27,827,270
Additional paid-in capital	16,025,314
Invested earnings—used for plant additions and working capital—Note E	23,604,382
	$67,456,966

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 13,559 shares of Common Stock held in the treasury at December 31, 1957, included 13,554 shares allocated under the Plan and five shares held for future allocation. The cost ($421,727) of the 13,554 shares was deducted from the amount of the reserve for incentive compensation in the statement of financial condition. The balance of the reserve ($382,650) is available for future allocation.

Note D: Options to Purchase Common Stock—On August 26, 1957, pursuant to The 1957 Employees' Stock Option Plan of Acme Steel Company previously approved at the 1957 annual meeting of shareowners, the Company granted options to purchase Common Stock at a price of $27.25 a share (which was 90 per cent of the market price on that date). The options may be exercised at any time during the two-year period commencing August 26, 1958.

Deposits by employees (generally on a monthly basis) for purchase of stock under the Plan are held by the Company, with interest credited at the rate of 3 per cent thereon until the options are exercised.

At December 31, 1957, options to purchase 183,361 shares were outstanding. No additional options may be granted under the Plan.

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—10,653,951 shares of which 244,760 shares are held in treasury	
Outstanding—10,409,191 shares	$520,459,550
Consolidated Surplus—note L:	
Income from operations and other earnings without deduction for depletion of metal mines, less distributions to stockholders	$325,361,853
Surplus arising through capital transactions	9,629,761
	$334,991,614

(c) From the noncurrent asset section of the balance sheet, with "treasury" stock set forth therein:

AMERICAN CYANAMID COMPANY
Consolidated Balance Sheet

Investments and Advances:	
Common stock in treasury (Note 8)	$2,162,220

Note 8: The accounts for 1957 include provision of $4,000,301 for incentive compensation available for allotment to officers and other employees under Section 52 of the Company's By-Laws. A portion of such amount is not payable currently in cash but is contingently payable in Common Stock of the Company after employment ceases; pending allotment of the amount available for 1957 the portion so contingently payable in Common Stock is not determinable. The amount contingently payable in respect of allotments for prior years, less estimated future tax benefits computed at 52%, is $1,060,001. At December 31, 1957 the Company owned and held in its treasury 63,000 shares of Common Stock acquired at an average cost of $34.32 per share which are available at the election of the Company to fulfill the aforesaid contingent obligations.

GENERAL MOTORS CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:
Common stock in treasury—available for purposes of the Bonus Plan and Stock Option Plan (1957—2,177,570 shares) $87,172,671

Notes to Financial Statements: Common stock in treasury at December 31, 1957 includes 1,136,223 shares, carried at $44,374,938, awarded as bonus for the years 1954 through 1956 and held for delivery under the earning out provisions of the Bonus Plan. The balance of 1,041,347 shares carried at $42,797,733 consists primarily of stock held for 1957 awards under the Bonus Plan and for contingent credits to be established under the Stock Option Plan when stock options are granted in 1958.

The consolidated balance sheet at December 31, 1957 gives effect to payments amounting to $27,929,271 and the delivery of 948,107 shares of common stock on January 10, 1958, representing portions of bonus awards for the years 1953 through 1956 which were earned out during the year 1957 in accordance with the provisions of the Bonus Plan.

"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 1935. 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: 1957†	1956	1955
1925-1927	—	1	1
1928-1930	—	—	1
1931-1933	—	2	5
1934-1936	2	2	7
1937-1939	—	1	6
1940-1942	1	1	4
1943-1945	3	3	4
1946-1948	1	1	1
1949-1951	1	1	1
1952-1954	1	1	1
	9	13	31

†Refer to Company Appendix Nos. 18, 23, 123, 358, 447, 478, 564, 582.

*Refer to Company Appendix Section.

STOCK OPTION AND STOCK PURCHASE PLANS

STOCK OPTION PLANS

Table 44 reveals the continuing increase in the number of companies having employee stock option plans. The 1957 annual survey reports disclosed 361 companies referring to such plans as compared with 302 and 251 companies for the years 1956 and 1955 respectively.

Stock option plans were adopted by 46 companies (*Co. Nos. 1, 4, 43, 69, 115, 182, 210, 262, 370, 483, 493, 561), and plans were amended or modified by 32 companies (*Co. Nos. 15, 95, 105, 232, 236, 309, 344, 537, 545).

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.
(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 performed 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 1957 are presented extensively in Section 4 under "Employee Stock Plans").

TABLE 44: EMPLOYEE STOCK OPTION PLANS

Relationship of Option Price to Market Value at Date of Grant of Option:	1957
Option Price shown as a percentage, which was:	
Not less than 95% of market value	119
Exactly 95% of market value	64
Between 94% and 86% of market value	2
Not less than 85% of market value	10
Exactly 85% of market value	7
Total	202
Option Price shown in dollar amount only, which was:	
Above market value	5
Equal or approximately equal to market value	46
Below market value	1
Market value not shown or referred to	98
Total	150
Option Price not shown in either per cent or dollars, but stated to be:	
Equal to market value	13
Below market value	2
Total	15
Neither Option Price nor Market Value stated or indicated	23
Total number of plans	390

Number of Companies	1957	1956	1955
Referring to employee stock option plan	361	302	251
Not referring to employee stock option plan	239	298	349
Total	600	600	600

COLUMBIAN CARBON COMPANY

Notes to Financial Statements

Note 3: At December 31, 1957 there were outstanding stock options for 31,650 shares granted in 1955 to twenty-eight officers and key employees. These options are exercisable in varying amounts over a ten-year period at $45 per share. The Employees Stock Option Plan permits the issuance of additional stock options not to exceed 56,132 shares. No options were exercised or granted during the year 1957. One option for 2,250 shares expired August 15, 1957.

THE FIRESTONE TIRE & RUBBER COMPANY

Balance Sheet

Capital Stock:

Common Stock, Authorized 12,000,000 shares, Par Value $6.25 per share:

Outstanding 8,406,031 shares $52,537,694

(80,610 shares subject to employees' options)

Letter to Stockholders: . . . On November 1, 1956, under the 1951 Employees Incentive Stock Option Plan, 94,729 shares of Common Stock were subject to outstanding options and 563 shares were available for the granting of additional options. During the year ended October 31, 1957, options for 16,263 shares were exercised and options for 563 shares were canceled; no options were issued and no options expired. On October 31, 1957, after giving effect to the two per cent stock dividend, there were 79,461 shares subject to outstanding options and 1,149 shares available for the granting of additional options.

ABBOTT LABORATORIES

Notes to Financial Statements

Note D: Stock Option Incentive Plan—The Company has a stock option incentive plan under which options may be granted to certain key employees to purchase a maximum of 200,000 shares of Common Stock at prices not less than 95% of the fair market value at the time the options are granted. During the year 1957, options were granted to purchase 33,800 shares and options were exercised for 1,556 shares. At December 31, 1957, there were options outstanding for 131,920 shares at prices ranging from $36.50 to $43.70 per share and there were 66,524 shares unoptioned.

ALUMINUM COMPANY OF AMERICA

Financial Review

Employees' Stock Option Plan—At their annual meeting on April 17, 1952, the shareholders authorized the company to reserve 1,956,292 shares (adjusted to give effect to the stock split-ups in 1953 and 1955) of its authorized but unissued common stock for the granting of options to employees. These options permit employees to purchase common stock from the company at a price equal to at least 95 per cent of the fair market value on the dates the options are granted. The following table details pertinent information with respect to options granted through 1957:

	Date Option Granted		
	5/15/52	2/26/54	7/24/56
Option price	$17.6875	$29.375	$117.25
Number of shares optioned	1,057,600	174,700	198,100
From option dates to Dec. 31, 1956:			
Shares purchased	921,299	69,375	None
Shares canceled or expired	4,620	786	None
Shares subject to unexercised options at Jan. 1, 1957	131,681	104,539	198,100
Shares purchased during 1957	42,629	11,593	None
Shares canceled or expired in 1957	None	760	4,250
Shares subject to unexercised options at Dec. 31, 1957	89,052	92,186	193,850

Note: Prior to January 1, 1957, 400 shares of common stock previously purchased under option by an employee were repurchased by the company, canceled and restored to authorized and unissued shares not available for further option.

At the beginning of 1957, there were 531,298 shares of common stock reserved for the granting of further options following those issued on May 15, 1952, February 26, 1954 and July 24, 1956. In the year 1957, options for 5,010 shares were canceled or expired and returned to reserve for future options. Therefore, there remain 536,308 shares reserved for the granting of future options as of December 31, 1957. During 1957, there have been no changes in the exercise price of outstanding options. The company is planning a further grant of options aggregating not to exceed 193,100 shares, to be issued March 7, 1958, at a price per share which will be the mean between the highest and lowest selling prices on the New York Stock Exchange on March 7, 1958, adjusted upward to the nearest one-eighth of a dollar if the mean is not such fraction. These options are to be offered on a share for share basis to those employees who elect to surrender unexercised options issued to them in 1956.

BULOVA WATCH COMPANY, INC.

Balance Sheet

Other Assets:

Capital stock, at less than cost, held for resale to officers and employees (Note H) $719,385

Note H: At March 31, 1956 options to purchase 16,200 shares of the parent company's stock at prices ranging from $11.00 to $11.67 per share were held by certain officers and employees. During the year ended March 31, 1957 options to purchase 69,900 shares of stock were granted at $17.50 per share and options to purchase 13,100 shares were exercised at prices ranging from $11.00 to $17.50 per share. At March 31, 1957 there remained 73,000 shares under option at prices ranging from $11.00 to $17.50 per share. All options have been granted at 85% of the quoted market value on the dates of grant. In 1956 and prior years the difference between the option price and market value was charged against income and credited to capital stock held for resale to officers and employees. The difference between the option price of the 69,900 shares optioned in 1957 and market value has been capitalized and is being written off over a two year period from the date of grant. Two years is the minimum period during which an optionee must remain in the company's employ to obtain clear title to any shares on which he has exercised his option.

NORTHROP AIRCRAFT INC.

Notes to Financial Statements

Note G: 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, 1956, options for 45,236 shares of stock were outstanding. During the year ended July 31, 1957, options for 17,372 shares were granted, and 12,118 shares were sold for $74,501 to officers and employees exercising their options. At July 31, 1957, options for 50,490 shares were outstanding at prices as follows: 1,950 shares at $5.78; 968 shares at $5.90; 1,100 shares at $7.08; 11,600 shares at $16.91; 12,000 shares at $22.63; 3,500 shares at $24.50; 13,872 shares at $27.28; and 5,500 shares at $35.42. At August 1, 1956 and July 31, 1957, 19,978 shares and 2,606 shares, respectively, were reserved for future grants under the plan prior to December 1, 1957. There were no changes during the year in the exercise price of outstanding options.

WARNER BROS. PICTURES, INC.

Notes to Consolidated Financial Statements

Note D: Options to purchase shares of the common stock of the Company have been granted to five officers and employees of the Company and its subsidiaries, as follows:

Date granted	Number of shares	Option price per share*
July 1956	60,000	$29.29 (a)
August 1956	70,000	25.77 (b)
	130,000	

* Represents (a) 110% and (b) 95%, respectively, of the closing market price on the New York Stock Exchange on dates of grant.

No option is exercisable after the expiration of five years, or after three months after the date the optionee ceases to be an employee of the Company or a subsidiary. Options may be exercised to the extent of one-half of the shares covered, after 18 months, and in full after three years. Options are non-transferable but in the event the optionee dies, the option may be exercised by his estate within the period of three months after his death.

THE WHITE MOTOR COMPANY

Notes to Consolidated Financial Statements

Note C: As of December 31, 1957, there were 109,719 shares of authorized and unissued Common Stock reserved for issuance under stock options. Data relating to stock option transactions during the year is shown below:

	Shares Issuable Under Options	Unoptioned Shares Available For Granting	Total Shares Reserved
Balance January 1, 1957	53,414	1,114	54,528
Options approved for granting		60,000	60,000
Options lapsed	(2,839)	2,839	
Options exercised	(4,809)		(4,809)
Balance December 31, 1957	45,766	63,953	109,719

The option prices of the 45,766 shares issuable under options as of December 31, 1957, were as follows: 29,533 shares at $22.512 per share, 1,890 shares at $25.214 per share and 14,343 shares at $43.35 per share. Under the terms of the stock options 8,764 shares were available for purchase as of December 31, 1957.

STOCK PURCHASE PLANS

There were 52 survey companies that indicated in their 1957 annual reports the existence of various employee stock purchase plans. The information contained in the annual reports of the survey companies for 1957 and 1956 concerning the determination under these plans of the subscription price and its relation to the market value of the stock is summarized in Table 45.

TABLE 45: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1957	1956
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Co. Nos. 71, 299, 482)	3	4
Subscription price shown in dollar amount only, and price set—		
At time stock offered for subscription (*Co. Nos. 97, 387, 474)	8	4
Not determinable from annual report (*Co. Nos. 89, 446, 524, 527)	8	6
Subscription price not shown, but stated to be equal to market—		
At time stock offered for subscription (*Co. Nos. 273, 551)	3	1
At time of purchase (*Co. Nos. 276, 320)	2	2
On last business day preceding the offering	—	1
Neither subscription price nor market value stated or indicated (*Co. Nos. 10, 33, 144, 265, 403, 404, 414, 518)	28	9
Number of Companies With:		
Employee stock purchase plan	52	27
No employee stock purchase plan	548	573
Total	600	600

*Refer to Company Appendix Section.

Examples from 1957 annual reports illustrating the information given with regard to employee stock purchase plans are as follows (Plans which resulted in entries to the surplus accounts during 1957 are presented extensively in Section 4 under "Employee Stock Plans"):

AIR REDUCTION COMPANY, INC.

Notes to Financial Statements

Note D: Under the 1953 stock option plan, options to purchase shares of the Company's common stock may be granted to certain executive employees (including officers) at a price of not less than 95% of the fair market value of the shares on the grant date, or $26.67 a share, whichever is higher. Such options are exercisable in cumulative installments commencing 18 months after the date of grant, with option periods not to exceed ten years from the grant date. At January 1, 1957, 115,111 shares were issuable under outstanding options, and 44,625 shares were available for the granting of additional options. During 1957 options for 27,500 shares were granted for an aggregate option price of $1,256,715, options for 23,384 shares were exercised for an aggregate option price of $634,227, and options for 3,575 shares were terminated. At December 31, 1957, options were outstanding with respect to 115,652 shares having an aggregate option price of $3,708,123, and 20,700 shares were available for the granting of additional options prior to April 23, 1958.

Under the 1957 stock option plan (the provisions of which are substantially the same as those of the 1953 plan) options to purchase 100,000 shares of the Company's common stock may be granted after the plan has been declared operative by the Board of Directors and prior to April 25, 1962, at a price of not less than 95% of the fair market value of the shares on the grant date. As of December 31, 1957, no options had been granted under the 1957 plan and no unissued shares of common stock were reserved for purposes of this plan.

Under the employee stock investment plan, the Company is offering up to an aggregate total of 200,000 shares of its unissued common stock to employees eligible to participate in the plan, at a price determined by the last sale of the Company's common stock on the New York Stock Exchange on certain quarterly dates, except that no sale may be made under the plan at a price of less than $26.67 a share. For each five shares of common stock purchased by a participating employee, the Company will contribute to the employee one additional share of its common stock purchased in the open market. Through 1957, 27,510 shares had been issued to 1,461 employees under the plan for an aggregate consideration of $1,057,458, and 5,502 shares were purchased for such employees at a cost of $213,520.

Of the total authorized unissued shares of common stock, 308,842 shares were reserved at December 31, 1957 for the purposes of the 1953 stock option plan and the employee stock investment plan. The plans may be suspended or discontinued by the Board of Directors at any time, but no such action can affect options already granted.

HOOKER ELECTROCHEMICAL COMPANY

Notes to Financial Statements

Note 4: A Stock Option Plan and an Employees' Stock Purchase Plan were approved by the stockholders on March 13, 1956. The maximum number of shares of the Company's Common Stock which 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.

The Stock Option Plan is available to officers and key employees selected by a committee of non-participating directors administering the Plan and no participant may purchase more than 5,000 shares. The purchase price is the next multiple of $.25 above 95% of the last reported sale price on the New York Stock Exchange on the date of grant. The options generally become exercisable in equal installments on each of the first anniversaries of the date of grant and expire in 1966 (subject to earlier expiration in event of termination of employment). No options granted have been exercised and no charges are made to income in connection with the options.

The Employees' Stock Purchase Plan is available to all eligible employees who are not eligible for the Stock Option Plan and the maximum number of shares which any employee may purchase on any offering is 1 share for each $260 of base annual earnings (as defined in the Plan), but not less than 5 shares. The purchase price is the next multiple of $.25 above 85% of the last reported sale price on the New York Stock Exchange on the offering date. Elections to purchase are cancellable at the option of the participants prior to issuance of the stock.

At November 30, 1957 options and elections were outstanding as follows:

Date of grant or offering	Shares	Option or offering price: Per Share	Option or offering price: Aggregate	Market at date of grant or offering: Per Share	Market at date of grant or offering: Aggregate
Stock Option Plan:					
March 19, 1956	24,000	$40	$ 960,000	$42	$1,008,000
November 6, 1957	91,000	23¾	2,161,250	24⅞	2,263,625
	115,000		$3,121,250		$3,271,625
Stock Purchase Plan:					
April 10, 1956	359	$39	$ 14,001	$45⅞	$ 16,469
March 5, 1957	24,503	29	710,587	34	833,102
	24,862		$ 724,588		$ 849,571

The changes during the year in the number of shares for which options had been granted and for which elections to purchase had been received were as follows:

	Option Plan: Per Share	Option Plan: Shares	Purchase Plan: Per Share	Purchase Plan: Shares
At November 30, 1956	$40	88,000	$39	27,079
New grants or offerings:				
To new optionees	35	32,000		
To persons who had cancelled previous options	23¾	91,000		
Under new offering			29	28,693
Expired upon termination of employment	40	(5,000)		
Surrendered and cancelled	40	(59,000)	39	(26,640)
	35	(32,000)	29	(2,759)
Purchased in full			39	(80)
			29	(1,431)
At November 30, 1957		115,000		24,862
Available for grants or offerings:				
At Nov. 30, 1956		212,000		270,893
At Nov. 30, 1957		185,000		271,599

Of the 24,000 shares covered by the options granted on March 19, 1956 and still outstanding, 4,800 shares, having an aggregate option price of $192,000 ($40 per share) became exercisable during the year; the market value at date these shares became exercisable aggregated $168,000 ($35 per share).

The shares purchased in full were issued for an aggregate of $44,619. The market value at dates of purchase ranged from $23⅞ to $37½ per share, an aggregate of $49,163. Of the amount received, $37,064 was credited to capital surplus paid-in, the only change in that account during the year. Amounts paid in as installments on unissued shares under the Purchase Plan are included in current liabilities.

MILLER MANUFACTURING CO.

Consolidated Balance Sheet

Stockholders' Equity:

Common stock of $1 par value:

Authorized—750,000 shares (60,000 shares reserved under employees' stock purchase plan) (Note 2)

Outstanding—578,351 shares $578,351

Note 2: Employees' Stock Purchase Plan—The Board of Directors approved during the year an employees' stock purchase plan under which officers and employees may purchase the company's common stock at market value on the date of agreement to purchase. The plan provides, among other things, that the purchase price is to be paid in ten equal annual installments with the right to prepay in full or in part and the participants have the right to withdraw and have all payments refunded. Until such shares have been fully paid, the participants have no voting rights with respect thereto, nor shall any dividends be payable thereon.

As at September 30, 1957, 32,300 shares of the reserved common stock had been contracted for under the plan at $4.25 per share or $137,275. Of this amount $13,728 had been paid at September 30, 1957 and is shown as a current liability on the accompanying balance sheet.

STRUTHER WELLS CORPORATION

Letter to Stockholders

Employee Stock Plan—Pursuant to the action taken at the last annual meeting of Stockholders, the Corporation sold 10,000 shares of its unissued common stock to 48 key employees. The employee stock purchase plan provided for a down payment equal to the par value of $2.50 per share and the balance of $20.00 per share payable over a seven year period without interest. The par value of the stock sold, in the amount of $25,000, has been added to stated capital and the difference between the par value and the selling price, amounting to $200,000, has been added to additional capital. The trustee under the plan retains possession of the stock as collateral against the payments, such shares to be released to the employee from time to time as payments are completed.

UNION CARBIDE CORPORATION

Consolidated Balance Sheet

Capital Stock:

Union Carbide Corporation

No Par Value—not including 438,264 shares (409,947 shares at December 31, 1956) held by the Corporation

29,534,556 shares (29,433,718 shares at December 31, 1956)	$233,279,085
532,567 shares (654,792 shares at December 31, 1956) held by the Corporation as collateral under the Stock Purchase Plan for Employees (Note 6)	38,679,806
30,067,123 shares (30,088,510 shares at December 31, 1956)	$271,958,891
Less present amount of Agreements	37,824,992
	$234,133,899

Note 6: In 1946 the stockholders approved and authorized a Stock Purchase Plan for Employees. Offerings under the Plan, which were made at the then current market quotations, were ended in 1956. The shares sold under the Plan are held by the Corporation as collateral and are released in blocks of 25 as payments therefor are completed.

J. P. STEVENS & CO., INC.

Notes to Financial Statements

Note E: Stock Purchase Plan for Employees—Under a Stock Purchase Plan for Employees, 49,720 shares of the Company's capital stock are reserved as at November 2, 1957 for issuance to employees (including 14 officers) on payment of their subscriptions at an average price of $40.65 per share. Payments received and credits applied under the Plan on subscribed shares not yet issued are included as a current liability in the accompanying consolidated balance sheet.

In accordance with the provisions of the Plan, the annual installment payments due subsequent to May 1952 have been deferred for those members of the Plan so desiring.

CONTINGENT LIABILITIES

Disclosures relating to the principal types of contingent liabilities revealed in the 1957 annual reports of the 600 survey companies have been segregated in this section as follows:

(a) U. S. Government Contracts—Renegotiation and price redetermination, presentation of estimated liability (Table 9).

(b) Contingency Reserves—Balance sheet presentation and terminology used (Table 32).

(c) Table 46 summarizes the nature and frequency of such other contingent liabilities as may arise in connection with guarantees, pending litigation, possible tax assessments, etc. However, commitments arising in the ordinary course of business for the acquisition or construction of fixed assets and for the purchase of materials, supplies and services have not been included in this table.

A total of 211 survey companies referred to such contingencies in their 1957 annual reports. In most cases (179 companies) the disclosure was made either in the notes to the financial statements or in the president's letter to stockholders. The remainder (32 companies) presented the contingency within the balance sheet, in memorandum form, with no dollar amount shown or with the dollar estimates not included in the balance sheet total.

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 1957 reports:

Guarantees

ALLEGHENY LUDLUM STEEL CORPORATION

Notes to Financial Statements

Note 8: Contingent Liabilities—The corporation has guaranteed certain obligations of affiliated companies approximating $1,120,000 as well as certain rental and other charges under long-term leases of those companies.

CARRIER CORPORATION

Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements: Contingent Liability—As of October 31, 1957, the Corporation was contingently liable for approximately $1,800,000 as guarantor of obligations of distributors and dealers.

THE M. H. HANNA COMPANY

Notes to Consolidated Financial Statements

Note H: Contingent liabilities of the consolidated companies not otherwise provided for, were as follows:

The M. A. Hanna Company:

As guarantor of the performance by Hanna Coal & Ore Corporation (consolidated subsidiary) relative to an agreement between such subsidiary and Iron Ore Company of Canada.

Hanna Coal & Ore Corporation:

As guarantor of the performance of Hanna Nickel Smelting Company (subsidiary not consolidated) relative to certain provisions of an agreement between that company and Defense Materials Procurement Agency.

TABLE 46: CONTINGENT LIABILITIES

Nature of Contingency	1957
Accounts or notes receivable sold (*Co. Nos. 39, 134, 161, 332, 547)	24
Guarantees re affiliated and associated companies (*Co. Nos. 38, 215, 276, 517)	21
Guarantees re subsidiary companies (*Co. Nos. 173, 377, 419, 425, 435)	44
Guarantees—other (*Co. Nos. 104, 253, 495, 530, 563)	26
Litigation—Non-government (*Co. Nos. 24, 89, 92, 109, 353, 380)	69
Litigation—Government (*Co. Nos. 11, 239, 335, 407, 507)	40
Litigation—not identified (*Co. Nos. 12, 70, 137, 374, 458)	18
Possible tax assessments (*Co. Nos. 146, 152, 238, 322, 339)	46
Agreements contingent on future earnings, production, plant completion, etc. (*Co. Nos. 329, 402, 545)	7
Purchase commitments in a fluctuating market (*Co. Nos. 56, 155, 472)	6
Repurchase commitments (*Co. Nos. 8, 195, 592)	6
Miscellaneous agreements and contracts (*Co. Nos. 280, 310, 430)	13
Total	**320
Number of Companies Referring to Contingent Liabilities:	
On the face of the balance sheet (*Co. Nos. 12, 61, 374)	32
In notes to financial statements or in president's letter only	179
Total	211
Not referring to contingent liabilities	389
Total	600

*Refer to Company Appendix Section.

**Does not include contingent liabilities existing in connection with contract renegotiation and price redetermination (See Table 9), or references to long-term lease commitments (See Table 19).

SYLVANIA ELECTRIC PRODUCTS INC.
Balance Sheet

Note on Balance Sheet:

Contingent Liabilities—Under guarantees of obligations of an unconsolidated subsidiary, $4,240,000, and as guarantor of certain financing services for customers, $1,240,000, at December 31, 1957.

Litigation

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
Review of the Year:

The Anti-Trust Suit—During the year pretrial proceedings continued in the action brought by the Department of Justice against the Corporation, claiming that the merger with Mullins Manufacturing Corporation in 1956 violated Section 7 of the Clayton Act. Large quantities of documentary material were presented to Government Counsel for examination and detailed replies made to numerous interrogatories. Final disposition of this case is not expected in 1958.

BEECH-NUT LIFE SAVERS, INC.
Notes to Financial Statements

Note 8: The corporation is defendant in two treble damage lawsuits aggregating $26,000,000 brought in December 1957 and January 1958 by two manufacturers of strained and junior foods. In both suits the plaintiffs allege that the prices adopted by Beech-Nut Life Savers, Inc. in California in 1957 violated the antitrust laws.

Attorneys for the corporation have informed us that, in their opinion the complaints are without merit; accordingly no provision therefor has been made in the accounts.

SKIATRON ELECTRONICS & TELEVISION CORPORATION
Notes to Consolidated Balance Sheet

Note C: Contingent Liability—The corporation is a co-defendant in an action instituted in 1956 in the Supreme Court of New York by stockholders of Scophony Corporation of America, to cancel and set aside the assignment of patents to the company and restore same to Scophony Corporation of America; to invalidate an alleged assignment of patents by the company to Matthew Fox and Skiatron TV Inc.; and to recover damages from the company and various individual defendants in an amount to be determined by an accounting. Certain causes of action have already been dismissed on preliminary motion and others have been discontinued. We have been advised by company's counsel that there is a full and legal defense to the remaining causes of action and that the company will file its answer in due course. Therefore, no provision has been made for any liability as a result of the action. The company's share of the legal expenses in 1957 necessary to defend the action amounted to $2,424, which was charged to the current year's operations.

STAUFFER CHEMICAL COMPANY
Notes to Financial Statements

Commitments and Contingencies—. . . Two preferred stockholders of West End Chemical Company who dissented from the merger of West End Chemical Company into the Company under Sections 4300-4318 of the California Corporations Code have not agreed with the Company upon the fair market value of their shares and one of these stockholders on January 28, 1957 filed an action which is still pending in the Superior Court of the State of California to have the fair market value determined. Under the agreement of merger the 58,712 shares of preferred stock of West End Chemical Company owned by the dissenting stockholders would have been exchangeable for 978 shares of common stock of the Company.

Possible Tax Assessments

DOUGLAS AIRCRAFT COMPANY, INC.
Notes to Financial Statements

Note B: Income Taxes—Federal tax returns of the Company for fiscal years 1951, 1952, and 1953 have been under examination by the Internal Revenue Service. The revenue agent's report covering those years has not been received; however, preliminary discussions indicate that a deficiency will be asserted. The Company contends that there is no deficiency. If, however, one is asserted and sustained, there would be certain offsetting adjustments in tax liabilities for subsequent years not yet examined by the Internal Revenue Service. The Company believes that the net effect on its reported financial position which would result from such a deficiency would not be material.

RAPID-AMERICAN CORPORATION
Notes to Financial Statements

Note 8: Federal Income Tax—Federal income tax returns of Rapid have been examined by the Internal Revenue Service through the year ended December 31, 1953. Subsequent years have not been examined. Federal income tax returns of American for the three years ended December 31, 1956 are now under examination by the Internal Revenue Service. There has been no final determination of liability for that period. For the year 1957, no provision for Federal income tax was required as to American because there is included in income substantial amounts of dividends which are accorded special treatment for tax purposes.

Purchase and Repurchase Commitments

DIAMOND T MOTOR CAR COMPANY
Consolidated Balance Sheet

Note on Balance Sheet: Contingent liability under repurchase agreements in connection with notes discounted by dealers and dealers' floor plan financing $7,076,203.

PILLSBURY MILLS, INC.
Notes to Financial Statements

Note 2: Inventories—

Hedged Commodities:	
Grain and grain products	$27,375,586
Unhedged Commodities:	
Specialties, commercial feed, ingredients, etc.	8,645,330
Sacks, supplies, etc.	2,781,442
	$38,802,358

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

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

STUDEBAKER-PACKARD CORPORATION
Notes to Financial Statements

Note E: Repurchase Agreements and Contingent Liabilities—The Corporation has repurchase agreements outstanding in the approximate amount of $7,000,000 in connection with certain automobiles sold in December, 1957.

At December 31, 1957, the Corporation was contingently liable as guarantor under retail installment contracts aggregating approximately $1,000,000.

Miscellaneous Agreements

AMERICAN VISCOSE CORPORATION
Notes to Financial Statements

Note 3: Investment in Ketchikan Pulp Company—American Viscose Corporation and Puget Sound Pulp and Timber Co. each own 50 per cent of the capital shares of Ketchikan Pulp Company. The two shareholders are severally and jointly liable to advance funds for interest and fixed sinking fund payments on the bonds until one-half of the bonds has been retired and certain obligations have been met if Ketchikan is unable for reasons beyond its control to produce a specified minimum quantity of pulp. American Viscose is obligated to purchase pulp from Ketchikan and under certain conditions American Viscose is also obligated to lend funds to Ketchikan which it may require for operations and for interest and fixed sinking fund payments on the bonds.

ARDEN FARMS CO.
Company Balance Sheet
Note on Balance Sheet:

Contingent Liabilities:	
Guarantees and lawsuits of approximately	$1,840,000
Long Term Lease Commitments:	
Minimum annual rentals of approximately	3,375,000

GEORGE W. HELME COMPANY, INCORPORATED
Notes to Consolidated Financial Statements

Note 3: Under the agreement to purchase the assets of Bachman Bakeries Corporation, Berkshire Biscuit Company and Laureldale Engineering Company, a portion of the purchase price is to be paid over a period of years contingent on the earnings of Bachman Bakeries Corporation, the wholly-owned subsidiary, exceeding stated amounts. At December 31, 1957, the amount contingently payable is $177,170.

INTERCHEMICAL CORPORATION
Notes to Consolidated Financial Statements

Note 10: Interchemical Corporation has for many years owned slightly less than a one-half interest in Ault & Wiborg Proprietary Limited and its subsidiaries, including The Ault & Wiborg Company of Canada Limited. In February, 1957, Interchemical made a contingent commitment to buy the remaining interest at a price to be determined, at the time of purchase, under a formula specified in the agreement. Such price would, it was estimated, have been about $2,600,000 if the contingency had occurred at December 31, 1957. Interchemical Corporation has the right to cancel the agreement if the purchase does not become effective within two years from the date of the agreement.

THE KENDALL COMPANY
Notes to Financial Statements

Note H: Other Matters—The Kendall Company has a contingent obligation to make additional payments for the assets and business of an acquired company up to a maximum of $600,000, such payments being contingent upon the earnings of this business until the end of the 1962 fiscal year.

The Kendall Company is the defendant in two suits for alleged patent infringements. The company believes that the outcome of these suits will be favorable, and that even if the outcome should be unfavorable, the effect on the financial position of the company will not be materially adverse.

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.

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.

Table 47 summarizes the various bases of consolidation of domestic and foreign subsidiaries with corresponding references to survey companies disclosing their consolidation policies.

This table indicates that of the 519 companies having subsidiaries in 1957, 259 companies presented fully consolidated statements; 224 companies had some subsidiaries consolidated and some not consolidated, and only 36 reports disclosed all subsidiaries as unconsolidated.

The most significant factors in excluding certain subsidiaries from consolidation were: exclusion of all foreign subsidiaries (52 companies); geographic location of some foreign subsidiaries (46 companies); and nonhomogeneous operations of domestic subsidiaries (30 companies).

Examples

The scope and nature of the information disclosed in the 1957 annual reports concerning the consolidation of domestic and foreign subsidiaries is illustrated by the following selected examples (See Table 21, Section 2 for examples of unconsolidated companies):

Fully Consolidated Statements

THE BLACK AND DECKER MANUFACTURING COMPANY
Notes to Consolidated Financial Statements

Note A: Accounts of the foreign subsidiaries are included in the consolidated financial statements and are translated into U. S. dollar equivalents at official or approximate current exchange rates prevailing at September 30, 1957. Consolidated retained earnings include $5,606,670, representing the Company's equity in the net assets of the subsidiaries in excess of the investment of $1,014,772 in such subsidiaries. Consolidated earnings include $1,649,288, representing the net earnings of the subsidiaries. In consolidation, intercompany transactions and accounts have been eliminated. Great Britain, Australia, and Brazil have exchange controls and restrictions in effect, and withdrawals of the investments in subsidiaries in these countries and their earnings are subject to such restrictions.

GRUEN INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note 1: The consolidated statements include the accounts of the Company and its wholly-owned domestic and foreign subsidiaries.

The difference between the investment in the consolidated subsidiaries and the Company's equity in the net assets of such subsidiaries, as shown by their books, amounting to $4,111,742 at March 31, 1957 less consolidating adjustments of $24,900 is included in consolidation in retained earnings.

TABLE 47: CONSOLIDATION OF SUBSIDIARY COMPANIES

Consolidation Policy	Location of Subsidiaries: Domestic Only	Domestic and Foreign	Foreign Only	Not Indicated	1957 Total Companies
Fully Consolidated Financial Statements (*Co. Nos. (a) 559, 580, 594; (b) 33, 58, 314; (c) 459, 470, 577)	(a) 113	(b) 115	(c) 10	21	259
Partially Consolidated Financial Statements**	32	187	5	—	224
Unconsolidated Financial Statements (*Co. Nos. (d) 90, 234, 564; (e) 214, 312, 480; (f) 187, 328, 537)	(d) 9	(e) 12	(f) 15	—	36
Total Companies having subsidiaries	154	314	30	21	519
Companies having no subsidiaries					81
Total					600

**Partially Consolidated Financial Statements—Consolidation Policy	1957 Total Companies
Companies having domestic subsidiaries only:	
Wholly-owned, active subsidiaries consolidated (*Co. Nos. 88, 297, 443)	7
Significant, principal, and active subsidiaries included (*Co. Nos. 177, 180, 331)	5
All subsidiaries consolidated except those with non-homogeneous operations (*Co. Nos. 264, 376, 393)	11
Other basis stated (*Co. Nos. 304, 375, 524)	3
Basis not indicated (*Co. Nos. 128, 182, 190)	6
Total companies having domestic subsidiaries only	32
Companies having domestic and foreign subsidiaries:	
All domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (66 companies):	
Exclusion of all (*Co. Nos. 385, 462, 465)	31
Exclusion based upon geographic location (*Co. Nos. 39, 437, 498)	18
Exclusion based upon geographic location plus other factor(s) of operation, ownership, significance, etc. (*Co. Nos. 48, 77, 329)	5
Inclusion of wholly-owned (*Co. No. 159)	1
Basis not indicated (*Co. Nos. 319, 466, 488)	11
Wholly-owned, active domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (42 companies):	
Inclusion of all wholly-owned and active (*Co. Nos. 15, 51, 544)	23
Inclusion of all significant, principal, and active (*Co. No. 142)	1
Exclusion of all (*Co. Nos. 421, 430, 478)	13
Exclusion based upon geographic location (*Co. Nos. 194, 536, 551)	3
Exclusion based upon geographic location plus other factor(s) of operation, ownership, significance, etc. (*Co. Nos. 423, 549)	2
Non-homogeneous domestic subsidiaries excluded, with following treatment of foreign subsidiaries (19 companies):	
Exclusion of all (*Co. Nos. 139, 476, 491)	8
Exclusion based upon geographic location or geographic location plus other factor(s) (*Co. Nos. 105, 254, 432)	11
Other variations (60 companies):	
All subsidiaries based on voting control or fixed percentage of ownership (*Co. Nos. 42, 315, 333, 567)	6
All significant, principal, and active subsidiaries included (*Co. Nos. 141, 216, 440, 561)	8
Domestic, significant subsidiaries included with some foreign subsidiaries excluded on basis of geographic location (*Co. Nos. 70, 563)	2
Other basis stated (*Co. Nos. 256, 441, 457)	12
Basis not indicated (*Co. Nos. 24, 246, 526)	32
Total companies having domestic and foreign subsidiaries	187
Companies having foreign subsidiaries only:	
Exclusion based upon geographic location (*Co. Nos. 197, 355, 595)	3
Exclusion based upon geographic location plus factor(s) of operation, ownership, significance, etc. (*Co. Nos. 115, 446)	2
Total companies having foreign subsidiaries only	5
Total companies partially consolidating financial statements	224

*Refer to Company Appendix Section.

All Foreign Subsidiaries Excluded

THE CHAMPION PAPER AND FIBRE COMPANY
Notes to Financial Statements

Note 6: Consolidated Statements—The Company follows the practice of consolidating all domestic operating subsidiaries functionally significant in the business; foreign subsidiaries are not consolidated.

MOHASCO INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation and Accounting Changes—The accompanying financial statements represent a consolidation of those of the parent company and its domestic subsidiaries (all wholly-owned). The foreign subsidiary, in which the company's equity is in excess of the investment cost, is not consolidated.

During 1957 various changes were made in the accounting and cost systems to make them uniform throughout the company. These changes have not materially affected the results for the year, but as a result the 1956 figures are not strictly comparable in all respects with those of 1957.

Exclusion of Foreign Subsidiaries Based on Geographic Location

LONE STAR CEMENT CORPORATION
Notes to Financial Statements

Note 1: The amounts in these consolidated statements are in accord with the accounts of the several companies included in the consolidation after elimination of intercompany accounts and after such adjustments as are appropriate to reflect consistently in the consolidated accounts the properties and plants owned by consolidated subsidiaries. All wholly-owned subsidiaries, except those located in Argentina, are included in the 1957 consolidation. The amounts shown for 1956, which as originally reported included the Argentine accounts, have been restated on a comparable basis, excluding $5,182,650 of Argentine net assets and including the investment in and amount receivable from such subsidiary amounting to $4,454,901. These statements do not include the accounts of Cimento Aratú, S. A., a majority-owned subsidiary of the Corporation's Brazilian subsidiary. The equity of the Corporation's Brazilian subsidiary in the undistributed accumulated earnings of Cimento Aratú, S. A., expressed in U. S. dollars at the free market exchange rate at December 31, 1957, was approximately $270,000.

SWIFT & COMPANY
Notes to Financial Statements

Canadian Subsidiaries—Consolidated—The net current assets of the Canadian subsidiaries at October 26, 1957, were converted at $1.04 and their fixed and other assets at their approximate equivalent cost in U. S. dollars at dates of acquisition. Their earnings for the fiscal year ended October 26, 1957, were also converted at $1.04, except that the provisions for depreciation were converted on the basis of the equivalent U. S. dollar cost of the assets. Of the unrealized exchange gain of $605,580 taken up in the current fiscal year, $420,040 is applicable to the fiscal year ended October 27, 1956.

Foreign Subsidiaries—Not Consolidated—At October 19, 1957, the net assets of the wholly-owned foreign subsidiaries, not consolidated, amounting to $4,140,865, were represented by $2,870,054 of net current assets converted at current rates of exchange and $1,270,811 of fixed and other assets (net) converted at approximate equivalent cost in U. S. dollars at dates of acquisition. The dividends of $1,101,609 received from these companies during the current fiscal year compare with their net income, converted at current rates of exchange, of $925,441.

Subsidiaries with Non-homogeneous Operations Excluded

AUTOMATIC CANTEEN COMPANY OF AMERICA
Notes to Consolidated Financial Statements

Note 1: Basis of Consolidation—The accompanying financial statements include all active subsidiaries at September 28, 1957 except Canteen Car Company (formerly Dresko Machine Corporation), a wholly-owned subsidiary not consolidated due to the difference in the nature of business conducted by it.

In the preparation of the consolidated statements all significant intercompany sales and other intercompany accounts are eliminated.

SEARS ROEBUCK AND CO.
Financial Review and Data

Principles of Consolidation—The consolidated financial statements include all wholly-owned subsidiaries, except the Allstate Insurance companies, Sears Roebuck Acceptance Corp., and foreign subsidiaries. Several manufacturing subsidiaries in which the Company holds less than 100% interest have not been consolidated at January 31, 1957. These subsidiaries, in the aggregate, are not relatively significant.

Insignificant and Inactive Subsidiaries Excluded

CHESAPEAKE INDUSTRIES, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation—All subsidiaries have been included in the consolidated financial statements except five inactive subsidiaries which are carried at no value.

The Colonial Trust Company was sold on January 17, 1958 as of the end of 1957. A portion of the proceeds from the sale of the stock, which had been pledged against a $5,000,000 bank loan, was immediately used to repay the bank loan and accrued interest thereon. The equity in the 1957 earnings of Colonial is shown as a separate item in the income section, and the profit on the sale of the stock is shown in the special items in the statement of consolidated earnings.

National Transitads, Inc. was sold in February, 1957 and its operations (which were not significant to the date of sale) have not been included in the statement of consolidated earnings. The loss on the sale, which was not material, has been included in special items in the statement of consolidated earnings.

THE ELECTRIC STORAGE BATTERY COMPANY
Notes to Consolidated Financial Statements

Note 1: On November 20, 1957, the company acquired the assets, and assumed the liabilities of, Ray-O-Vac Company in exchange for shares of common stock of the company. The consolidated balance sheet as of December 31, 1956 and the consolidated financial statements for the year 1957 give effect retroactively to the acquisition. The consolidated statement of income for 1956, presented for comparative purposes, combines the results of operations of the company for the calendar year 1956 with those of Ray-O-Vac for its fiscal year ended March 31, 1957. All subsidiaries (except several not significant in the aggregate) have been consolidated.

Inclusion of Wholly-Owned Subsidiaries or Based on Fixed Percentage of Ownership of Voting Control

AMERICAN METAL CLIMAX, INC.
Notes to Financial Statements

Principles of Consolidation—The consolidated financial statements include the accounts of all subsidiaries in which a voting control of 75 per cent or more is owned, except certain subsidiaries not of significance at present.

KIMBERLY-CLARK CORPORATION
Notes to Financial Statements

Note 1: Merger—During 1957, Kimberly-Clark Corporation issued 735,000 shares of its $5 par common stock in exchange for all of the outstanding stock of Peter J. Schweitzer, Inc. and for accounting purposes has treated the transaction as a pooling of interests.

The accompanying summaries of consolidated earnings and earnings retained in the business include the results of operations of Peter J. Schweitzer, Inc. and wholly-owned subsidiaries for the entire year ended April 30, 1957, with comparative combined figures for the year ended April 30, 1956.

The combined balance sheet as at April 30, 1956 has been compiled for comparative purposes as if the acquisition had taken place at that date.

The accounts of all subsidiaries, 66 2/3% or more owned, except one insignificant subsidiary whose fiscal year differs from that of Kimberly-Clark Corporation, are included in the consolidated statements.

POST BALANCE SHEET DISCLOSURES

Events occurring subsequent to the balance sheet date were disclosed by many of the survey companies in their 1957 annual reports. The most frequently discussed subjects were:

(a) Cash or stock dividend declared or paid (*Co. Nos. 295 P, 338 P, 508 P)

(b) Indebtedness—incurred (*Co. Nos. 37 P, 259 N, 288 P, 435 N, 550 P); reduced (*Co. Nos. 218 P, 340 P, 583 N); refinanced (*Co. Nos. 227 P, 355 N, 402 P)

(c) Subsidiaries—interests acquired or increased (*Co. Nos. 6 P, 63 P, 147 P, 317 P, 419 P, 586 N); sold or decreased (*Co. Nos. 332 P, 471 P, 573 N)

(d) Fixed assets—purchased (*Co. No. 525 P); constructed (*Co. Nos. 222 P, 334 P); sold (*Co. Nos. 11 P, 385 P)

(e) Litigation (*Co. Nos. 64 P, 242 N, 488 P)

(f) Employee relations—welfare, pension, and stock option plans (*Co. Nos. 38 P, 117 P, 171 P); union negotiations (*Co. Nos. 131 P, 322 P, 413 P)

(g) Capital stock—changes in capital structure (*Co. Nos. 82 P, 133 P, 287 P, 303 N, 600 N); stock acquired for redemption or retirement (*Co. Nos. 222 N, 253 P)

(h) Various other subjects (*Co. Nos. 28 P, 102 P, 280 P, 303 P, 452 P, 561 P).

Examples of the presentation of such disclosures, illustrating some of the above categories follow:

Indebtedness

BEECH-NUT LIFE SAVERS, INC.
December 31, 1957
Notes to Financial Statements

Note 5: The long term loan of $6,000,000 ($500,000 shown as a current liability on the balance sheet at December 31, 1957) was evidenced by a promissory note held by an insurance company dated February 1, 1947, bearing interest at the rate of 2¾% per annum and payable in nine annual installments of $500,000 on February 1st of each year commencing in 1958, with final installment of $1,500,000 payable on February 1, 1967. The $500,000 payable on February 1, 1958 was paid on that date. The Company has agreed that, without the consent of the holder of the note, it will not permit the consolidated current assets of the company and its subsidiaries at any time to be less than $7,500,000 in excess of all liabilities. The excess of current assets over all liabilities was $42,234,848 at December 31, 1957. The company also has agreed that it will not incur liability in excess of $4,000,000 for borrowed money maturing within one year. There were no short term loans at December 31, 1957.

*Refer to Company Appendix Section.
P—President's Letter
N—Notes to Financial Statements

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
December 31, 1957

President's Letter: A new Revolving Credit Agreement with a group of banks was negotiated late in 1957 and became effective on March 4, 1958. The Corporation may now borrow up to $35,000,000 until December 31, 1958, and up to $30,000,000 thereafter until September 30, 1959. In connection with this credit, the Corporation has assigned accounts receivable under certain of its defense production contracts. At December 31, 1957, $20,000,000 in borrowings were outstanding under the earlier agreement, which was terminated on the date the new agreement became effective. At the date of this report, borrowings from the banks were $25,000,000.

PERMANENTE CEMENT COMPANY
January 31, 1957
Notes to Financial Statements

Note A: Notes Payable to Banks—Amounts outstanding at January 31, 1957, under the Bank Credit Agreement of August 1, 1955, as supplemented, are summarized below:

	Permanente Cement Company	Consolidated Subsidiaries	Total
Notes payable, 3¾%, maturing in semiannual installments from January 31, 1958, to July 31, 1965 ...	$2,500,000	$19,500,000	$22,000,000
Notes payable, 4½%, maturing in semiannual installments from June 30, 1958, to December 31, 1961 ..	—	4,600,000	4,600,000
	$2,500,000	$24,100,000	$26,600,000

Notes evidencing borrowings by subsidiaries are endorsed and guaranteed by the Company. The Company is required under the Agreement, as supplemented, to maintain consolidated net current assets of $3,500,000 to January 31, 1958, plus $1,000,000 in each succeeding year thereafter to January 31, 1960, after which date the requirement remains at $6,500,000.

On April 1, 1957, the Company and certain of its subsidiaries borrowed an additional $4,500,000 on the basis of a further supplement to the Agreement effective on March 28, 1957. As provided by this supplement, new 4¼% notes in the amount of $26,500,000 were issued to evidence the additional $4,500,000 loan and the previously outstanding 3¾% loans of $22,000,000. The new notes mature in semiannual installments from January 31, 1958, to July 31, 1965, and notes evidencing borrowings by subsidiaries are endorsed and guaranteed by the Company.

The Agreement, as supplemented on March 28, 1957, also authorized a 4½% short-term loan within 120 days of that date in the amount of $2,000,000, repayable within one year, subject to the terms and conditions relating to the long-term borrowings.

Acquisitions

ADAMS-MILLIS CORPORATION
December 31, 1957
Notes to Financial Statements

Note D: The Company, since December 31, 1957, has acquired controlling interest in capital stock of Mac Panel Company, which will engage in the manufacture and distribution of electronic control panels and accessories for punched-card tabulating equipment.

THE BRUNSWICK-BALKE-COLLENDER COMPANY
December 31, 1957
Notes to Financial Statements

Note 5: MacGregor Sport Products Inc.—On January 10, 1958, the Company offered shares of its common stock in exchange for outstanding shares of common stock of MacGregor Sport Products Inc. on a share-for-share basis. The offer to exchange will expire on March 4, 1958. To February 28, 1958, the Company had acquired 158,999 shares, or 97% of the 163,500 shares of outstanding common stock of MacGregor. The operations of MacGregor will be continued as a subsidiary of the Company.

THE MEAD CORPORATION
December 29, 1957
Notes to Financial Statements

Note 1: Acquisitions in 1958—As of December 29, 1957, 464,008 Common Shares were reserved for issuance in exchange for substantially all the net assets of the following companies, such transactions being completed in January and February 1958:

Hurlbut Paper Company, a producer of technical papers.

The Ottawa River Paper Company, a producer of corrugated shipping containers.

Bermingham & Prosser Company, a wholesale merchant of fine and coarse papers.

Revision in Capital Structure

BAUSCH & LOMB OPTICAL COMPANY
December 29, 1957
Notes to Financial Statements

Note 4: Contingent Liabilities and Other Matters— . . . On January 28, 1958, the authorized shares of $10 par value common stock were increased from 762,500 to 1,500,000 shares.

ZENITH RADIO CORPORATION
December 31, 1957
Notes to Financial Statements

Note: Under a plan of reorganization approved by the shareholders on February 27, 1958, the state of incorporation of Zenith Radio Corporation will be changed on March 31, 1958, from Illinois to Delaware, authorized capital stock will be increased to 2,000,000 shares of $1 par value and each share of capital stock presently outstanding will be converted into two shares.

Employee Retirement Plan and Stock Option Plan

MONTGOMERY WARD & CO., INCORPORATED
January 31, 1957
Notes to Financial Statements

Note 1: The company established, as of February 1, 1957, a contributory retirement plan providing retirement income for retired employees based on their credited service and earnings. The estimated unfunded past-service liability under the plan is approximately $28,000,000. The estimated present annual cost, including interest on past-service liability and full funding of current-service liability, is approximately $2,800,000.

Note 2: Effective February 1, 1957, the company has reserved 400,000 shares of its authorized but unissued common stock under a restricted stock option plan for issuance to officers and other key executives of the company. The option price is the closing price of the stock on the New York Stock Exchange on the day the option is granted. Options granted are exercisable in ten equal amounts over a ten-year period on a cumulative basis commencing one year from the date the option is granted. On February 1, 1957, options were granted to 171 officers and other executives for a total of 246,050 shares at $38⅜ per share.

Dividends Declared or Paid

THE HOBART MANUFACTURING COMPANY
December 31, 1957

The President's Letter:

Dividends Paid During the Year—Cash dividends paid by the company in 1957 totaled $1,938,051, equivalent to $1.50 per share on the number of shares outstanding at the end of the year. Dividends of $1,604,167 on an adjusted share basis comparable to 1957 amounted to $1.25 per share in 1956. A quarterly dividend of 30c per share was paid on March 1, 1958.

KUHLMAN ELECTRIC CO.
December 31, 1957

The President's Letter: . . . Total cash dividends declared on common stock by your Company in 1957 amounted to 60c per share, in amounts of 15c each in January, May, August and December, as compared with 65c in 1956, which included an extra dividend of 5c. Also, a 5% stock dividend was declared in May 1956 and 1957. You will be interested in knowing that our cash dividend policy is being continued with the recent declaration of 15c per share payable March 10, 1958.

Fixed Assets—Purchased

STEWART-WARNER CORPORATION
December 31, 1957

The President's Letter: . . . In January 1958 Stewart-Warner acquired a 105,000 square foot manufacturing plant in the Chicago area, together with approximately thirty acres of land. It is expected that this important additional facility will be placed in operation during the next few months.

Fixed Assets—Constructed

ERIE FORGE & STEEL CORPORATION
April 30, 1957

The President's Letter:

Modernization and Expansion Program—After an extended period of study, the Corporation, early this year, embarked on a program approximating $5,000,000 for modernization and expansion which will include the addition of a 75 ton electric steel-making furnace to augment existing open hearth furnaces, and the construction of a modern new foundry for production of steel castings as well as improved methods of production in the forging division. The electric furnace and supporting facilities will assure a supply of the high quality steels needed to meet the exacting requirements of atomic energy, electrical equipment for public utilities, shipbuilding, and diesel engine industries.

In addition to a substantial increase in steel tonnage capacity the program will permit greater flexibility in producing a broader range of products, further integration, improved flow of materials, and increased operating efficiency.

Fixed Assets—Sold

ALASKA PACIFIC SALMON COMPANY
March 31, 1957

The President's Letter: . . . The sale of your company's operating properties to New England Fish Company, as approved by the stockholders at a special meeting held on April 15, 1957, was concluded on April 18. The cash payment of $125,000 has been received, and notes covering the deferred balance have been tendered in accordance with the sales agreement.

Inasmuch as the sale was consummated subsequent to the year-end audit, the balance sheet does not give effect to this transaction, nor does this statement take into account the expenses relating to the sale and a provision which will necessarily have to be made for severance pay and retirement benefits to long-time employees in accordance with the company's past policy.

MOHASCO INDUSTRIES, INC.
December 31, 1957

Letter to the Shareowners: . . . The sale of the former Alexander Smith Yonkers land and buildings continued at a steady pace in 1957 and at the year end approximately 75% of this property had been conveyed. Since then additional sales and contracts of sale for all but 5% of this property have been negotiated. Over thirty-seven companies are already in operation in these plant buildings and the total of their employees approximates the number employed there by Alexander Smith immediately prior to the closing of the plant in 1954. The disposition of the Yonkers plant equipment has proceeded apace. Substantial sales thereof have been made, and some of the equipment has been installed in other plants of the Company.

Litigation

ARMOUR AND COMPANY
November 2, 1957

The President's Letter:

Legal Actions—As reported to shareholders in last year's annual report, our Company has filed a petition in the United States District Court for the District of Columbia seeking relief from the oppressive restrictions of a consent decree issued in 1920.

The government, after investigating our petition, advised the Company in June that it would oppose modification and filed with the court a motion for summary judgment. We, as well as Swift & Company and Cudahy Packing Company, who have also requested relief from the terms of the decree, are now in the process of filing affidavits and counter-affidavits to be used in opposing the government's motion. It is expected that hearings on the government's motion for a summary judgment will be held early in 1958.

Our Company firmly believes that the extensive changes in processing, marketing, communications and transportation which have occurred in the last 37 years since the decree was issued make its terms oppressive and restrictive under conditions in our industry as they exist today. It has the effect of stifling competition and should be modified.

Trial date for a suit brought in 1955 by a former holder of Prior Preferred Stock has been set for January 20, 1958, in the Superior Court of Cook County, Chicago. The suit, which has been previously reported to shareholders, alleges that the amendment to redeem the Prior Preferred Stock approved by shareholders in 1954 was an impairment of this individual's contract with the Company. We are confident that the Company will be successful in defending this suit.

FRUEHAUF TRAILER COMPANY
December 31, 1957
Notes to Financial Statements

Note 1: Litigation—The Federal Trade Commission in August 1956 issued a complaint against the Company alleging violations of the Federal Trade Commission Act and the Clayton Anti-Trust Act. The Commission alleges that the acquisition of certain facilities and certain sales practices of the Company, including the long-term financing of trailer purchases, constitute violations of such Acts. While it is impossible to predict the ultimate result of this action, the Company is of the opinion that they can successfully defend it. Nevertheless, if an Order of Divestiture should ultimately be entered, the Company would receive fair compensation for the properties divested.

The Company filed a suit against a debtor in February 1958 alleging among other matters breach of certain contracts covering the purchase of new trailers. The total amount claimed by the Company is in excess of $5,000,000, of which approximately $2,600,000, principal amount, is represented by installment equipment notes held by Fruehauf Trailer Finance Company at December 31, 1957. The defendants have filed a counterclaim for $9,469,383, which the Company regards as having no merit.

The Magnavox Company and Subsidiary Companies

Consolidated Statements of

FINANCIAL POSITION

			June 30, 1957	June 30, 1956
Net Assets:—				
CURRENT ASSETS:				
Cash in banks and on hand			$ 3,688,477	$ 4,767,244
Accounts receivable—				
Customers and others, less allowance for doubtful accounts, etc. of $125,000			8,429,188	4,871,181
U. S. Government and others under defense contracts			5,961,107	7,037,345
Inventories, at lower of cost or market—				
Raw materials and supplies			5,607,170	5,241,127
Work in process			5,367,305	2,741,195
Finished goods			5,509,092	5,564,454
Defense contract inventories and other costs, less progress payments of $2,241,819 in 1957			4,041,844	3,569,765
Prepaid insurance, etc.			178,355	67,144
Total current assets			$38,782,538	$33,859,455
CURRENT LIABILITIES:				
Notes payable to banks under V-loan agreement (Note 5)			$ 9,000,000	$ 9,000,000
Portion of long-term debt payable within a year (Note 1)			500,000	320,000
Accounts payable			4,975,205	2,756,332
Accrued general taxes, wages, interest, etc.			2,066,142	1,763,582
Federal taxes on income and renegotiation			3,859,529	4,487,009
Total current liabilities			$20,400,876	$18,326,923
Net current assets			$18,381,662	$15,532,532
FIXED ASSETS—at cost:				
Land			331,491	455,527
Buildings, machinery, etc., less accumulated depreciation and amortization of $3,235,305 and $2,852,539 at respective dates			9,055,999	7,019,586
Unamortized research and development			321,826	233,394
Patents and goodwill			1	1
			$28,090,979	$23,241,040
Deduct—Long-term debt payable after one year (Note 1)			5,500,000	2,822,000
Net assets			$22,590,979	$20,419,040
	Number of shares at June 30, 1957 Authorized	Outstanding		
Stockholders' Ownership Represented by:—				
Capital stock:				
4¾% cumulative convertible preferred, par value $50 per share (Note 2)	120,000	117,774	$ 5,888,700	$ 5,999,000
Common—par value $1 per share (Note 3)	2,000,000	890,140	890,140	841,234
Capital in excess of par value of shares (Note 4)			7,852,706	6,318,099
Earnings retained and invested in the business, per accompanying statements (Note 5)			7,959,433	7,260,707
			$22,590,979	$20,419,040

NOTES

to consolidated statements of financial position

1. LONG-TERM DEBT: The long-term debt at June 30, 1957 consists of $6,000,000 of 4¼% instalment notes issued under loan agreements entered into on October 31, 1956 which are payable $250,000 semiannually from August 1, 1957 to February 1, 1969.

2. CONVERSION PRIVILEGE OF PREFERRED STOCK: The preferred shares are convertible into common shares at any time. The conversion ratio at June 30, 1957 was 1.38 shares of common stock for each share of preferred stock.

3. COMMON SHARES RESERVED—EMPLOYEES STOCK OPTIONS: At June 30, 1957, 234,076 common shares were reserved for conversion of 4¾% cumulative preferred shares and for options to officers and key employees under two stock option plans.

In October 1956 the stockholders approved a new stock option plan for officers and key employees under which 50,000 of the unissued shares of common stock were set aside for the purpose of the plan. During the year options were granted to purchase 41,150 shares under such plan and 2,000 shares under the old plan at prices equal to 95% of the market value at the time the options were granted. Following is a summary of the changes during the year in the number of shares under option:

	Shares on which options are outstanding	Shares on which future options may be granted
June 30, 1956	23,453	2,000
Add (deduct):		
Authorized under new plan		50,000
Options granted	43,150	(43,150)
Options exercised	(6,931)	
Adjustment for 5% stock dividend	3,026	
June 30, 1957	62,698*	8,850

**At prices (after considering adjustments for stock dividends) ranging from $14.57 to $32.69 per share, or an aggregate of $1,775,800.*

The options under the old plan expire seven years from dates of issuance and under the new plan six years from dates of issuance. During the year options for 6,931 shares under the old plan were exercised at a price of $14.57 per share (after adjustment for 5% stock dividend). At June 30, 1957, options for 17,390 shares were exercisable.

4. CAPITAL IN EXCESS OF PAR VALUE OF SHARES: Following is a summary of the changes in capital in excess of par value of shares during the years ended June 30, 1957 and June 30, 1956:

	1957	*1956*
Balance at beginning of year	$6,318,099	$5,028,235
Excess of market price over par value of common shares issued as a 5% stock dividend	1,355,341	1,188,817
Excess of option price over par value of common shares issued under employees stock option plan	98,460	100,080
Credit arising from conversion of 4¾% cumulative convertible preferred shares of $50 par value to common shares of $1 par value	107,124	967
Adjustment for scrip certificates redeemable in cash	(26,318)	—
Balance at end of year	$7,852,706	$6,318,099

5. RESTRICTIONS ON PAYMENT OF DIVIDENDS: Under the terms of the V-type bank loan agreement, which provides for a $12,000,000 line of credit to December 31, 1957, $4,332,556 of earnings retained and invested in the business at June 30, 1957 is restricted as to payment of dividends, other than stock dividends. Limitations on the payment of dividends are also contained in the agreements relating to the 4¾% cumulative preferred stock and the instalment loans, but the amounts of retained earnings so restricted are less than that restricted under the terms of the V-loan agreement at June 30, 1957.

Combined Balance Sheet

WHOLLY-OWNED REAL ESTATE SUBSIDIARIES OF STIX, BAER AND FULLER COMPANY

February 2, 1957 and January 28, 1956

ASSETS

	1957	1956
CURRENT ASSETS		
Cash	$ 49,633	$ 21,796
Accounts receivable	28,512	7,174
Prepaid expenses	46,718	75,385
TOTAL CURRENT ASSETS	$ 124,863	$ 104,355
PROPERTY AND EQUIPMENT		
On basis of cost:		
Buildings, furnishings, fixtures, and equipment	9,623,161	7,463,625
Less allowances for depreciation	2,522,757	2,255,471
	$7,100,404	$5,208,154
Construction projects in process		2,000,062
Land	554,898	554,898
	$7,655,302	$7,763,114
DEFERRED CHARGES		
Unamortized long-term debt expense	63,076	
	$7,843,241	$7,867,469

LIABILITIES

	1957	1956
CURRENT LIABILITIES		
Accounts payable:		
Trade accounts	$ 29,795	$ 50,243
Interest	46,353	12,548
Taxes	600	15,494
Other accounts	558	218,222
	$ 77,306	$ 296,507
Federal and state taxes on income — estimated	22,508	22,365
Current maturities of long-term debt	123,075	
TOTAL CURRENT LIABILITIES	$ 222,889	$ 318,872
LONG-TERM DEBT		
First Mortgage and Leasehold 4½-4¼% Sinking Fund Bonds, less current maturities — Note B	4,362,199	
Mortgage notes payable, less current maturities — Note C	1,796,506	
Notes payable to Stix, Baer and Fuller Company	730,000	646,840
Notes payable to bank		4,500,000
Accounts payable and accrued interest due Stix, Baer and Fuller Company to be refinanced		1,746,275
	$6,888,705	$6,893,115
COMBINED STOCKHOLDERS' EQUITY		
Capital stocks	26,500	26,500
Additional capital paid-in	381,761	381,761
Retained earnings	323,386	247,221
	$ 731,647	$ 655,482
	$7,843,241	$7,867,469

See Notes to Combined Financial Statements.

Notes to Combined Financial Statements

WHOLLY-OWNED REAL ESTATE SUBSIDIARIES OF STIX, BAER AND FULLER COMPANY

February 2, 1957

Note A — PRINCIPLES OF COMBINATION

The combined financial statements include the following real estate subsidiaries of Stix, Baer and Fuller Company:

Clayton Road Development Company
Leader Building Company
Arthur Real Estate Company
Contract Supply Company
Westroads Realty Company
Westroads Development Company

Note B — SINKING FUND BONDS

First Mortgage and Leasehold 4½ - 4¼% Sinking Fund Bonds are due March 1, 1978. A Deed of Trust upon the real estate of the suburban store, interest in certain ground leases, and an assignment of rents received from Stix, Baer and Fuller Company are held as collateral for the Bonds. The Bonds are payable from a Sinking Fund into which the Company is required to make quarter-annual payments of $69,660 including principal and interest or an aggregate of $278,640 a year.

Note C — MORTGAGE NOTES PAYABLE

Deeds of trust upon buildings in the Westroads Shopping Center leased to other tenants and an assignment of rents receivable are held as collateral for the mortgage notes payable. The notes are payable in quarter-annual installments of $30,130 including principal and interest or an aggregate of $120,520 a year.

Standard Oil Company • New Jersey •

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1957-1956

	1957	1956
CURRENT ASSETS		
Cash	$ 71,354,954	$ 74,352,932
Marketable securities, at lower of cost or market	948,192,960	866,018,121
Accounts receivable	9,457,746	6,743,922
Total current assets	1,029,005,660	947,114,975
LESS—CURRENT LIABILITIES		
Indebtedness to companies consolidated	216,393,647	387,722,873
Accounts payable and accrued liabilities	19,677,763	15,467,940
Income taxes payable	38,055,199	38,252,948
Total current liabilities	274,126,609	441,443,761
WORKING CAPITAL	754,879,051	505,671,214
INVESTMENTS AND LONG-TERM RECEIVABLES, at cost or less		
Stocks of companies consolidated	2,053,670,048	1,939,691,323
Receivables from companies consolidated	256,606,429	197,271,631
Other investments and long-term receivables	226,584,142	225,180,290
PREPAID CHARGES AND OTHER ASSETS	30,609,050	29,555,532
Total assets less current liabilities	3,322,348,720	2,897,369,990
DEDUCTIONS		
Long-term debt	313,273,252	314,751,150
Deferred credits	464,427	486,455
Annuity and other reserves	5,864,374	5,976,853
NET ASSETS	$3,002,746,667	$2,576,155,532
SHAREHOLDERS' EQUITY		
Capital:		
Stock issued—(see page 9)	$1,424,418,814	$1,378,574,946
Amount in excess of par value	265,420,110	30,193,656
Earnings reinvested and employed in business	1,312,907,743	1,167,386,930
	$3,002,746,667	$2,576,155,532

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

SPERRY RAND CORPORATION AND CONSOLIDATED SUBSIDIARIES

Summary of Amounts Included in Consolidation with Respect to Foreign Subsidiaries and Branches March 31, 1957

(translated into U. S. dollars at appropriate rates of exchange)

	Total	Canada	Central and South America	Sterling Area	Western Europe and Other Areas
Current assets	$ 98,375,029	$14,036,173	$19,283,411	$34,156,135	$30,899,310
Property, plants and equipment, less depreciation	32,620,622	7,096,427	8,199,693	6,852,554	10,471,948
Other assets	3,568,438		1,405,293	963,503	1,199,642
Total Assets	$134,564,089	$21,132,600	$28,888,397	$41,972,192	$42,570,900
Current Liabilities	$ 45,356,911	$ 2,673,305	$ 5,629,211	$18,242,334	$18,812,061
Long-term debt	1,941,843		117,267	1,392,342	432,234
Other liabilities	772,198	246,577	48,572	477,049	
Total Liabilities	$ 48,070,952	$ 2,919,882	$ 5,795,050	$20,111,725	$19,244,295
Net assets — Parent Company equity	$ 86,493,137	$18,212,718	$23,093,347	$21,860,467	$23,326,605

Net earnings of foreign subsidiaries and branches of approximately $7,400,000 in excess of dividends and profit remittances received are included in consolidated net income for the year.

SUBSIDIARIES OF STANDARD BRANDS INCORPORATED

OPERATING OUTSIDE THE UNITED STATES AND CANADA

(INTERNATIONAL DIVISION SUBSIDIARIES)

Combined Balance Sheets

	November 30 1957	November 30 1956
ASSETS		
CURRENT ASSETS:		
Cash	**$ 2,404,742**	$ 2,351,601
Accounts receivable, less reserves	**2,869,955**	2,804,990
Inventories, at lower of average cost or market	**5,377,811**	4,974,842
TOTAL CURRENT ASSETS	**10,652,508**	10,131,433
PLANT AND EQUIPMENT, at cost	**11,356,679**	10,279,990
Less—reserves for depreciation	**3,884,186**	3,519,705
	7,472,493	6,760,285
DEFERRED CHARGES	**327,097**	360,558
	$18,452,098	$17,252,276
LIABILITIES		
CURRENT LIABILITIES:		
Bank loans	**$ 2,222,593**	$ 1,828,082
Accounts payable	**1,200,642**	825,843
Foreign and United States taxes on income	**1,266,152**	1,483,758
Accrued expenses	**526,353**	526,232
TOTAL CURRENT LIABILITIES	**5,215,740**	4,663,915
PAYABLE TO STANDARD BRANDS INCORPORATED	**1,365,039**	1,800,348
RESERVES	**350,412**	327,696
EQUITY OF STANDARD BRANDS INCORPORATED:		
Capital stock	**1,398,350**	1,023,350
Earnings retained, per accompanying statement	**10,122,557**	9,436,967
TOTAL EQUITY OF STANDARD BRANDS INCORPORATED	**11,520,907**	10,460,317
	$18,452,098	$17,252,276

Foreign accounts were translated into U. S. dollars at prevailing rates of exchange as of November 30, except that plant and equipment and related reserves were included at amounts reflecting their approximate U. S. dollar equivalents at the time of acquisition or construction. As of November 30, 1957 transactions involving foreign exchange generally were subject to controls imposed by foreign governments.

PENSION TRUST FUND
OF
BETHLEHEM STEEL CORPORATION AND SUBSIDIARY COMPANIES

STATEMENT OF ASSETS*

	December 31, 1957	1956
Investments, at cost:		
U. S. Government securities	$ 12,088,106	$ 24,981,084
Bonds, notes and other obligations:		
Domestic corporate	44,575,872	32,678,343
Other	12,415,727	11,491,861
Preferred Stocks	15,472,165	16,043,964
Common Stocks:		
Industrial	94,181,657	74,891,065
Public utility, bank, finance and insurance	43,106,757	38,647,809
TOTAL INVESTMENTS	$221,840,284	$198,734,126
Cash and accrued interest receivable	1,338,688	1,198,367
TOTAL ASSETS	$223,178,972	$199,932,493

STATEMENT OF CHANGES IN FUND

	1957	1956
Balance in Fund, January 1	$199,932,493	$171,494,963
Additions:		
Received from employing companies	18,954,758	23,389,583
Income from investments	10,314,784	9,004,696
Net gain on disposition of investments	918,590	2,092,611
TOTAL	$230,120,625	$205,981,853
Deduction: Pension payments	6,941,653	6,049,360
Balance in Fund, December 31	$223,178,972	$199,932,493

*The Pension Trust Fund is not the property of Bethlehem Steel Corporation or its subsidiary companies and is therefore not included in the consolidated financial statements. Railroad subsidiary companies make monthly pension payments directly to their retired employees and therefore the Pension Trust Fund does not include any amount to cover such retired employees.

The cost of the total investments shown is less than the sum of (a) the aggregate market value of the investments the market value of which is determinable and (b) the estimated aggregate fair value of the other investments.

Approximately $155,000,000 of the total assets at December 31, 1957, is available for pensions that shall be granted after that date, and for possible adjustments in respect of pensions which were granted prior to 1958, if it shall be found desirable to use any part of such sum for that purpose. The remainder is applicable to (and is estimated to be sufficient to provide for the payment of) pensions that were granted on or before December 31, 1957. At December 31, 1957, the total number of pensioners, including pensioners of railroad subsidiary companies, was 8,983, a net increase of 651 during the year.

NEWMONT MINING CORPORATION

Schedule of Investments and Loans

December 31, 1957

Common Stock (except as noted)	Shares or Principal Amount	Percentage Owned	Market Value	Fair Value as Determined by Board of Directors
Cassiar Asbestos Corp., Ltd., note 5	150,000	3.9	$ 838,406	
Commonwealth Oil Refining Co., Inc.	118,000	3.3	250,750	
6% S/F Debentures due 1966	$1,400,000			$ 1,196,000
Continental Oil Company	1,018,340	5.2	43,661,328	
Creole Petroleum Corp.	48,456	*	3,500,946	
Cyprus Mines Corp.	198,125	12.3	8,123,125	
Dawn Mining Company	153,000	51.0		1,530,000
Loan	$1,620,000			1,620,000
El Paso Natural Gas Co.	76,724	*	2,023,596	
5¼% Conv. Debentures due 1977	$ 264,500		280,370	
Granduc Mines Limited	1,236,109	36.8	1,570,245	
Hudson's Bay Oil and Gas Co., Ltd.	68,041	*	1,114,644	
Idarado Mining Company	1,469,821	74.2		3,674,552
Magma Copper Company	259,374	21.5	9,078,090	
Newmont Mining Corp. of Canada, Ltd.	572,846	100.0		900,000
Newmont Oil Company	293,236	100.0		32,400,000
Loan	$5,505,000			5,505,000
Newmont Venezolano, Inc.	10,000	100.0		1,000,000
Loan	$1,500,000			1,500,000
O'okiep Copper Co., Ltd.	575,103	56.3	25,448,308	
Phelps Dodge Corporation	331,738	3.3	12,813,380	
Resurrection Mining Company	1,737,000	100.0		1,500,000
St. Joseph Lead Company	61,429	2.3	1,374,474	
Sherritt Gordon Mines Ltd.	4,339,596	38.3	17,419,952	
Société Nord-Africaine du Plomb	23,887	31.8		2,200,000
Société Algérienne du Zinc	4,777	31.8		
Southern Peru Copper Corporation	33,415	10.25		3,562,360
Loan	$5,625,000			5,625,000
Tennessee Gas Transmission Co.	50,000	*	1,456,250	
Transcontinental Gas Pipe Line Corp.	208,708	2.2	3,391,505	
Tsumeb Corporation Ltd.	1,140,000	28.5		22,800,000
Western Nickel, Ltd.	1,788,358	46.1		868,851
Loan	$ 805,351†			
Other investments			3,251,414	2,356,415
Totals at market or fair value			$135,596,783	$88,238,178
Totals at cost			$ 44,317,108	$31,456,593

* Less than one per cent.
† Canadian.

See explanatory notes on page 18.

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 1957 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

The various methods of presenting income from sales and services by the 600 survey companies in their 1957 annual reports are summarized in Table 1. The table discloses that *net sales* was the term presented by the majority of the companies in their 1957 annual reports (366 companies), although eight of these companies used *net sales* with *operating revenue* (*Co. Nos. 10, 58, 156, 167, 278, 286, 390, 593). Of the 42 reports which showed *sales less discounts, returns, etc.,* one of them also referred to *operating revenue* (*Co. No. 369). The term *sales* was used by 97 companies including 5 companies which used *sales* and *operating revenues* (*Co. Nos. 24, 70, 103, 122, 154). The terms *revenue* or *operating revenue* were employed by six companies (See Table 1) as being more appropriate in the circumstances.

*Refer to Company Appendix Section.

In twenty of the survey companies the initial item of income was either *gross profit* or *operating profit,* and three companies did not include an income statement in their 1957 annual reports.

Examples of the various methods used to present sales and revenues in the 1957 reports follow:

TABLE 1: SALES**

Income Statement Shows:	1957	1956	1955	1950
Net Sales—				
Net Sales	366	361	347	307
Net Sales after deducting discounts, returns, etc.	6	8	10	12
Sales less discounts, returns, etc.	42	40	43	50
Gross Sales less discounts, returns, etc.	26	30	28	46
Both Gross and Net Sales	10	8	12	17
Gross Sales	24	25	21	28
Sales	97	97	105	97
Revenue (*Co. Nos. 282, 520, 545)	3	2	1	1
Operating Revenue (*Co. Nos. 59, 77, 288)	3	5	6	1
No "sales"—initial item is:				
Gross Profit	10	11	14	23
Operating Profit	10	11	11	15
No income statement (*Co. Nos. 210, 268, 428)	3	2	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.
**Refer to further discussion in text.

NET SALES

STANDARD BRANDS INCORPORATED
Consolidated Income Statement

Net sales	$513,858,914
Cost of products sold	385,934,047
Gross profit	127,924,867
Selling, administrative and research expenses	101,805,428
	26,119,439
Other income (expense):	
Income from subsidiaries, not consolidated	
Dividends received	502,135
Royalties and profit on export sales	1,838,175
Interest income	526,321
Interest expense	(2,157,621)
Other	1,337,075
	2,046,085
Income before provision for taxes on income	28,165,524
Provision for federal taxes on income	14,328,000
Net income for the year	$ 13,837,524

ST. REGIS PAPER COMPANY
Summary of Consolidated Income

Net sales	$360,965,010
Costs and expenses:	
Cost of goods sold	$289,261,060
Selling, administrative and general expenses	28,043,767
Total	$317,304,827
Operating income	$ 43,660,183
Income credits:	
Profit from sales of standing timber	$ 735,875
Dividends on investments	640,753
Interest income	597,133
Profit (loss) from sales or retirements of plant property	402,567
Other	642,289
Total	$ 3,018,617
Total	$ 46,678,800
Income charges:	
Interest expense	$ 3,386,751
Other	496,569
Total	$ 3,883,320
Income before provision for Federal and foreign taxes on income	$ 42,795,480
Provision for Federal and foreign taxes on income:	
Federal	$ 19,372,197
Foreign	2,298,228
Total	$ 21,670,425
Net income	$ 21,125,055

Net Sales after Deducting Discounts, Returns, etc.

EMERSON RADIO & PHONOGRAPH CORPORATION
Statement of Consolidated Income

Net Sales (after deducting returns, allowances, and discounts)	$54,803,069
Cost of Sales	47,446,834
Gross Profit from Sales	$ 7,356,235
Selling, General and Administrative Expenses	7,367,412
Profit (Loss) from Operations	$ (11,177)
Other Income	233,763
Income Before Federal Taxes on Income	$ 222,586
Provision for Federal Taxes on Income	84,155
Net Income	$ 138,431

Sales, Less Discounts, Returns, etc.

ALASKA PACIFIC SALMON COMPANY
Statement of Income and Retained Earnings

Sales of canned salmon, less discounts and allowances	$1,576,036
Income from other operations	10,170
	$1,586,206
Operating costs and expenses:	
Cost of sales	$1,210,421
Selling and handling expenses	95,994
General and administrative expenses	124,700
	$1,431,115
Operating profit	$ 155,091

AMERICAN MAIZE-PRODUCTS COMPANY
Consolidated Statement of Income

Income:	
Sales, less discounts, returns, allowances, freight, etc.	$37,877,635
Costs and Expenses:	
Cost of products, supplies and services (exclusive of items below)	$27,794,729
Selling, administrative and general expenses	3,625,635
Depreciation	1,196,996
Provision for federal taxes on income	2,515,000
Pension plan expense (Note C)	390,157
Interest on note payable	49,969
Miscellaneous income, net	(69,790)
Total costs and expenses	$35,502,696
Net Income for the Year	$ 2,374,939

Gross Sales, Less Discounts, Returns, etc.

BRIGGS & STRATTON CORPORATION
Summary of Profit

Gross Sales, less returns, allowances and discounts	$66,882,446
Cost of Sales, Selling, and General and Administrative Expenses	52,691,639
Profit from operations	$14,190,807
Other Income, less miscellaneous charges	471,375
Profit before provision for income taxes (after deducting provision of $1,446,391 for depreciation)	$14,662,182
Provision for Income Taxes:	
Federal	$ 7,120,000
Wisconsin	840,000
	$ 7,960,000
Net profit transferred to earned surplus	$ 6,702,182

GRANITE CITY STEEL COMPANY
Consolidated Statement of Operations

Operating income:	
Gross sales, less discounts, returns, and allowances	$123,763,490
Operating expenses:	
Cost of products sold, including materials, wages and salaries, property taxes, and other manufacturing expenses	$ 92,491,514
Provision for depreciation (Note 1)	4,868,875
Selling, administrative, and general expenses	4,239,540
Interest expense	1,443,818
	$103,043,747
Income from operations	$ 20,719,743

GROSS AND NET SALES

MACK TRUCKS, INC.
Statement of Consolidated Income and Accumulated Earnings Retained in the Business

Total sales	$276,533,699
Less excise taxes	12,873,374
Net sales	$263,660,325
Cost of goods sold	225,495,732
Selling, general and administrative expenses	17,806,162
	$243,301,894
	$ 20,358,431
Other income less expenses (including interest—net)	1,914,389
	$ 22,272,820
Provision for U. S. and Canadian income taxes (estimated):	
Current	6,950,000
Deferred (Note 5)	4,250,000
	$ 11,200,000
Net income for the year	$ 11,072,820
Special credit—refund of U. S. income and excess profits taxes for 1945	2,083,747
Net income and special credit	$ 13,156,567
Accumulated earnings retained in the business:	
Balance at beginning of the year	30,534,401
	$ 43,690,968
Deduct dividends declared:	
Cash (1957—$1.35 per share; 1956—$.45 per share)	3,449,191
5% stock dividend	—
Balance at end of the year (Note 8)	$ 40,241,777

ALPHA PORTLAND CEMENT COMPANY
Statement of Income and Earned Surplus

Billings to Customers	$39,161,987
Less Freight, Discounts, Allowances, Etc.	8,203,603
Net Sales	$30,958,384
Costs and Expenses:	
Manufacturing and shipping cost of goods sold (exclusive of depreciation and depletion)	$17,805,691
Selling, general and administrative expenses	3,133,020
Depreciation and depletion	1,902,896
Total	$22,841,607
Income from Operations	$ 8,116,777

AMERICAN HOME PRODUCTS CORPORATION
Consolidated Statement of Income

Sales	$372,354,746
Less, Returns, allowances, delivery, etc.	25,105,426
Net sales	$347,249,320
Other income	2,040,680
	$349,290,000
Cost of goods sold	$140,388,002
Selling, administrative and general expenses	122,035,374
Employees' insurance, annuities, etc.	3,624,114
Interest	559,105
Miscellaneous deductions, principally foreign losses and exchange adjustments	1,651,380
	$268,257,975
Income, before federal and foreign taxes on income	$ 81,032,025
Provision for federal and foreign taxes on income	42,414,515
Net income for year	$ 38,617,510

REVENUES

STANDARD OIL COMPANY (NEW JERSEY)
Consolidated Statement of Income

Revenue:	
Operating revenue	$7,830,249,711
Dividends, interest, and other revenue	148,064,395
	$7,978,314,106
Deductions:	
Operating charges:	
Purchases of crude oil, petroleum products, and other merchandise	$3,956,291,059
Operating, selling, and administrative expenses	2,105,338,376
Taxes, other than income taxes	149,885,880
Depreciation, depletion, amortization, and retirements	449,036,054
Interest on long-term debt	24,362,333
Other interest	12,474,781
Provision for loss on investments	(2,519,175)
Provision for income taxes	404,000,000
Income applicable to minority interests in affiliated companies	74,267,526
	$7,173,136,834
Net income	$ 805,177,272

TIME INCORPORATED
Consolidated Statement of Income

Revenues:	
From sales of magazines, advertising and books; radio and television broadcasting; pulp and paperboard; paperboard containers; timber, poles and piling; printing plates and scanned negatives; and miscellaneous products and services—less discounts, commissions, allowances, returns, etc.	$254,095,798
Costs and Expenses:	
Production, distribution, selling, editorial and general—Note A	232,679,098
Operating Income	$ 21,416,700
Other Income—Note B	3,751,117
	$ 25,167,817

Other Deductions—Note C	2,022,516
Income Before Taxes on Income	$ 23,145,301
Federal and Foreign Taxes on Income (excluding portion applicable to Special Items)—Note D	11,121,754
Net Income Before Special Items	$ 12,023,547
Special Items	
Extraordinary capital gains (losses) after effect of capital gains taxes:	
From sale of 350,000 shares of St. Regis Paper Company common stock	7,709,290
From sales of preferred stocks	(2,004,885)
From liquidation of investment in Houston Oil Company of Texas	—
Net Income (including extraordinary capital gains and losses)	$ 17,727,952

OPERATING REVENUE

ANDERSON-PRICHARD OIL CORPORATION
Statement of Consolidated Earnings and Earnings Reinvested in the Business

Gross operating revenue	$70,752,024
Other income	323,784
	$71,075,808
Less:	
Cost of sales and services	$48,671,410
Selling and general expenses	5,135,695
Taxes (excluding taxes on income)	1,231,920
Interest expense	650,231
Depreciation and depletion	5,706,818
Dry holes, retirements, delay rentals, geophysical expense	4,287,229
	$65,683,303
Income before taxes on income	$ 5,392,505
Federal and State taxes on income (Note 4)	150,000
Net earnings for the year	$ 5,242,505
Special credit—profit (after taxes and expenses) on disposition of stock in Col-Tex Refining Company	—
Net earnings and special credit	$ 5,242,505
Earnings reinvested in the business—beginning of year	28,960,523
	$34,203,028
Deduct:	
Cash dividends paid:	
Preferred stock	$ 425,004
Common stock, $1.20 in 1957	1,972,438
Transfer to common stock—stock split	—
	$ 2,397,442
Earnings reinvested in the business—end of year (Note 5)	$31,805,586

BARBER OIL CORPORATION
Consolidated Statement of Income

Income:	
Operating revenues of Barber Oil Corporation and its wholly owned subsidiary companies	$10,834,958
Dividends and interest on investments	504,251
Profit from sales of sundry investments, net	322,306
Miscellaneous, net	46,547
	$11,708,062
Costs and Expenses:	
Operating expenses and exploration and drilling costs, before depreciation and amortization	$ 9,519,926
Selling, administrative and general expenses	1,380,219
Allowance for depreciation and amortization	1,116,623
	$12,016,768
Loss before equity in net income of 52 pct. owned subsidiary	$ 308,706
Equity in net income of 52 pct. owned subsidiary, less dividends of $195,000 included above (Note 1)	461,967
Net income	$ 153,261

OPERATING PROFIT AS INITIAL ITEM

THE PATTERSON-SARGENT COMPANY
Summary of Profit and Loss and Accumulated Earnings Retained for Use in the Business

Profit from operations for the year ended October 31, 1957, after deducting cost of goods sold, selling, administrative, and general expenses which include allowances for depreciation aggregating $83,508 and pension fund expense of $83,100	$336,844
Other income	18,385
	$355,229
Interest expense	24,755
Profit Before Federal Taxes on Income	$330,474
Federal taxes on income—estimated:	
Provision for the year	$165,000
Adjustment of prior years	15,000
	$150,000
Net Profit	$180,474

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, though shown as one of several other expense items. Although 338 companies in the current survey disclosed a separate caption and amount for either cost of goods sold or cost of manufacturing, only 127 companies applied the amount directly against sales income, resulting in a subtotal either labeled as, or identifiable as, "gross profit." A substantial number of companies (213) 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 as to basic nature, such as: employment costs, materials and services purchased, taxes, and depreciation, etc.

The survey companies seldom present the opening and closing inventories or net changes in inventories in their annual reports, as noted in comments under "Cost of Materials—Presentation."

Table 2 summarizes the various presentations of cost of goods sold and gross profit as shown in the 1957 survey reports.

Examples illustrating some of the methods used are as follows:

COST OF GOODS SOLD PRESENTED AS A SEPARATE SINGLE TOTAL AMOUNT

INTERCHEMICAL CORPORATION
Consolidated Statement of Income and Income Retained for Use in the Business

Net Sales	$109,846,868
Cost of products sold	$ 79,513,797
Selling, administrative and general expenses	22,701,763
	$102,215,560
Income from Operations	$ 7,631,308

NATIONAL DAIRY PRODUCTS CORPORATION
Consolidated Profit and Loss

Income:	
Net sales	$1,432,319,287
Other income	6,129,771
Total	$1,438,449,058
Income Deductions:	
Cost of products	$1,052,908,499
Delivery expense	152,616,046
Selling expense	97,106,038
General and administrative expense	48,749,101
Miscellaneous charges—net	575,795
Interest on long-term debt	2,735,227
Provision for Federal and Canadian taxes on income	39,700,000
Total	$1,394,390,706
Net Profit for the Year	$ 44,058,352

NORTH AMERICAN AVIATION, INC.
Statement of Income and Earnings Retained for Use in the Business

Income:	
Net sales—see page 20	$1,243,767,483
Other income	2,866,646
Total	$1,246,634,129

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold	1957	1956	1955	1950
Income Statement Presentation—				
Single total amount for:				
Cost of goods sold (*Co. Nos. 348, 366, 374, 401, 588)	338	325	318	354
Manufacturing cost of goods sold (*Co. Nos. 101, 246, 393, 408)	20	22	22	15
Cost of goods sold together with other costs (*Co. Nos. 315, 340, 370, 433, 591)	213	223	226	175
Cost of goods sold shown in:				
Separate elements of cost (*Co. Nos. 239, 287, 288, 549)	4	4	5	13
Detailed section therefor (*Co. Nos. 281, 566)	2	2	2	2
Total	577	576	573	559
Not shown in statement—				
Initial item is:				
Gross profit (*Co. Nos. 42, 150, 258, 419, 434)	10	11	14	23
Operating profit (*Co. Nos. 66, 217, 322, 427, 574)	10	11	11	15
No income statement (*Co. Nos. 210, 268, 428)	3	2	2	3
Total	23	24	27	41
Total	600	600	600	600
Gross Profit				
Income Statement Presentation—				
As initial item of gross profit (*Co. Nos. 47, 96, 276)	10	11	14	23
With single total amount:				
Designated "gross profit" (*Co. Nos. 54, 162, 220, 492, 525)	99	109	110	123
Identifiable as "gross profit" (*Co. Nos. 60, 83, 225, 351, 522)	28	27	26	25
Total	137	147	150	171
Not shown in statement (*Co. Nos. 50, 158, 262, 355, 473)	450	440	437	411
Initial item is operating profit (*Co. Nos. 244, 249, 277)	10	11	11	15
No income statement (*Co. Nos. 210, 268, 428)	3	2	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

Costs and Expenses:	
Cost of sales	$1,159,281,346
Provision for Federal income taxes	38,300,000
Interest expense	3,248,778
Other costs and expenses	11,939,543
Total	$1,212,769,667
Net Income for the Year	$ 33,864,462

COST OF GOODS SOLD AND GROSS PROFIT

CONSOLIDATED CIGAR CORPORATION
Consolidated Statement of Earnings

Net sales	$76,527,877
Cost of sales (note 1)	59,829,116
Gross profit	$16,698,761
Selling, administrative and general expenses	11,415,897
Operating profit, after depreciation of $1,033,011	$ 5,282,864
Other income:	
Adjustment of net fixed assets as agreed with Treasury Department	$ 36,634
Profit on sale of leaf tobacco and fixed assets, and sundry receipts	87,780
	$ 5,407,278
Interest charges:	
Interest on notes payable to banks	$ 187,951
Interest on debentures	828,881
Debt discount and expense	33,236
Total interest charges	$ 1,050,068
Earnings before taxes on income	$ 4,357,210
Provision for Federal, State and Insular taxes on income (note 2)	1,320,000
Net earnings	$ 3,037,210

THE MOHAWK RUBBER COMPANY
Statement of Income

Net sales	$20,842,426
Cost of products sold	17,807,261
	$ 3,035,165
Selling, administrative, and general expenses	1,755,463
	$ 1,279,702
Other income	25,645
	$ 1,305,347
Other deductions	136,237
Income Before Federal Taxes on Income	$ 1,169,110
Federal taxes on income	605,930
Net Income	$ 563,180

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
Consolidated Statement of Income

Net sales	$538,525,429
Cost of goods sold	440,855,058
Gross profit	$ 97,670,371
Selling, advertising, distributing, administrative and general expenses	45,086,427
Operating profit	$ 52,583,944

MOHASCO INDUSTRIES, INC.
Statement of Consolidated Income

Net sales	$98,349,521
Cost of sales, including depreciation $2,341,176 in 1957 (note 2)	79,745,593
Gross profit on sales	$18,603,928
Selling, general and administrative expenses, including depreciation $222,636 in 1957	14,811,941
Operating income	$ 3,791,987
Interest on borrowings	1,545,583
	$ 2,246,404
Other income-net:	
Interest and royalties	$ 638,007
Gain (loss) on disposal of property, plant and equipment (note 4)	310,113
Other	71,554
	$ 1,019,674
Net income (note 7)	$ 3,266,078

COST OF GOODS SOLD INCLUDED IN COSTS AND EXPENSES

INTERNATIONAL SHOE COMPANY
Consolidated Income and Retained Earnings

Sales and other income:	
Net sales	$266,073,480
Income from rentals and services	364,499
Interest and other income	621,275
	$267,059,254
Deductions:	
Cost of sales, selling, general and administrative expenses (Note 7)	$246,124,329
Interest and amortization of expense on long-term debt	1,555,788
Other interest and sundry charges	704,611
	$248,384,728
Income before Federal and Canadian taxes on income	$ 18,674,526
Federal and Canadian taxes on income, estimated	9,095,045
	$ 9,579,481
Proportion of net profit of subsidiaries applicable to minority interests	2,200
	$ 9,577,281
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	$ —
Deduct—Adjustment of Florsheim Division inventories to last-in, first-out method	—
Net Income for Year Applicable to Capital Stock of Company	$ 9,577,281
Retained earnings at beginning of year	50,882,427
	$ 60,459,708
Dividends on common stock $2.40 per share each year	8,053,933
Retained Earnings at End of Year	$ 52,405,775

LANDERS, FRARY & CLARK
Statement of Consolidated Operations

Net Sales	$34,343,584
Costs and Expenses:	
Operating costs, expenses and charges	$32,141,942
Depreciation and amortization	1,350,499
Total	$33,492,441
Net Operating Profit	$ 851,143
Other Deductions Net	$ 238,850
Income Before Provision for Employees' Profit Sharing Plan and Federal Income Tax	$ 612,293
Provision for Profit Sharing and Taxes	
Employees' Profit Sharing Plan	$ 71,186
Federal Income Tax	219,782
	$ 290,968
Net Income	$ 321,325

THE NEW YORK AIR BRAKE COMPANY
Statement of Income and Earnings Retained for Use in Business

Net sales	$45,969,489
Cost of manufacturing, selling, and administrative expenses	$39,337,616
Taxes, other than federal taxes on income	940,902
Provisions for depreciation and amortization	1,212,472
	$41,490,990
	$ 4,478,499
Other income less interest on long-term debt ($123,333 in 1957) and other deductions	249,105
	$ 4,727,604
Provision for federal taxes on income	2,400,000
Net Income	$ 2,327,604
Earnings retained for use in business at beginning of year	10,739,781
	$13,067,385
Deduct cash dividends—$1.60 per share	1,168,385
Earnings retained for use in business at end of year	$11,899,000

WHEELING STEEL CORPORATION
Consolidated Statement of Income and Accumulated Earnings Retained in the Business

Net sales	$245,810,153
Dividends, interest and other income	3,946,802
	$249,756,955
Costs and expenses:	
Cost of products sold and other operating charges	$168,314,318
Repairs and maintenance	21,924,292
Depreciation, depletion and amortization (Note A)	15,369,129
Provision for pensions (Note B)	4,600,000
Selling, administrative and general expenses	15,900,025
Interest and expense on long-term debt	1,455,495
	$227,563,259
Income before federal taxes on income	$ 22,193,696
Federal taxes on income	10,116,000
Net income	$ 12,077,696

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 and estimated sustained contract loss exclusive of expenses shown below	$3,065,895
Deduct:	
Administrative and general expenses	$1,402,487
Provision for depreciation and amortization	462,018
Taxes—state, county, and miscellaneous including payroll taxes	505,658
Workmen's compensation and hospitalization benefits	329,551
Other deductions	107,783
	2,807,497
	$ 258,398
Other income	85,077
	$ 343,475
Federal taxes on income—estimated	205,000
Income Before Extraordinary Charge	$ 138,475
Extraordinary charge—provision for estimated additional contract loss, less estimated tax recovery of $960,000—Note	900,000
Net Loss	$ 761,525

GRUEN INDUSTRIES, INC.
Consolidated Statement of Income and Retained Earnings

Gross profit on sales	$2,705,764
Selling, advertising, administrative, and general expenses	4,752,425
Operating Loss	$2,046,661
Other income	264,221
	$1,782,440
Cash discount allowed, interest, and other expenses	$ 417,848
Loss before taxes on income	$2,200,288
Provision for taxes on income:	
Domestic (represents estimated recovery under carry-back provision)	$ —
Foreign	$ 133,193
	$ 133,193
Loss	$2,333,481
Retained Earnings, beginning of year	$7,552,469
Retained Earnings, end of year	$5,218,988

OTIS ELEVATOR COMPANY
Statement of Income and Earned Surplus

Gross Profit from Operations—Note 6	$47,807,644
Selling, General and Administrative Expense—Note 4	24,862,999
Net Operating Profit	$22,944,645
Dividends from Subsidiaries Operating in Foreign Countries—Not Consolidated	$ 3,919,640
Interest on Securities	71,727
Miscellaneous Other Income	611,407
	$ 4,602,774
Less: Miscellaneous Income Deductions	333,817
	$ 4,268,957
Income Before Federal Income Tax	$27,213,602
Provision for Federal Income Tax	12,430,000
Net Income Before Special Items	$14,783,602

PARKERSBURG-AETNA CORPORATION
Summary of Income and Earnings Retained in the Business

Gross profit	$6,031,691
Operating Expenses:	
Selling, shipping, and warehouse expenses	$3,557,841
General and administrative expenses	1,150,507
	4,708,348
	$1,323,343
Other income	151,060
	$1,474,403
Other Deductions:	
Interest and loan expense	$ 193,579
Sundry	17,421
	211,000
Income Before Income Taxes	$1,263,403
Taxes on Income—Estimated:	
Provision for Federal and state income taxes	599,911
Net Income	$ 663,492
Earnings retained in the business at beginning of year	6,743,358
	$7,406,850
Deduct:	
Cash dividends paid:	
On Preferred Stock	$ 39,485
On Common Stock	116,472
	$ 155,957
Market value of common shares issued as stock dividends	228,285
	$ 384,242
Earnings Retained in the Business at End of Year—Note A	$7,022,608

PEPSI-COLA COMPANY
Consolidated Income Summary

Gross Profit on Sales	$85,564,391
Advertising, Selling, Shipping, General and Administrative Expenses	66,256,352
Profit from Operations	$19,308,039
Other Income	1,382,029
Gross Income	$20,690,068
Income Charges	1,020,393
Income Before Provisions for Income Taxes	$19,669,675
Provisions for United States and Foreign Income Taxes:	
United States	$ 7,584,000
Foreign	2,526,000
Total	$10,110,000
Net Income	$ 9,559,675

COST OF MATERIALS—PRESENTATION

Of the 600 survey companies, 177 referred to the cost of materials in their 1957 reports. The methods of presentation used by the survey companies to show the cost of materials in their 1957 reports are summarized in Table 3. Only four of the survey companies referred to the inventory figures in their annual reports. *Co. Nos. 131 and 281 presented the opening and closing inventory figures on the Income Statement; *Co. No. 287 disclosed the inventory figures in a note to the financial statements, while *Co. No. 381 disclosed the decrease in inventory during the year as an additional cost on its "Statement of Operations."

The trend over the past seven years indicates a decrease in the number of survey companies presenting cost of materials in their reports.

Examples

Examples illustrating the various methods of presentation of cost of materials in the income statement are as follows:

AMERICAN BOX BOARD COMPANY
Consolidated Statement of Earnings

Revenues:	
Net sales	$33,183,426
Other income	83,755
Totals	$33,267,181
Costs and Expenses:	
Materials, supplies, and services	$16,326,511
Wages, salaries, and social security	9,359,300
Contributions to employees' pension and stock bonus plans	632,834
Portion of cost of buildings, machinery, and equipment allocated to year's operation (depreciation), including $624,000 excess of special amortization over normal depreciation in 1957	2,137,633
Interest and note expense	500,238
Federal income taxes	2,240,000
Totals	$31,196,516
Earnings for the Year	$ 2,070,665

AMERICAN STEEL FOUNDRIES
Consolidated Results of Operations and Summary of Net Income Employed in the Business

Sales	$122,614,592
Dividends received and other income (net)	625,223
	$123,239,815
Costs:	
Inventories at beginning of year	$ 22,348,996
Add—Costs incurred during year:	
Materials, supplies, services purchased, etc.	$ 54,322,322
Wages, salaries, and company contributions for group insurance, retirement plans, unemployment insurance, old age benefits, etc.	48,049,859
Portion of cost of buildings, machinery, and equipment allocated to current operations	3,882,629
Provision for Federal taxes on income	8,100,000
Total costs incurred during year	$114,354,810
	$136,703,806
Deduct—Inventories at end of year	21,471,937
Costs allocated to year	$115,231,869
Net Income for Year	$ 8,007,946
Per Share	$ 6.20

*Refer to Company Appendix Section.

TABLE 3: COST OF MATERIALS

Presentation in Income Statement	1957	1956	1955	1950
With single total amount for—				
Materials and services purchased (*Co. Nos. 10, 103, 282, 326, 446, 511)	21	20	23	15
Materials purchased (*Co. Nos. 288, 381, 520)	9	10	6	6
Materials used (*Co. Nos. 239, 388, 549)	5	3	5	3
Materials, together with other costs (*Co. Nos. 29, 194, 272, 357, 488)	22	30	22	22
Total	57	63	56	46
Disclosed Elsewhere in Report				
In notes to financial statements	—	1	1	2
In supplementary statements or schedules (*Co. Nos. 92, 166, 260, 317, 449, 514)	60	58	66	91
Total	60	59	67	93
In Graphic Presentation				
With dollar amount shown therein (*Co. Nos. 30, 192, 229, 400, 580)	16	11	20	18
With dollar amount not shown therein (*Co. Nos. 16, 236, 333, 444, 531)	44	36	51	66
Total	60	47	71	84
Number of Companies				
Referring to material costs	177	169	194	223
Not referring to material costs	423	431	406	377
Total	600	600	600	600

*Refer to Company Appendix Section.

AMERICAN WRITING PAPER CORPORATION
Comparative Condensed Statement of Earnings

Gross sales, less returns, allowances, freight and cash discounts	$15,586,030
Cost of goods sold:	
Material, labor, and manufacturing expenses, including depreciation: 1957, 273,439	13,388,908
Gross profit on sales	$ 2,197,122
Selling, administrative, and general expenses, including depreciation: 1957, $5,213	695,731
Operating earnings	$ 1,501,391
Other income or *deductions*—net	3,173
Earnings before federal income taxes	$ 1,504,564
Provision for federal income taxes	800,031
Net Earnings for the Year	$ 704,533

CATERPILLAR TRACTOR CO.
Consolidated Results of Operations

Sales	$649,904,676
Costs:	
Inventories brought forward from previous year	$180,473,900
Materials, supplies, services purchased, etc.	379,990,801
Wages, salaries and contributions for employee benefits	216,542,682
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation and amortization)	21,849,366
Interest on borrowed funds	2,126,056
United States and foreign taxes based on income	40,075,102
	$841,057,907
Deduct: Inventories carried forward to following year	230,937,886
Costs allocated to year	610,120,021
Profit for year	$ 39,784,655

MONTGOMERY WARD & CO., INCORPORATED
Statement of Earnings

Net Sales	$1,045,767,458
Costs and Expenses:	
Cost of merchandise sold	$ 709,410,965
Wages and salaries	177,592,191
Property, social security and state taxes	13,567,127
Rents	11,884,324
Repairs and maintenance	3,630,534
Depreciation and amortization	3,588,874
Other expenses, net	52,058,964
Total costs and expenses	$ 971,732,979
Earnings Before Taxes on Income	$ 74,034,479
Provision for federal taxes on income	38,190,000
Net Earnings	$ 35,844,479

PHILLIPS PETROLEUM COMPANY
Consolidated Statement of Income and Earnings Employed in the Business

Income:	
Gross operating income	$1,131,793,919
Other income	5,098,982
	$1,136,892,901
Costs and Expenses:	
Operating charges:	
Purchases of crude oil, petroleum products, and merchandise	$ 520,661,333
Operating and general expenses, and taxes (other than Federal income taxes)	347,066,359
Depletion of intangible development costs	24,327,820
Depletion and amortization of leases	20,396,083
Depreciation, retirements, and other amortization	78,915,100
Interest and expense on indebtedness	12,916,853
Provision for Federal income taxes	36,400,000
	$1,040,683,548
Net Income	96,209,353
Earnings Employed in the Business at Beginning of Year	484,155,484
	$ 580,364,837
Dividends Paid (1957—$1.70 per share)	58,392,153
Earnings Employed in the Business at End of Year	$ 521,972,684

*Refer to Company Appendix Section.

EMPLOYMENT COSTS—PRESENTATION

Wages or employment costs were presented in the income statements by only 41 of the 600 survey companies in their 1957 annual reports. Most of the companies which indicated such costs in their income statements also referred to pension or retirement costs (*Co. Nos. 10, 282, 323, 462, 569).

Employment costs were presented by 223 other companies either in notes to the financial statements, in the letter to stockholders, in supplementary financial statements, or in schedules, graphs, etc.

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, disability benefit plans, plans referred to only as fringe benefits, scholarship funds, contingent compensation plans, social insurance plans, and deferred compensation plans. Five companies (*Co. Nos. 10, 256, 270, 309, 569) referred to supplemental unemployment benefit plans.

The various methods of presentation of employment costs used by the survey companies in their annual reports are summarized in Table 4.

TABLE 4. EMPLOYMENT COSTS

Presentation in Income Statement	1957	1956	1955	1950
With single total amount for—				
Wages and salaries (*Co. Nos. 139, 290, 326, 446, 511)	12	12	10	13
Wages, salaries, and employee benefits (*Co. Nos. 12, 149, 282, 381, 547)	13	14	16	13
Wages and salaries together with certain unrelated costs (*Co. Nos. 75, 314, 488)	7	12	15	10
In separate section detailing employee costs (*Co. Nos. 80, 154, 300, 357)	9	9	11	6
Total	41	47	52	42
Disclosed Elsewhere in Report				
In notes to financial statements (*Co. No. 45)	1	1	3	3
In supplementary statements or schedules (*Co. Nos. 39, 132, 261, 352, 503)	141	145	154	151
In letter to stockholders (*Co. Nos. 90, 115, 228, 351, 560)	34	26	17	25
Total	176	172	174	179
In Graphic Presentation				
With dollar amount shown (*Co. Nos. 30, 182, 277, 315, 400)	13	18	23	17
With dollar amount not shown (*Co. Nos. 3, 185, 236, 356, 444)	34	36	30	54
Total	47	54	53	71
Number of Companies				
Showing employment costs	264	273	279	292
Not showing employment costs	336	327	321	308
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples

The following examples illustrate the various presentations of employment costs found in the 1957 reports:

ALAN WOOD STEEL COMPANY
Statement of Consolidated Income and Retained Earnings

Income:	
Net sales and operating revenues	$67,889,893
Other	81,273
	$67,971,166
Costs and Expenses:	
Employee costs:	
Wages and salaries	$22,615,482
Pensions, group insurance and supplemental unemployment benefits (Note 7)	1,450,509
Social security taxes	559,881
	$24,625,872
Materials and services purchased	35,072,536
Provision for depreciation and depletion (Note 2)	4,136,775
Loss (gain) on property sold or retired	12,959
Interest on bank loans	382,421
Miscellaneous taxes	532,557
	$64,763,120
Income Before Provision for Income Taxes	$ 3,208,046

Note 7: Pension Plans—The non-contributory pension plan for hourly rated employees was amended, effective January 1, 1958, to increase employee benefits under the plan. The remaining cost of funding past service benefits under this plan and the contributory plan for salaried employees was estimated to be $4,264,000 on a single premium basis at December 31, 1957 and $6,930,000 after giving effect to the January 1, 1958 amendment.

The amount charged to 1957 earnings for employees pensions was $657,943, of which $629,156 represents payments under these pension plans.

ALCO PRODUCTS INCORPORATED
Consolidated Statement of Income

Net sales	$160,627,940
Cost of products sold and operating expenses:	
Materials and services from others	$110,236,020
Wages, salaries, life, health and unemployment insurance, pension and old age benefits, etc.	41,721,834
Wear and obsolescence of facilities (depreciation)	1,897,266
	$153,855,120
Operating income	$ 6,772,820

ALLEGHENY LUDLUM STEEL CORPORATION
Statement of Consolidated Earnings and Earned Surplus

Costs:	
Employee costs:	
Wages and salaries	$ 89,633,670
Social security taxes	2,344,857
Pensions and other (Note 7)	8,457,967
	$100,436,494

Note 7: Retirement Plans—The corporation and one of its subsidiaries have non-contributory pension plans covering their hourly rated employees and the corporation and two of its subsidiaries have non-contributory plans covering their salaried employees. Contributions to the respective pension trusts established pursuant to the above plans amounted to $4,004,672 for the cost of current service and $636,931 for the equivalent of interest at 2½% per annum upon the unfunded costs of past service.

The corporation and two of its subsidiaries contributed $759,092 to an insured group annuity retirement plan for all salaried employees.

Another subsidiary contributed $387,349 to an Employees' Security Fund for the benefit of its officers and employees upon their retirement, death, disability, or termination of employment.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

Financial Report: A simplified statement of income for 1957 appears below:

Net sales	$368,782,917
Materials and services	205,833,862
Wages, salaries and employee benefits	134,114,831
Depreciation	9,355,059
Direct taxes (excluding social security)	12,680,267
	$361,984,019
Income before foreign dividends	6,798,898
Dividends from foreign subsidiaries	5,852,051
Net income	$ 12,650,949

ARMCO STEEL CORPORATION
Statement of Consolidated Income

Costs and Expenses:	
Employment costs:	
Wages and salaries	$206,663,267
Social security taxes	3,844,571
Pensions, group insurance, and supplemental unemployment benefits (page 6)	16,647,539
Total	$227,155,377

Review of 1957: . . . Employment costs consumed 29.2 cents of the sales dollar in 1957, compared to 27.9 cents in 1956. These costs, which include wages, salaries and employee benefits, were increased by an average of 20.7 cents per manhour as the result of adjustments made July 1, 1957, in line with industry-wide adjustments made at that time.

During 1957, $9,170,239 was paid into pension funds for current service costs and for the partial funding of the unfunded balance of past service costs. The unfunded balance of past service costs as of December 31, 1957, was estimated by actuaries to be $61,500,000.

BETHLEHEM STEEL CORPORATION
Consolidated Income Statement

Costs Applied to Revenues Shown Above:	
Employment costs:	
Wages and salaries	$ 926,255,311
Pensions (Note E, page 12)	19,068,210
Social security and other employee benefits	55,360,607
	$1,000,684,128

Note E: Pensions—The amount charged in 1957 against current earnings to provide for pensions under the Pension Plan of Bethlehem Steel Corporation and Subsidiary Companies was $19,068,210, of which amount $13,954,758 was paid into the Pension Trust Fund in 1957 as the estimated cost of pensions that were granted in 1957 (other than those granted by railroad subsidiaries) and for certain minor adjustments and $113,452 was paid by one or more of the railroad subsidiaries directly to their pensioners. The remainder, $5,000,000, was paid into the Pension Trust Fund in 1957 to provide for pensions which it is expected will be granted in 1958 and in subsequent years and for adjustments in respect of pensions which were granted prior to 1958, if it shall be found desirable to use any part of such sum for that purpose. . . .

DAYSTROM, INCORPORATED
Consolidated Results of Operations

Costs:	
Employment costs:	
Wages and salaries	$32,568,979
Pensions, social security taxes, insurance and other employee benefits	2,555,385

THE CHAMPION PAPER AND FIBRE COMPANY

Summary of Consolidated Income

Costs and Expenses:	
Payrolls and employee benefits:	
Wages and salaries	$56,135,381
Social security taxes and workmen's compensation	1,095,821
Champion Benefit Program (Page 9)	5,574,430
Subsidiary companies' benefit programs	254,145
Total payrolls and employee benefits	$63,059,777

President's Letter: Sharing Results—The operation of the broad Champion Benefit Program serves to give concrete evidence of the mutuality of interests existing within the Champion family. For the fiscal year 1957, company contributions to the Champion Benefit Program totaled $5,574,427. The Champion Employees Profit Sharing Plan, covering annual compensation up to $10,000, received $5,045,467 of this amount, with $528,960 being credited to the Champion Deferred Compensation Plan, which covers salaries in excess of $10,000 annually.

Of the total contribution by the company to the Benefit Program, $1,790,518 went to pay for employees' group insurance, hospitalization and similar benefits.

Benefit Program Payments	
Death Benefits	$ 404,116
Temporary Disability Benefits	540,421
Health Care Benefits	845,981
Retirement and Total and Permanent Disability Benefits	945,000
Accounts of Participants in the Profit Sharing Funds	2,534,949
Accounts of Participants in the Deferred Compensation Plan	303,960

CLEVITE CORPORATION

Consolidated Results of Operations

Costs:	
Wages, salaries, and company contributions for group, hospital and unemployment insurance and old age and retirement benefits (Note 6)	$35,102,744

Note 6: Retirement Income Plans—The Corporation has in effect a contributory, trusteed retirement income plan for salaried employees and a non-contributory, trusteed plan for hourly employees. In 1957 the Corporation paid into the trusts and charged against income an amount of $1,027,500. The unfunded past service liability at December 31, 1957 was estimated to be $4,664,000.

THE GENERAL TIRE & RUBBER COMPANY

The Year in Brief:

The Company Paid Out—

Employment Costs	$146,378,292

Salaries and wages paid to the men and women who make and sell our products and to those who manage the business. Included is the money used to pay for pension, group insurance, social security costs and other employee benefits.

HARBISON-WALKER REFRACTORIES COMPANY

Consolidated Current and Retained Income

Costs:	
Wages, salaries, social security taxes, pensions and insurance (Note 2)	$34,707,965

Note 2: Pension Plans—The Company contributed $1,312,354 for 1957 service cost and $149,601 for interest on unfunded past service cost under its pension plans. The unfunded past service cost of the plans at December 31, 1957 was actuarially estimated at $5,500,000.

GEO. A. HORMEL & COMPANY

Statement of Earnings

Costs, Expenses and Taxes:	
Wage costs:	
Wages and salaries, including joint earnings	$57,107,525
Pension trust contributions	1,250,000
Federal and state unemployment and old age contributions	1,018,760
Group life, hospitalization and sick leave	1,980,384
	$61,356,669

LINK-BELT COMPANY

Letter to the Stockholders:

Employees—Total wages, salaries, and employee benefits of $66,028,418 were paid to or for an average number of 10,747 employees as compared with $65,499,555 to 10,677 employees in 1956. Employee benefits include unemployment compensation, old age benefits, pension and retirement costs, hospitalization, sick benefits, life insurance, and vacation and holiday pay. The cost of these benefits increased from $7,458,421 in 1956 to $8,256,156 in 1957. Some plants negotiated new labor contracts during the year while others continued to operate under two- or three-year contracts. At all plants and offices wages and benefits increased during the year.

LUKENS STEEL COMPANY

Statement of Income and Retained Earnings (Earned Surplus)

Costs:	
Employment—	
Wages and salaries	$36,648,733
Pensions and other	2,771,222
Social Security taxes	722,506
	$40,142,461

UNITED STATES STEEL CORPORATION

Consolidated Statement of Income

Costs:	
Employment costs:	
Wages and salaries	$1,596,826,142
Pensions and other employe benefits (details on page 21)	265,118,994
	$1,861,945,136

A Review of the Year: Cost of Employee Benefits—

Pension costs	
Non-contributory part of pension plan	
Funding of current service cost (including interest on past service cost)	$ 93,660,184
Funding of portion of past service cost	38,000,000
Contributory part of pension plan—current service cost	8,533,173
Total for pensions	$140,193,357
Social security taxes	$ 39,133,358
Insurance costs	30,210,632
Supplemental unemployment benefit costs	16,695,777
Savings fund costs	10,383,564
Payments to industry welfare and retirement funds and other employe benefit costs	28,502,306
Total cost	$265,118,994

PENSION AND RETIREMENT PLANS

The 600 survey companies included 385 which indicated that there were pension or retirement plans in operation during 1957; the remaining 215 companies made no reference to the existence of such plans. Sixteen of the survey companies stated in their 1957 reports that they had adopted new pension plans during the year (*Co. Nos. 68, 176, 229, 300, 315, 324, 388), and thirty-two companies disclosed new plans which either supplemented or replaced pension plans previously in effect (*Co. Nos. 117, 134, 165, 278, 333, 539, 542).

Twenty-one of the companies that had referred to pension plans in their 1956 reports made no reference to such plans in their 1957 reports. Approximately 65% of the plans mentioned in the 1957 reports were described as being funded or partially funded. Ap-

*Refer to Company Appendix Section.

proximately 4% of the plans were stated to be unfunded; the remaining 31% gave no descriptive information.

Of the 385 companies mentioning pension plans in their 1957 reports, only 268 disclosed the related costs. Pension plan costs were disclosed in the notes to financial statements in 167 instances (*Co. Nos. 43, 161, 212, 359, 361, 522, 584); 100 instances in the income statement (*Co. Nos. 3, 27, 106, 112, 144, 182, 200); 13 instances in supplementary schedules (*Co. Nos. 160, 256, 273, 309, 314, 495), and 32 instances in the letter to stockholders or financial review (*Co. Nos. 31, 63, 109, 172, 207, 422, 496).

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 1957 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 1957 reports.

Examples

The following examples illustrate the various presentations and data applied by the survey companies in their 1957 annual reports concerning pension and retirement plans:

Revised Pension Plans

BUFFALO ECLIPSE CORPORATION
Notes to Financial Statements

Note 7: Pension Plans—For a number of years, the Company has had formal (trusteed or insured) pension plans at its S. M. Jones Company and Penberthy Manufacturing Company Divisions and an informal pension program at its Buffalo Bolt Company and Eclipse Lawn Mower Co. Divisions. During the fiscal year ended July 31, 1957, the cost of these plans and programs totaled $240,543, including $14,500 of past service cost funding. As of July 31, 1957, the unfunded past service cost of the formal plans is estimated to be $470,000.

As of July 1, 1957, the Company entered into an agreement to provide the hourly plant employees at its Buffalo Bolt Company Division with a formal, trusteed pension plan effective September 1, 1957. On August 28, 1957, the Board of Directors approved a similar pension plan, to become effective before January 1, 1958, for salaried employees at its Buffalo Bolt Company and Eclipse Lawn Mower Co. Divisions. Effective September 1, 1957, the existing formal, trusteed pension plan covering hourly plant employees at its Penberthy Manufacturing Company Division was amended to provide increased benefits.

All of the formal plans are non-contributory and have or will be qualified under the Internal Revenue Code so that income of the trust funds is not taxable, and Company payments within certain maximum limitations are deductible in determining its taxable income for Federal income tax purposes. Payments under the informal pension programs, accounted for on a pay-as-you-go basis, are deductible when made.

The unfunded past service cost of all plans (both previously and newly established) is estimated to be $4,700,000. The Company has not determined at this time its policy with respect to funding these past service costs except that it has been funding approximately $15,000 per year with respect to the previously established plans.

The annual cost of all plans, including current service costs and the interest on unfunded past service costs under formal plans, together with payments under informal plans, is estimated to aggregate $475,000. However, for the fiscal year beginning August 1, 1957 and ending July 31, 1958, the cost is estimated to be $385,000, since the new plans will be effective for only a portion of that fiscal year. In both instances, the estimated amounts shown include no provision for funding past service costs. As described in the first paragraph, the cost, exclusive of past service cost funding, for the fiscal year ended July 31, 1957 was $226,043.

CENTRAL SOYA COMPANY, INC.
Notes to Financial Statements

Note 5: During the year, the company paid $376,097 into the Central Soya Pension Fund to provide noncontributory benefits under the Central Soya Pension Plan. Of this amount, $70,741 was attributable to past service benefits based on amortizing the cost of such benefits over a 30 year period. The plan was amended June 30, 1957 to increase benefits to hourly employees retiring after such date. This amendment increased the past service costs $462,286. The unfunded portion of past service costs as computed by the company's actuary is $1,321,971 at August 31, 1957.

CONTAINER CORPORATION OF AMERICA

Financial Review: During the year, the Company's Retirement Annuity Plan was restated and amended. The restated plan, known as the Container Corporation of America Retirement Plan, was adopted by the Board of Directors and approved for salaried employees at a special meeting of the shareholders on October 3, 1957. The first effective date of the restated plan, which has been well received by the employees of the Company, was January 1, 1958.

At the end of the year, participation in the Company's Retirement Annuity Plan in effect since January 1, 1941, was 85% of those employees eligible. Combined employee and Company contributions for the year 1957 aggregated $4,122,904; of this amount the employees contributed $1,649,162 and the Company $2,473,742. Since the Retirement Annuity Plan has been in effect, 445 employees have received annuities thereunder, and as of the end of the year, 352 employees were currently receiving annuity payments.

Trusteed Pension Plans

AMERICAN BANK NOTE COMPANY
Report to Stockholders:

Pension Plans—Our three companies have maintained pension programs, to provide retirement incomes for their employees, over a great many years. The parent company's program was started in 1906 and was one of the earliest in this country. This informal program was replaced in 1945 by a formal trusteed plan, and the cost of pensions is being funded on an actuarial basis.

One of our affiliated companies established a trusteed plan in 1955, and the other company took similar action last year. In connection therewith the investments of their appropriations for employees' pensions, formerly appearing on the consolidated balance sheets, have been transferred to the trustees under their respective plans.

The total provision for pensions last year was $580,424, as compared with $688,720 during the previous year.

COLONIAL STORES, INC.
Notes to Financial Statements

Note 6: Employee Retirement Plan—The company has in effect a trusteed retirement plan for employees (including officers). The operating expenses for the year 1957 include charges amounting to $1,030,467 representing the total normal required contribution to the plan for such year (on the basis of reports of independent actuaries); the amount relates solely to current services. Because of experience gains and a change in the assumed interest rate, all liability with respect to past services has been funded and, in addition, a credit of $950,793 became available to apply against the liability with respect to current services; such amount, after related income tax adjustments, is included in the statement of profit and loss as a special credit.

While the company expects to continue the plan indefinitely, the right to modify, amend or terminate it has been reserved. In the

*Refer to Company Appendix Section.

TABLE 5: PENSION AND RETIREMENT PLANS

	Charges to Income Set Forth For*: Current and Past Service Costs: Shown Combined	Shown** Separately	Current Service Costs	Pension Costs	Pension Costs With Other Expenses	Charges Not Set Forth	Total 1957 Plans
Funded or Partially Funded Plans							
Current funding of current service costs with installment funding of past service costs	80	36	2	2	7	6	133
Current funding of current service costs with funding completed for past service costs	5	4	7	—	—	7	23
Current funding of current service costs with past service costs not to be funded	2	4	12	—	1	5	24
Basis of funding not disclosed	15	2	3	40	1	12	73
Total	102	46	24	42	9	30	253
Unfunded plans with related costs to be absorbed at time of retirements or as benefits are paid	—	3	2	6	—	6	17
Unidentified plans with no reference made to funding or nonfunding of related costs	5	2	2	56	13	69	147
Total	107	51	28	104	22	105	417
*Charge to Income Set Forth In :							
Statement of income	23	9	10	43	15	—	100
Notes to financial statements	76	37	16	37	1	—	167
Supplementary schedules	2	2	—	7	2	—	13
Letter to stockholders	6	3	2	17	4	—	32
Charges Not Set Forth For:							
Funded pension or retirement plans	—	—	—	—	—	30	30
Unfunded pension or retirement plans	—	—	—	—	—	6	6
Unidentified pension or retirement plans	—	—	—	—	—	69	69
Total	107	51	28	104	22	105	417

Number of Companies	1957
Referring to pension or retirement plans:	
Disclosing related costs	268
Not disclosing related costs	117
Total	385
Not referring to pension or retirement plans	215
Total	600

Number of Pension or Retirement Plans	1957
Adopted during year	16
Amended during year	36
Continued as adopted in prior year	365
Total	417

**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.

event of termination, the entire amount theretofore contributed under the plan must be applied to the payment of benefits to participants or their beneficiaries.

THE WAYNE PUMP COMPANY

Notes to Financial Statements

Note 8: Retirement Plans—Retirement benefits are provided for employees under trusteed plans and under contracts with insurance companies. Charges to income for retirement benefit expenses (including pensions paid directly to retired employees) were $156,700—1956, and $180,100—1957. Unpaid past-service costs at November 30, 1957 are estimated at $590,000.

Profit Sharing

AMERICAN MACHINE & FOUNDRY COMPANY

Notes to Financial Statements

Note: The Company and certain of its subsidiaries have currently in effect for certain of their employees a non-contributory retirement plan with the right of election in the employee to make contributions in order to obtain an increased pension. Two subsidiaries have separate non-contributory pension plans for their employees and three subsidiaries have Profit Sharing Trusts providing benefits upon death, disability or retirement. Costs thereof charged to consolidated income in 1957 amounted to approximately $2,202,000 of which $572,000 is applicable to past service benefits. Such costs have fluctuated and will fluctuate upon admission of additional groups to the plans. Unfunded past service benefits at December 31, 1957 are estimated at $11,376,000. While the plans do not require the funding of past service benefits, such benefits are presently being funded over a thirty year period.

THE GARLOCK PACKING COMPANY
Notes to Financial Statements

Note 2: Retirement income benefits are provided by contracts with an insurance company for certain employees of the Company and its subsidiaries under basic past and future service pension plans, supplemented by a profit-sharing arrangement.

The entire cost of benefits accrued on account of past service, i.e., for service prior to the effective dates of the plans, is borne by the companies. Generally, it is expected that the cost of these past service benefits will be paid to the insurance company over a remaining period of not more than twelve years. The maximum cost of past service benefits, before taxes on income and subject to termination or amendment of the plans at the Company's option, to be provided by charges to earnings in future years is estimated to be approximately $630,000.

The cost of benefits accrued and to accrue on account of future service, i.e., for service subsequent to the effective dates of the plans, is contributed both by employees and the companies.

Under the profit sharing formula revised as of January 1, 1957, and approved by the stockholders April 3, 1957, the participating companies, who bear the entire cost of the profit sharing plan, base their contributions on a percentage of consolidated annual earnings before taxes on income in excess of a percentage of consolidated net worth at the end of the previous calendar year. The maximum contribution to be made with respect to any single year is determined by a percentage of the annual compensation paid in that year to employees covered by the plan.

JOSLYN MFG. & SUPPLY CO.
Consolidated Balance Sheet

Note: Under a Supplemental Retirement Plan adopted in 1957, total annual cost includes current-service costs of $77,000 and a portion of past-service costs; the balance of unrecorded past-service costs at December 31, 1957, was $1,300,000.

The President's Letter: Employee Program—Employee benefit programs have been a major factor in the growth and successful operation of the Company. Your management is constantly reviewing these programs so that we can keep abreast or ahead of industry in general in this important area.

A careful study of the Profit Sharing Fund as it is now constituted reveals that in the case of the great majority of our employees, the amount received from the Fund at retirement, plus Social Security, will provide retirement benefits equal to or better than those provided by industry in general, based on comparable years of service and compensation.

However, because of the limitation on participation in the Profit Sharing Fund, the retirement benefit for higher compensated employees is less than that provided by industry in general. This has been of great concern to your management for several years because without an up-to-date retirement benefit program for this employee group, we will be unable to retain or secure qualified personnel for the successful operation of the Company. Our objective has been to develop a plan that would be compatible with the Profit Sharing Fund.

After considerable effort such a plan was developed, submitted to and adopted by the Board of Directors, effective January 1, 1957. The plan, known as the Joslyn Supplemental Retirement Plan and Joslyn Supplemental Retirement Trust, has been approved by the Internal Revenue Service as qualifying under Section 401(a) of the Internal Revenue Code. It is integrated with the Profit Sharing Fund and Social Security, which means that the total retirement benefits that participants receive from the Plan, Profit Sharing Fund and Social Security, cannot exceed, as a percentage of compensation, the retirement benefits that non-participants receive from the Profit Sharing Fund and Social Security.

In any plan, such as our Supplemental Retirement Plan, the total cost of the Plan is the sum of the "Normal Cost" plus the "Past Service Cost." Normal Cost means the level amount that will be required each year to fund the benefits provided under the Plan. Past Service Cost means the lump-sum amount required as of the inception of the Plan to make up the deficiency resulting from the nonpayment of previous normal costs. Once the Past Service Cost has been paid, the Normal Cost becomes the total cost for subsequent years. Our contribution to the Joslyn Supplemental Retirement Trust for 1957 included a payment for the Past Service Cost as set forth in the summary below.

To assure the members of the Profit Sharing Fund that the cost of the Supplemental Retirement Plan would not reduce the Company contribution to their Fund, the Directors passed a resolution which provides that the profit on which contribution to the Fund is figured shall be the profit before deducting the cost of the Supplemental Retirement Plan.

With these two programs now in effect, the retirement benefits for all our employees are equal to or better than those offered in industry in general.

For the calendar year 1957 the Company paid $3,273,000 for employee benefits as compared to $2,802,000 in 1956. A summary of these benefits in 1957 is as follows:

Company contribution to Profit Sharing Fund	$1,451,000
Company contribution to Supplemental Retirement Trust for normal cost	77,000
Company contribution to Supplemental Retirement Trust for past service cost	222,000
Employees' Group Life and Hospital Insurance Plan and miscellaneous benefits	318,000
Vacation and holiday pay for hourly employees	657,000
Unemployment insurance and Social Security Taxes	363,000
Workman's Compensation Insurance	185,000

At the close of the year 1957 the Profit Sharing Fund had assets of $16,001,000 as compared to $13,681,000 at the close of 1956. Included in the Fund's investments are 40,680 shares of Joslyn Mfg. and Supply Co. common stock. The membership at the year end was 1,739 with 184 employees eligible to become members on January 1, 1958.

Group Annuity

BIGELOW-SANFORD CARPET COMPANY, INC.
Consolidated Balance Sheet

Reserve for pension future benefits, exclusive of amounts payable within one year shown in current liabilities (Note 4)	$800,000

Note 4: The annual cost for current service under the Company's Group Annuity Retirement Plan is approximately $90,000. At December 31, 1957, the balance of past service obligations under this plan amounted to approximately $875,000 which will be charged to income as payments are made.

Under the five year pension agreements entered into by the Company with unions at the Thompsonville, Connecticut, plant for the period to December 31, 1960, annual costs of $100,000 (less estimated future tax benefit) have been charged to income currently.

EASTMAN KODAK COMPANY
Notes to Financial Statements

Retirement Plan—Employees who have been with the company for 15 years or more have a vested right in annuities purchased for them by the company under a group contract with a large insurance company. The retirement plan is completely funded with the exception of the amount that would be required currently for employees having less than eleven years of service. For United States employees, the total cost in 1957 was $20,300,000, which includes certain supplemental payments made by the company.

GULF OIL CORPORATION
Notes to Financial Statements

Pension Plans—The Annuities and Benefits Plan was amended during the year to provide for increased pension benefits based on services before July 1, 1957. The actuarially estimated cost resulting from the change was $37,000,000 as of July 1, 1957. It is intended this cost with interest on the unfunded balance will be funded over approximately 13 years. During the year the Corporation paid to or accrued for the Trustee and charged to income $12,104,041 which includes $1,854,832 toward the additional cost of annuities for services before July 1, 1957. Certain subsidiaries with separate plans charged $2,160,835 to income for pension costs of which $1,272,500 was funded.

Unfunded Plan

THE AMERICAN TOBACCO COMPANY
Notes to Financial Statements

Note 6: A noncontributory Retirement Plan providing unfunded (pay-as-you-go) benefits for employees has been in effect since January 1, 1949. Under the Plan the Company has the right to amend, modify or terminate the Plan in whole or in part at any time. Payments made under the Plan and charged to income amounted to $922,509 in 1957 and $790,984 in 1956. Substantially larger annual expenditures would be required to fund the Plan.

BRIDGEPORT BRASS COMPANY
Notes to Consolidated Financial Statements

Note 6: For the past several years, pursuant to the terms of agreements made with the union representing certain hourly-paid employees, the Company has a noncontributory retirement plan for such employees. The agreement presently in effect extends to October 1, 1958. Payments under the plan charged to income amounted to $215,000 in 1957 and $175,000 in 1956. The plan is not funded and no estimates are presently available as to the amount necessary to provide for past service cost.

MELVILLE SHOE CORPORATION
Notes to Financial Statements

Note 3: Pension costs charged to earnings in 1957 include $289,794 in respect of the unfunded factory employees' plan. This plan is part of a union agreement which is subject to automatic renewal annually, unless notice is given by either party, though the plan itself is not subject to negotiation during an initial five-year period ending in 1958. It is intended to make annual provision sufficient during the five-year period to cover pensions for life to factory employees expected to retire during the period. The liability for such pensions at the end of the five-year period is estimated at $775,000 (net of Federal income taxes) of which $525,000 has been provided in the accounts.

Miles Shoes Division has two non-contributory pension plans for its non-union employees which may be modified or terminated at any time except as to payments due to employees formally retired under the plans. With respect to the 1955 plan for store employees, the company will provide reserves (net of Federal income taxes) sufficient to cover pensions for life at the time of retirement of each employee. To date no employees have retired under this plan. With respect to the plan for non-store employees which became effective January 1, 1957, the company will provide $35,500 (net of Federal income taxes) by December 31, 1962, to cover pensions for life for seven employees expected to retire during the five-year period. Pension costs charged to earnings include $7,100 with respect to this plan.

The Company also has a fully-funded trusteed plan which was instituted in 1944. No contribution was required to be made under this plan in 1957.

UNITED STATES RUBBER COMPANY
Consolidated Balance Sheet

Reserves:	
Retirement allowances	$8,902,366

Notes to Financial Statements: Reserve for Retirement Allowances—The Retirement and Disability Allowance Plan provides generally for retirement allowances to employees beginning at age 65, based upon compensation and length of service, less applicable statutory benefits. Subject to continuance during the period of certain labor agreements, the plan may be repealed or modified as to employees in active service, and the allowances to all employees retired under the plan may be proportionately reduced. A total of $3,452,526 was paid in retirement allowances in 1957, an increase of $395,821 over amounts paid in 1956. It is estimated that the amount payable in 1958 will be approximately $4,000,000 and that during the four years thereafter the amount will increase at an average of about $500,000 a year, assuming the plan is not repealed or modified. These amounts are before reduction for income taxes.

There is no obligation to fund the cost of benefits. In accordance with past practice, a reserve of $8,902,366 has been provided, which is equivalent to retirement allowances payable over the next 5 years, based on the retirement roll at the end of the year and the application of 1957 income tax rates.

Past Service Funding Not Completed or Not Required Under Funded Plans

ARMCO STEEL CORPORATION
Statement of Consolidated Income

Employment costs:	
Wages and salaries	$206,663,267
Social security taxes	3,844,571
Pensions, group insurance, and supplemental unemployment benefits (page 6)	16,647,539
Total	$227,155,377

Review of 1957: During 1957, $9,170,239 was paid into pension funds for current service costs and for the partial funding of the unfunded balance of past service costs. The unfunded balance of past service costs as of December 31, 1957, was estimated by actuaries to be $61,500,000.

AMERICAN METAL PRODUCTS COMPANY
Notes to Consolidated Financial Statements

Note D: Pension Plans—Annual level-premium payments of approximately $220,000 are required under pension plans in effect for salaried employees.

The estimated annual cost of the pension plans for hourly-rated employees, including amortization of past-service cost over approximately 30 years is $335,000. The estimated unfunded past-service cost at December 31, 1957, was $1,335,000.

Plan Adopted During Year

THE ARUNDEL CORPORATION
Consolidated Comparative Balance Sheet

Note: A non-contributory retirement plan for salaried employees of the Corporation and wholly-owned subsidiary became effective as of January 1, 1957. For 1957, the contribution to the plan, charged against income, amounted to $334,334, of which $199,294 relates to past service. As of December 31, 1957, the estimated unfunded past service cost amounts to $1,922,255, which the Corporation presently intends to contribute on the basis of a 30-year amortization from inception of the plan.

Letter to Stockholders: In January, 1957, your Board of Directors adopted a formal retirement plan for salaried employees of the Corporation and its wholly-owned subsidiary, subject to approval by stockholders at the annual meeting on March 23, 1957. The plan, which was set forth in detail in the proxy statement, was ratified by more than 97% of shares represented at the meeting. The plan became effective as of January 1, 1957. It was stated that the contribution to be made by the Corporation to fund benefits in the first year of the plan would be based upon a 30-year amortization of past service liability, and on this basis total contributions in 1957 were estimated to be $218,350. The Corporation, however, reserved the right to make payments to the fund in any one year up to the 10% maximum contribution toward past services allowed as a tax deduction under the Internal Revenue Code. In view of favorable earnings in 1957, this maximum payment was made in order to reduce obligations in future years, and the total contribution to the pension fund in 1957 was $334,334. This amount has been included in expenses for the year in the financial report. The plan has been submitted to the Internal Revenue Department, and it is expected that the plan will be qualified and its cost deductible for Federal income tax purposes.

Disability Pension Plan

CONGOLEUM-NAIRN INC.
Notes to Financial Statements

Note 3: The Company's retirement plan comprises two parts: Part A which is noncontributory and unfunded applies, with respect to certain categories of employees, to the first $3,000 of annual earnings and, with respect to other categories, to length of service, and in either case provides for payment of specified amounts to those who attain age 65 and have complied with certain other conditions; Part B, which is contributory and funded, applies to an employee's annual earnings in excess of $3,000. The Company also provides a pension for totally and permanently disabled employees who have completed at least 15 years of service. This disability pension plan is noncontributory and unfunded. The Company has reserved the right, at the discretion of the Board of Directors, to modify, suspend, or terminate either Part A or Part B (or both) of the retirement plan, subject only to vested rights, under certain conditions, of participants under Part B.

The Company follows the practice of recording its liability for payments under Part A of the retirement plan and for payments under the disability pension plan only as they are made. Payments in 1957 under both these arrangements amounted to $199,000. According to the most recent actuarial estimate, assuming the plans are continued without change, the average total annual amount of payments under Part A of the retirement plan and under the disability pension plan will be: 1958 to 1962—$269,000, 1963 to 1967—$370,000, 1968 to 1972—$501,000, 1973 to 1977—$587,000. Thereafter, the estimated total annual cost is $675,000. In 1957, the provision for the Company's contribution under Part B of the retirement plan amounted to $106,000.

DEPLETION

Annual Charge

An annual charge for depletion was disclosed by 110 survey companies in the 1957 reports. An additional 8 companies presented accumulated depletion accounts in their balance sheets but made no reference to an annual depletion charge in their income statements (*Co. Nos. 141, 249, 288, 334, 422, 432, 437, 456). The most common presentation by those companies which revealed an annual charge for depletion in the income statement was to show it in combination with depreciation or with depreciation and amortization. See Table 6.

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. Fifteen companies disclosed both basis and method used for computing depletion, of which seven companies indicated use of the unit-of-production method (*Co. Nos. 24, 59, 62, 458, 466, 502, 534) while three companies indicated use of the cost method (*Co. Nos. 56, 123, 530) and five companies indicated use of the percentage method for tax purposes (*Co. Nos. 20, 64, 343, 355, 376). One company (*Co. No. 552) mentioned that depletion rates, based upon estimated productive or useful life expectancies, were applied under various methods. Three companies (*Co. Nos. 56, 143, 330) 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 14% of the survey companies which referred to depletion in their reports.

Examples

Examples selected from the 1957 annual reports illustrating the methods used to disclose depletion in the accounts are as follows:

*Refer to Company Appendix Section.

TABLE 6: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement	1957	1956	1955	1950
Listed among other costs with single total amount for—				
Depletion (*Co. Nos. 25, 42, 48, 56, 62, 169, 177, 223, 259, 313, 440)	13	15	16	24
Depletion and depreciation (*Co. Nos. 10, 20, 21, 59, 133, 139, 274, 282, 375, 435, 448, 586)	33	32	32	35
Depletion, amortization, and depreciation (*Co. Nos. 15, 33, 94, 158, 201, 208, 301, 452, 471, 501)	33	31	30	12
Depletion and amortization (*Co. Nos. 495, 505, 518)	3	3	4	4
Combined with other costs	—	1	1	—
Disclosed within income statement in note or schedule (*Co. Nos. 165, 298, 366, 403, 454)	5	5	6	2
Disclosed at foot of income statement in note or schedule (*Co. Nos. 68, 79, 148, 167, 236, 257, 347, 378, 466, 556)	13	10	13	14
Total	100	97	102	91
Disclosed Elsewhere in Annual Report				
In notes to financial statements (*Co. Nos. 30, 64, 209, 303, 320, 333, 545)	7	5	5	12
In letter to stockholders (*Co. No. 387)	1	—	1	1
Depletion not deducted from net income (*Co. Nos. 143, 330)	2	3	2	2
Total	10	8	8	15
Number of Companies Referring to:				
Annual depletion charge	110	105	110	106
Accumulated depletion but not referring to annual depletion charge	8	10	7	8
Not referring to depletion	482	485	483	486
Total	600	600	600	600

*Refer to Company Appendix Section.

ALPHA PORTLAND CEMENT COMPANY
Balance Sheet

Property—Substantially at cost (Note A):	
Land, buildings, machinery, and equipment (including construction in progress—1957, $11,823,696)	$75,925,234
Less depreciation and depletion	33,718,075
Net property	$42,207,159

Statement of Income and Earned Surplus
Costs and Expenses:

Depreciation and depletion $1,902,896

Note E: In October 1957, the Supreme Court of the United States denied review of a decision favorably affecting the method of calculating depletion allowable to cement companies for Federal income tax purposes. For the year ended December 31, 1957 the Company has computed its provision for Federal income taxes using the new method. Had the provision for the preceding year been similarly computed, net income for the year ended December 31, 1956 would have been approximately $1,100,000 more than was reported. The Company has filed claims for refund of Federal income taxes for the years 1951 to 1956, inclusive, which it estimates will result in recovery of approximately $6,000,000, exclusive of interest. However, as the Internal Revenue Service has not yet processed these claims nor made any determination regarding certain matters affecting the calculation of the additional depletion allowance included therein, the claims have not been reflected in the accompanying financial statements.

ARMOUR AND COMPANY
Consolidated Statement of Financial Position
Plant and Equipment:

Land	At less than cost	$ 24,586,783
Buildings, machinery and fixed equipment	At less than cost	249,741,097
Accumulated depreciation		(119,055,597)
Refrigerator cars, delivery equipment, tools, etc.—at cost less accumulated depreciation		20,120,185
		$175,392,468

Consolidated Statement of Earnings

Depreciation $12,618,945

Notes to Financial Statements: Federal Income Taxes—Although the Company had net earnings for 1957, the Federal income tax return will show a loss for the year, and there will be a resulting claim for refund of 1955 taxes under the loss carry-back provisions of the Internal Revenue Code. There are several reasons for the difference between income for Federal income tax purposes and earnings reported in the financial statements, principally the use of sum-of-the-years digits depreciation and percentage depletion for tax purposes only.

PHELPS DODGE CORPORATION
Consolidated Balance Sheet

Property, Plant and Equipment—Note C .. $141,748,347

Note C: Property, Plant and Equipment—

Property, plant and equipment consists of:	
Mining properties, water rights and lands	$216,636,388
Less allowance for depletion	171,427,025
	$ 45,209,363
Buildings, machinery and equipment	$213,639,296
Less allowance for depreciation	117,100,312
	$ 96,538,984
Net property, plant and equipment	$141,748,347

Mining properties are shown above at book values, the principal properties included therein being stated on the following general bases: Mining properties acquired prior to March 1, 1913 by the Corporation or its subsidiaries and mining properties acquired through the acquisition of affiliated companies in 1917 and from The Arizona Copper Company, Ltd. in 1921 are carried on the basis of U. S. Treasury Department valuations as of March 1, 1913 determined for depletion purposes in connection with Federal income taxes; and mining properties acquired from Calumet and Arizona Mining Company in 1931 are carried on the basis of engineers' valuations as of the date of acquisition.

Buildings, machinery and equipment are carried generally on the basis of cost to the Corporation or its subsidiaries or, in the case of certain properties acquired by the issuance of capital stock, at cost to the companies from which acquired.

The book values of mining properties, etc., and plant and equipment do not necessarily indicate present-day values which could be established only by current appraisals, taking into account factors which vary from time to time, such as price of metals, rate of production, cost of labor, building materials, supplies, etc.

Statement of Consolidated Income

Deduction for depletion of mines—Note G $1,280,862

Note G: Depletion Policy—The deduction for depletion of metal mines owned by the Corporation has been computed on the basis of an over-all unit rate applied to the pounds of copper sold from the Corporation's own production. It is believed that the over-all rate is sufficient in amount to provide for the amortization of the net book value of mines on or before the exhaustion of the mines.

The Corporation makes no representation that the deduction represents the depletion actually sustained or the decline, if any, in mine values attributable to the year's operations (which amounts are not susceptible of determination), or that it represents anything other than a general provision for the amortization of the remaining book value of mines. Depletion used in estimating income taxes has been computed on a statutory basis and differs from the amount shown in these accounts.

RAYONIER INCORPORATED
Consolidated Balance Sheet

Timberlands, timber and logging facilities, at cost less depletion $40,889,902

President's Report to Stockholders: Depletion amounted to $2,236,631 in 1957, compared with $3,054,371 in 1956, reflecting a smaller amount of timber cut from company lands.

SUN OIL COMPANY
Consolidated Statement of Financial Position
Fixed Assets:

Properties, Plants and Equipment (at cost)	$796,736,643
Less Depreciation and Depletion	361,224,513
	$435,512,130

Consolidated Statement of Income and Earnings Employed in the Business
Costs and Expenses:

Depreciation, cost depletion and retirements $53,717,402

General Comments in Report: Increased depreciation and cost depletion charges are the result of the continued expansion of fixed assets of the Company.

UNION OIL COMPANY OF CALIFORNIA
Consolidated Financial Position

Properties—Net $429,572,306

Consolidated Earnings

Deductions:

Depletion, depreciation and amortization .. $44,711,227

Note 3: Properties; Depletion, Depreciation and Related Charges—Properties, stated at cost (including, since 1930, intangible drilling costs), and related accumulated allowances for depletion, depreciation, etc. are as follows:

Classification	Gross Investment	Accumulated Depletion, Depreciation and Other Allowances	Net Investment
Oil and gas production	$533,251,908	$289,011,145	$244,240,763
Natural gasoline	23,746,286	13,531,650	10,214,636
Transportation	47,852,193	23,479,172	24,373,021
Manufacturing	202,103,098	104,919,337	97,183,761
Research	10,775,742	3,721,412	7,054,330
Marketing	62,743,858	23,236,246	39,507,612
Other	8,827,923	1,829,740	6,998,183
	$889,301,008	$459,728,702	$429,572,306

The amount at which such properties are stated does not purport to represent present-day replacement or realization value.

Depletion and depreciation rates are based upon estimated productive or useful life expectancies and are applied under various methods, including those which provide substantially larger depreciation allowances in the earlier years than are obtained under the straight-line method. Also, under certificates of necessity, portions of the cost of completed facilities, principally at refineries, are being amortized over 60 months; such cost being so amortized totaled $20,908,274 at December 31, 1957, and the accumulated amortization was $12,554,726. Depreciation charges of $1,600,460 in 1957 and $1,551,127 in 1956, absorbed directly in operating costs, are not reflected as depreciation in the statement of Consolidated Earnings.

Losses or gains on retirements of major facilities are included with current depreciation expense and on retirements of other properties are treated as an adjustment of accumulated charges. Losses or gains on sales of properties are included in current earnings or, if extraordinary, are carried to net earnings retained in business.

Additional charges to cover losses upon relinquishment of unproductive lands and the cost of dry holes are based upon Company experience.

DEPRECIATION

Annual Charge

Table 7 summarizes the manner in which the annual charge for depreciation is treated by the survey companies in their 1957 annual reports.

Depreciation was disclosed by all 600 survey companies. However, 24 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 576 companies, 485 presented the annual charge for depreciation in the income statement, and 91 companies indicated the annual charge for depreciation either in 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-years-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 July, 1958, the committee on accounting procedure of the American Institute of Certified Public Accountants issued *Accounting Research Bulletin No. 44 (Revised)—Declining-Balance Depreciation* which discusses the problems to be considered in the accounting recognition for such changes in methods.

TABLE 7: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement	1957	1956	1955	1950
Listed among other costs with single total amount for—				
Depreciation (*Co. Nos. 9, 85, 95, 153, 261, 432)	145	142	159	237
Depreciation and amortization (*Co. Nos. 98, 196, 284, 365, 587, 600)	112	117	124	68
Depreciation, amortization, and depletion (*Co. Nos. 94, 158, 278, 376, 458)	33	31	30	12
Depreciation and depletion (*Co. Nos. 21, 42, 139, 355, 435, 566)	33	32	32	35
Depreciation and unrelated costs (*Co. Nos. 24, 53, 256, 373, 558)	5	4	3	2
Segregated within income statement in note or schedule (*Co. Nos. 6, 23, 128, 155, 362, 421)	56	62	38	18
Presented at foot of income statement in note or schedule (*Co. Nos. 45, 176, 299, 342, 419, 512)	101	92	92	114
Total	485	480	478	486
Disclosed Elsewhere in Annual Report				
In notes to financial statements or in supplementary schedules (*Co. Nos. 151, 191, 216, 221, 291, 478)	79	78	82	66
In letter to stockholders (*Co. Nos. 248, 295, 410, 567)	12	12	15	17
Total	91	90	97	83
Number of Companies Referring to:				
Annual depreciation charge	576	570	575	569
Accumulated depreciation but not referring to annual depreciation charge	24	30	25	31
Total	600	600	600	600

*Refer to Company Appendix Section.

Of the 600 survey companies, only 99 referred to the method of depeciation 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 1957 annual reports, 30 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. 35, 91, 214, 280, 352) (**160, 179, 183)	14
Sum-of-the-years-digits method (*Co. Nos. 52, 126, 227, 237)	8
Accelerated depreciation method (*Co. Nos. 12, 49, 480, 585) (**266, 305)	7
Sum-of-the-years-digits and accelerated depreciation methods (*Co. No. 320)	1

An additional 26 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:

Sum-of-the-years-digits method (*Co. Nos. 45, 107, 211, 387, 448) (**64, 536)	13
Accelerated depreciation method (*Co. Nos. 58, 417, 456) (**134, 198, 312, 335)	10
Declining-balance method (*Co. No. 303)	1
Accelerated depreciation and straight-line methods (**Co. No. 322)	1
Sum-of-the-years-digits and straight-line methods (*Co. No. 167)	1

In the reports of 43 survey companies, the method of depreciation was given simply as follows:

Straight-line method (*Co. Nos. 39, 110, 111, 129, 146, 178, 251, 292)	27
Straight-line and production methods (*Co. Nos. 59, 62, 132, 440)	7
Accelerated depreciation method (*Co. Nos. 117, 552)	3
Production method (unit of production) (*Co. Nos. 10, 82, 458)	4
Declining-balance method (*Co. No. 544)	1
Annual composite rate method (*Co. No. 591)	1

*Refer to Company Appendix Section.
**Companies using alternative methods for tax purposes only.

Examples of the various methods used have been selected from the 1957 annual reports and are as follows:

Straight-Line

GENERAL CABLE CORPORATION
Consolidated Balance Sheet

Property, Plant and Equipment (Note 2):	
Land	$ 1,970,632
Buildings	20,042,114
Machinery, equipment, containers, etc.	45,394,884
	$67,407,630
Less reserves for depreciation	28,184.750
	$39,222,880

Consolidated Statement of Profit and Loss

Operating profit before depreciation	$24,546,268
Provision for depreciation (Note 2)	2,733,256
Net Operating Profit	$21,813,012

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.

Sum-of-the-Years-Digits

THE MEAD CORPORATION
Statement of Financial Condition

Properties, Plants and Equipment—at cost:	
Land, including timberlands	$ 4,657,746
Buildings	32,884,644
Machinery and equipment	112,000,714
	$149,543,104
Less accumulated depreciation	55,481,635
	$ 94,061,469

Statement of Net Earnings
Costs and Expenses:

Depreciation and depletion of properties, plants and equipment (Note G)	$ 6,170,640

Note G: Depreciation Policy—The Corporation has adopted the sum-of-the-years-digits method of determining depreciation for additions to buildings, machinery and equipment beginning with the year 1957. The effect of this change was to increase depreciation charges for the year (52 weeks) ended December 29, 1957 by $475,000 and to reduce net earnings, after taxes on income, by $230,000.

Declining-Balance

ENDICOTT JOHNSON CORPORATION
Consolidated Balance Sheet
Property, Plant and Equipment (Note 2):

	Cost	Accumulated Depreciation	Net
Land	$ 844,482	$	$ 844,482
Buildings	19,048,111	10,762,525	8,285,586
Machinery	9,270,534	4,047,122	5,223,412
Equipment	18,525,481	8,475,024	10,050,457
	$47,688,608	$23,284,671	$24,403,937

Comparative Consolidated Statement of Earnings
Selling, general and administrative expenses $26,721,662

Note 2: Cost of products sold, selling, general and administrative expenses, and other income include:
(a) Depreciation $3,501,630

In 1957, the Corporation adopted the declining-balance method of depreciation for most acquisitions since December 1, 1955. As a result, the depreciation provision for the current period is $462,000 greater than would have been provided under the method previously used. Of this amount, $147,000 is applicable to the prior year.

JONES & LAUGHLIN STEEL CORPORATION
Consolidated Statement of Financial Position
Land, buildings and equipment at cost, less depreciation and amortization (Note D) $524,688,000

Note D: Land, Buildings and Equipment—

	Additions during year	Gross properties at end of year	Net properties at end of year
Land	$ 1,474,000	$ 41,163,000	$ 41,163,000
Buildings and equipment:			
Manufacturing properties	94,216,000	791,452,000	418,518,000
Mining properties	3,437,000	87,278,000	48,545,000
Transportation properties	1,353,000	29,001,000	15,583,000
Miscellaneous properties	226,000	2,191,000	879,000
	$100,706,000	$951,085,000	$524,688,000

Consolidated Statement of Income
Depreciation and depletion (Note B) $44,227,000

Note B: Depreciation, Amortization and Deferred Federal Income Taxes—Since January 1, 1954, the total cost of properties covered by certificates of necessity and the cost of new acquisitions are depreciated on the declining balance method at double the normal rates. For income tax purposes, the certified portion of the cost of emergency facilities is being amortized over a five-year period. The reduction in current federal income taxes ($630,000 in 1957 and $8,704,000 in 1956) resulting from the excess of amortization and depreciation for tax purposes over book depreciation has been deducted from income and set aside in the reserve for deferred federal income taxes.

J. J. NEWBERRY CO.
Consolidated Balance Sheet
Property and Equipment, at cost (Note 4)

Land, buildings and improvements	$14,437,142
Furniture and fixtures	31,368,325
	$45,805,467
Less provision for depreciation	15,979,743
	$29,825,724
Alterations and improvements to leased properties	21,878,999
Less provision for amortization	8,043,672
	$13,835,327
Total Property and Equipment (net)	$43,661,051

Statement of Consolidated Earnings and Retained Earnings
Depreciation and amortization .... $ 2,805,791

Note 4: Minimum annual rentals aggregating approximately $6,800,000 are payable by the company under leases extending more than five years and approximately 93% of such aggregate amount is payable annually under leases expiring within thirty years.

During 1957 the company and its subsidiaries sold at a small profit and leased back store buildings and fixtures having a net book value of approximately $6,000,000; the leases (which are subject to renewal at reduced rentals) have initial periods which are approximately equal to the estimated useful life of the assets.

Note 6: In 1954 the company adopted the declining balance method of computing depreciation on propery and equipment for Federal income tax purposes as permitted by the Internal Revenue Code, but continued to provide depreciation in the accounts under the straight-line method.

The liability for Federal taxes on income reflected in the accompanying financial statements, computed at current rates on the basis of book income, exceeds the amount currently payable by $712,000; such excess has been classified as a non-current liability.

WHEELING STEEL CORPORATION
Consolidated Balance Sheet
Property, plant and equipment, at cost, less depreciation, depletion and amortization . $150,019,664

Details:	
Land and mineral properties	$ 12,426,357
Buildings, machinery and equipment	238,532,248
Construction in progress	27,893,230
	$278,851,835
Accumulated depreciation, depletion and amortization	128,832,171
Net properties	$150,019,664

Consolidated Statement of Income and Accumulated Earnings Retained in the Business
Costs and Expenses:
Depreciation, depletion and amortization (Note A) .... $ 15,369,129

Note A: Depreciation—Provision for depreciation of assets acquired prior to January 1, 1956, except for certain minor properties to which individual rates are applied, is computed at an annual composite rate (adjusted on the basis of operations) which, it is estimated, will provide amounts equal to the book values of the properties, less their estimated salvage value, when dismantled or retired from service in the normal course of business. The declining balance method of computing depreciation has been applied to assets placed in service since December 31, 1955, except for those minor properties referred to above.

Depreciation of that portion of the cost of certain facilities covered by Necessity Certificates has been provided in amounts equivalent to amortization deductible in computing federal income taxes. Such amortization amounted to $4,719,505 in 1957 and $5,838,912 in 1956.

Straight-Line and Unit-of-Production

TEXAS GULF SULPHUR COMPANY
Consolidated Balance Sheet
Property, Plant and Equipment:

Lands, contract rights and development, at cost (Note 3)	$48,197,335
Less: Accumulated amortization (Note 4)	34,248,552
	$13,948,783
Plants, buildings, machinery and equipment, at cost	45,298,872
Less: Accumulated depreciation (Note 4)	22,736,622
	$22,562,250
Offshore sulphur leases, at cost, and related net exploration costs	—
Less: Accumulated amortization (Note 4)	—
	—
Net property, plant and equipment	$36,511,033

Consolidated Statement of Income
Costs and Expenses:

Operating, delivery and other related costs and expenses, including exploration costs (Note 4)	$42,805,205

Note 3: 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 4: Depreciation and Amortization Policies—In general, it is the policy of the Company and its consolidated subsidiary 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 Companies' 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 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. In September 1957 the Company ceased drilling operations in certain offshore areas and surrendered the related sulphur leases to the State of Texas. The aggregate amount of unamortized cost of such offshore leases and related drilling and geophysical expenses charged against income in 1957 was $8,338,329, the tax effect of which together with amounts amortized in prior years is reflected in the reduced charge for Federal income taxes.

Depreciation and amortization charges for the year 1957 (excluding $6,316,057 applicable to offshore sulphur leases which amount forms part of the aforementioned $8,338,329) are as follows:

Charged to production	$3,376,557
Charged directly to expense	216,773
	$3,593,330

Intangible oil drilling costs are charged to expense as incurred.

It is the policy of the Company and its consolidated subsidiary to capitalize exploration and development costs incurred on properties determined to contain sulphur or other minerals in commercial quantities; exploration costs incurred on properties which are determined not to contain sulphur or other minerals in commercial quantities are charged to expense. Exploration costs relating to properties outside the United States and Canada are capitalized and amounts equivalent to such exploration costs less related future Federal income tax credits computed at 50 per cent are charged to expense.

Accelerated Depreciation Method for Tax Purposes Only

CONGOLEUM-NAIRN INC.
Consolidated Balance Sheet
Plant and Equipment (Note 2):

Land	$ 1,187,440
Buildings and equipment	$46,239,988
Less—Accumulated depreciation and obsolescence	19,414,505
	$26,825,083
	$28,012,523

Liabilities:

Deferred federal income tax (Note 6)	$ 220,000

Statement of Consolidated Income

Cost of goods sold, selling and administrative expenses (Note 6)	$49,938,221

Note 6: Depreciation deductible for tax purposes exceeds the related charge to the income account because of the use for tax purposes of accelerated methods permitted by the Internal Revenue Code. The related Federal tax benefit has been deferred to provide for income taxes payable in future years when book depreciation will exceed the amounts allowable for tax purposes.

Provisions for depreciation and obsolescence of plant and equipment were $1,627,000 and $1,461,000 for the years 1957 and 1956, respectively.

INTERNATIONAL HARVESTER COMPANY
Statement of Financial Condition
Property:

Buildings, machinery and equipment	$585,420,622
Deduct reserve for depreciation	278,523,271
Net depreciable property	$306,897,351
Land	17,371,087
Net property	$324,268,438

Statement of Income

Provision for federal income taxes	$ 31,280,000

Note 5: Accelerated Depreciation—The Company, for federal income tax purposes only, and in accordance with the Internal Revenue Code, continued to apply increased rates of depreciation to certain capital additions. This had no effect on net income because the provision for federal income taxes was increased by an amount equivalent to the tax savings applicable to the additional depreciation.

McKESSON & ROBBINS, INCORPORATED
Balance Sheet
Fixed Assets—Note 3:

Land	$ 2,482,045
Buildings, machinery and equipment	19,588,825
Improvements to leased buildings	1,513,314
	$23,584,184
Less: Reserves for depreciation and amortization	7,335,184
	$16,249,000

Income and Earned Surplus Statement

Depreciation and amortization	$ 1,233,787

Note 5: Taxes—In accordance with established policy, the accompanying financial statements include a provision for depreciation and amortization on a straight line basis and a provision for Federal income taxes computed accordingly. However, for Federal income tax purposes, an accelerated method of computing depreciation on certain additions acquired since January 1, 1954 was adopted during the year, as allowed under the Internal Revenue Code of 1954. As a result, the current year's provision for Federal income taxes includes $100,619 to be paid in subsequent years. This amount and provisions of a similar nature in prior years are included in the aggregate amount of $201,253 in the reserve for Federal income taxes in the accompanying consolidated balance sheet.

The accompanying consolidated financial statements are subject to final determination of Federal, state and local taxes.

WARD BAKING COMPANY
Balance Sheet
Property and Plant at cost:

Land	$ 2,418,225
Buildings	15,737,278
Machinery and equipment	16,424,856
Delivery equipment	8,634,695
	$43,215,054
Less: Reserves for depreciation (including $9,653,063 and $10,337,492 respectively, applicable to fully depreciated assets)	27,145,418
	$16,069,636

Statement of Operations
Costs and Expenses:

Depreciation of buildings, machinery and vehicles	$ 1,621,883

Note 2: In 1957 the Company, for accounting purposes, reverted to the use of straight-line depreciation with respect to machinery and equipment and delivery equipment acquired after January 1, 1956, but continued using accelerated methods, adopted in 1956, for income tax purposes. The related Federal income tax benefit of $154,061 has been deferred to provide for income taxes payable in future years when book depreciation will exceed the amounts allowable for tax purposes. The reversion to the use of straight-line depreciation for book purposes had the effect of increasing net income after taxes for 1957 by approximately $142,000.

CONTINENTAL MOTORS CORPORATION

Consolidated Balance Sheet

Property, Plant, and Equipment—at cost, less accumulated depreciation and amortization:

Land	$ 1,174,936
Buildings	$ 8,214,189
Machinery and equipment	18,895,246
	$27,109,435
Less accumulated depreciation	14,163,064
	$12,946,371
Production tools, dies, and patterns, less amortization	2,102,534
	$16,223,841

Liabilities:

Deferred federal taxes on income—applicable to excess of depreciation permitted for tax purposes over normal depreciation reflected in the financial statements	$ 785,000

Consolidated Statement of Net Earnings

Costs and Expenses:

Depreciation of plant and equipment	$ 1,770,536

Extraordinary Depreciation

The 1957 annual reports of several companies indicated that they followed the policy of recording extraordinary depreciation or obsolescence charges in addition to the normal amount of annual depreciation. These charges are in addition to the amounts which might be provided by the use of accelerated methods of depreciation (e.g., declining-balance, write-offs under certificates of necessity, etc.). Several companies had previously indicated a policy of recording extraordinary depreciation; however, their 1957 annual reports did not contain any such information in the current year.

Examples

Examples illustrating the various presentations of providing for extraordinary depreciation are as follows:

LIBBEY-OWENS-FORD GLASS COMPANY

Presented at Foot of Income Statement

Provision for depreciation, depletion, amortization, and obsolescence included above amounts to $19,242,702 of which $2,825,328 represents amortization of emergency facilities. See comments relative to depreciation in report to shareholders.

Letter to Shareholders: Financial Policy—Capital expenditures for the year totaled $10,899,524. Plant expansions and improvements in 1957 were largely centered on an effort to reduce costs and improve service to customers.

Although Libbey-Owens-Ford has distributed to its shareholders an average of 61.2% of earnings in the last decade, and by successive steps has increased dividends paid from $2.00 per year in 1952 to $3.60 per year during the past two years, retained earnings and depreciation reserves have provided sufficient funds for adequate working capital and for financing of necessary capital improvements without resort to any bank loans, creation of debt or sale of company securities. This has been made possible by the fact that in addition to normal depreciation the company charges against earnings accelerated depreciation in excess of the amount currently deductible for tax purposes. Such depreciation during 1957 amounted to approximately $7,800,000. This conservative policy has been adopted because rapid technological advances in the flat glass industry frequenty make equipment obsolete before it has completed its normal life and because of the rising costs of replacing equipment.

ARTLOOM CARPET CO., INC.

Consolidated Statement of Income

Provision for special depreciation*	$35,000

*In addition to this special depreciation provision, there has been charged direct to operations $375,771, making a total of $410,771 for the period .

KIMBERLY-CLARK CORPORATION

Notes to Financial Statements

Note 7: Depreciation—Provisions for depreciation, depletion, and ordinary obsolescence amounted to $9,690,634 in 1957 and $8,690,139 on a combined basis in 1956. As permitted by the Canadian Department of National Revenue, these amounts include $912,915 and $1,055,216, respectively, of depreciation in excess of normal.

KOPPERS COMPANY, INC.

Statement of Consolidated Income

Net Income for the Year	$ 9,448,842
Special Items (See Page 3):	
Net gain from liquidation and write-off of investments	4,001,593
Write-down of coke plant to recognize reduction in value	(1,541,667)
	2,459,926
Net Income for the Year and Special Items	$11,908,768

Letter to Stockholders: To reflect the reduction in the economic value of the Gas and Coke Division's plant at Kearny, N. J., caused principally by the competition of natural gas in the area, this plant was written down by $3,009,167 on the Company's books. Of this amount $1,467,500 was charged to the general reserve for obsolescence accumulated over former years and the balance of $1,541,667 taken as a special charge. This write-down will not be deductible for income tax purposes.

AMORTIZATION OF EMERGENCY FACILITIES UNDER CERTIFICATES OF NECESSITY

Table 8 shows that 105 survey companies referred to the amortization of emergency facilities under certificates of necessity in their 1957 annual reports. Of these companies, 65 deducted accelerated amortization for both tax and accounting purposes. An additional 27 companies deducted the accelerated amortization for tax purposes only, and accordingly, provided for the resulting deferred tax benefit. Four companies deducted the accelerated amortization for tax purposes only, but failed to state whether the resulting tax benefit had been recognized in the accounts. Nine companies mentioned the existence of certificates of necessity in their letter to stockholders or notes to financial statements but gave no detailed explanation of the tax or accounting treatment employed.

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.

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 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.

TABLE 8: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1957	1956	1955
Deducted for Both Book and Tax Purposes, with Charge for Accelerated Amortization of Emergency Facilities—			
Separately set forth in:			
Statement of income (*Co. Nos. 9, 309, 432, 435)	11	15	20
Notes to statements (*Co. Nos. 330, 352, 472, 569, 571)	23	22	37
Letter to stockholders (*Co. Nos. 254, 480, 554)	10	10	20
Schedule of fixed assets (*Co. No. 493)	1	2	3
Combined with normal depreciation on regular facilities, set forth in:			
Statement of income (*Co. Nos. 15, 98, 238)	10	9	7
Notes to statements (*Co. Nos. 81, 137, 492)	6	13	14
Letter to stockholders (*Co. Nos. 325, 411, 543)	4	4	1
Schedule of fixed assets	—	—	1
Total	65	75	103
Deducted for Tax Purposes Only, with No Evidence of Deferred Tax Benefit in Accounts—			
Referred to in:			
Notes to financial statements (*Co. Nos. 322, 531)	4	—	5
Letter to stockholders	—	2	1
Total	4	2	6
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. 85, 381, 474, 553)	11	17	19
Notes to statements (*Co. Nos. 188, 430, 450, 501)	14	18	14
Letter to stockholders (*Co. Nos. 448, 466)	2	2	3
Total	27	37	36
Number of Companies Referring to:			
Certificates of necessity and amortization of emergency facilities	96	114	145
Certificates of necessity referred to in letter to stockholders or in notes but not referred to in statements (*Co. Nos. 29, 70, 222, 406)	9	7	2
Not referring to certificates of necessity	495	479	453
Total	600	600	600

*Refer to Company Appendix Section.

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

CUTLER-HAMMER, INC.
Balance Sheet
Noncurrent Liabilities:
Reserves:

For Possible Inventory Losses and Other Contingencies	$1,500,000
For Deferred Federal Taxes on Income (see Note 2)	2,861,562
	$4,361,562

Note 2: The charges for depreciation of buildings and equipment, which amounted to $1,480,334 in 1957 and $1,253,544 in 1956, included depreciation computed at normal rates for emergency facilities covered by a Necessity Certificate. For Federal income tax purposes the company has elected to amortize the cost of such facilities over a five year period. The reduction in taxes resulting from this election, amounting to $200,241 and $476,220 in the years 1957 and 1956 respectively, has been included in the tax provisions and set up as a reserve for Federal taxes on income payable on the normal depreciation after the expiration of the amortization period.

GENERAL REFRACTORIES COMPANY
Balance Sheet
Noncurrent Assets:

Real estate, plant and equipment, at cost, less allowances for depreciation, depletion, amortization, and loss on abandonments and replacements, as annexed (Note 2)	$32,900,243
Statement of Income	
Income before income taxes, etc.	$10,135,226
Provision for Federal and State income taxes	1,780,000
Deferred Federal income taxes on account of accelerated amortization, etc. (Note 2)	605,695
	$ 2,385,695
Net income	$ 7,749,531

Note 2: The company has elected to amortize over a 60-month period for Federal income tax purposes the certified portion of certain of its plant facilities covered by Certificates of Necessity. The company initially recorded this amortization in its accounts, but effective as of January 1, 1954, while continuing to use the 60-month amortization period for tax purposes, the company for corporate purposes adopted the policy of writing off the unamortized balance of the certified portion of the cost of these facilities on the basis of the remaining years of economic usefulness estimated as of that date. The amount of temporary tax benefit resulting from the excess of tax amortization has been charged against earnings and credited to a reserve for deferred Federal income taxes. The amount so deferred will be taken into earnings in the years following the amortization period, when depreciation on the certified portion of these facilities then reflected in the accounts will not be deductible for income tax purposes.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
Consolidated Balance Sheet
Noncurrent Liabilities:

Deferred federal taxes on income (Note 6)	$ 8,483,000
Consolidated Statement of Income	
Provision for federal taxes on income (Note 6)	$25,110,000

Note 6: Deferred Federal Taxes on Income—For Federal income tax purposes, portions of certain facilities covered by Certificates of Necessity obtained in past years are being amortized at the rate of 20% per annum, and additions made to properties in recent years are being depreciated by the sum of the years-digits method to the extent permissible by the provisions of the Internal Revenue Code of 1954. The 1957 provision for Federal taxes on income includes $1,750,000 for deferred taxes arising principally from the excess of amortization and "digits" depreciation allowable for tax purposes over corresponding straight-line depreciation used for financial statement purposes. Prior to 1957, the excess of "digits" depreciation over corresponding straight-line depreciation was not material and deferred taxes were not provided in respect thereto.

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

THE HALOID COMPANY
Consolidated Balance Sheet
Property, Plant and Equipment (Note 3):

At cost	$12,946,005
Less: Reserves for depreciation and amortization	4,667,446
Net property, plant and equipment	$ 8,278,559

Note 3: It is the policy of the Company to provide for depreciation of depreciable properties (except in the case of amortization of emergency facilities as set forth herein) at rates which are designed to extinguish the cost of the properties less salvage values through charges to income and credits to reserves over the estimated service lives of the property on a straight line basis of depreciation with the following exception:

> Effective January 1, 1955 the Company adopted the declining balance method of depreciation for certain capital additions including new xerographic equipment placed on lease.

Included in property, plant and equipment are emergency facilities in the amount of $1,046,877 (gross) acquired under Certificates of Necessity in 1951 and 1956 and which are being amortized over a sixty-month period. Amortization charged to profit and loss for the years 1956 and 1957 ($109,201 and $113,467 respectively) exceed by the amount of $74,534 and $43,649 respectively the depreciation which would have been charged had the Company's usual depreciation rates been applied.

REVERE COPPER & BRASS INCORPORATED
Balance Sheet
Properties, plants and equipment (Note B):

Land and other items not depreciated	$ 3,874,491
Items depreciated	67,783,749
	$71,658,240
Less reserves for depreciation and amortization (Note C)	35,867,941
	$35,790,299
Statement of Income	
Depreciation (Note C)	$ 3,575,112

Note B: The carrying values of properties, plants and equipment are based on depreciated sound values as independently appraised and adjusted to June 30, 1928, representing cost to the Company and for which securities were issued, plus subsequent additions and minus subsequent retirements and sales at cost.

Note C: The policy of the Company with respect to depreciation is to reserve such amounts therefor as will in the aggregate equal its cost of depreciable property at the end of expected useful life of such property. Of the total reserves for depreciation, $3,846,812 represents depreciation as at June 30, 1928.

The charge for depreciation on the Income Statement includes $644,645 for amortization of emergency facilities. During the years 1951 through 1954, the Company received certificates of necessity authorizing it to amortize part of the cost of certain items of plant and equipment over a 60 month period. As at December 31, 1957, the total amount of such assets was $4,688,340 and the total reserve was $3,293,035. The Company is charging as depreciation of such assets an amount equal to that allowed for amortization for income tax purposes, as it is believed that the expected useful life of such facilities will be less than that of other similar facilities previously acquired, and the total charge for depreciation is believed to be fair in relation to the total historical cost of plant facilities of the Company used in production. However, with the reduction in the value of the dollar and resulting increased costs of buildings and equipment, the current charges for depreciation do not reflect the current replacement cost of buildings and equipment.

UNIVERSAL-CYCLOPS STEEL CORPORATION
Balance Sheet
Noncurrent Assets:

Property, plant, and equipment at cost, less accumulated depreciation and amortization —Note B	$11,955,044
Statement of Income and Accumulated Earnings	
Provision for depreciation and amortization —Note B	$ 1,519,022

Note B: Property, Plant, and Equipment—The corporation is providing for depreciation on buildings, machinery, and equipment acquired prior to January 1, 1956 at fixed rates (2½% to 3% for buildings and 3% to 5% for machinery and equipment) on the straight-line basis. Subsequent additions are depreciated on the declining-balance method. The certified portion (50%-75%) of the cost of emergency facilities ($12,751,528 at December 31, 1957) is being amortized over a 60-month period. The portion of cost not subject to amortization is being depreciated at fixed rates on the straight-line basis.

	Balance Dec. 31, 1956	Additions	Deductions	Balance Dec. 31, 1957
Land	$ 260,971	$ 450,939		$ 711,910
Buildings, machinery, and equipment	21,561,527	2,935,116	$118,909	24,377,734
	$21,822,498	$3,386,055	$118,909	$25,089,644*
Accumulated depreciation and amortization	11,715,736	$1,519,022	$100,158	13,134,600
	$10,106,762			$11,955,044

*Includes construction in progress amounting to $1,035,802.

HIGHER PLANT REPLACEMENT COSTS

Reserves for higher plant replacement costs continue to decline. Only five such reserves were disclosed by the 600 survey companies in their 1957 annual reports. Two companies (*Co. Nos. 80, 484) indicated that they eliminated their reserves. The reserve balance of one company (*Co. No. 110) was increased by a charge to retained earnings. The reserve balances of the other four companies remained unchanged.

TABLE 9: HIGHER PLANT REPLACEMENT COSTS

Presentation in Report	1957	1956	1955
A: Charge to Retained Earnings	1	—	2
B: Credit to Retained Earnings	2	2	—
Number of Companies with Reserves for Higher Plant Replacement Costs			
At beginning of year	7	9	9
Established during year	—	—	—
Eliminated during year	(2)	(2)	—
C: At end of year*	5	7	9
No reserves for higher plant replacement costs	595	593	591
Total	600	600	600

*Refer to Company Appendix Section—Co. Nos. 110, 167, 269, 525, 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. References to such foundations are included in several of the 1957 reports. One company (*Co. No. 91) referred to a foundation created in the current year, and 22 companies disclosed prior year creations (*Co. Nos. 48, 183, 258, 398, 429, 590).

*Refer to Company Appendix Section.

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 1957 survey reports. Of the 600 survey companies, 558 presented estimated federal income taxes. Of these, 144 included the estimates among other costs, while 414 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 289 of the 600 survey companies as per details in the table.

TABLE 10: CURRENT ESTIMATE FOR FEDERAL AND OTHER INCOME TAXES

Income Statement Designation	Listed among other costs	Set forth in last section	1957 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	79	248	327
"Federal income" and various other income taxes or non-tax items	56	133	189
"Income taxes" not further designated	9	33	42
Total	144	414	558
Not shown or not required:			
No provision for income taxes although income statement shows profit			5
Operating loss carry-forward eliminates estimate			13
Operating loss shown in statement			21
No income statement presented			3
			42
Total			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	9	55	64
"State income" and other income taxes	26	46	72
"State and foreign income taxes"	6	19	25
"Foreign income taxes"	11	21	32
Various other	25	71	96
Total	77	212	289

Examples—Federal Income Taxes—Current Estimate

Examples illustrating the presentation of the current estimate for federal income taxes in the income statement are as follows:

Listed Among Other Costs

BUTLER BROTHERS
Statement of Consolidated Income

Net sales	$139,472,428
Rentals, interest and sundry income	3,174,176
	$142,646,604
Deduct:	
Cost of goods sold, rent and buying expenses	$115,032,249
Operating, selling, general and administrative expenses	18,850,664
Taxes, other than Federal income taxes	1,304,179
Depreciation and amortization	1,097,411
Interest expense	381,972
Minority interest in income of subsidiaries	38,020
Provision for Federal income taxes	3,200,000
	$139,904,495
Net income	$ 2,742,109

McCORMICK & COMPANY, INCORPORATED
Summary of Net Income

Net Sales	$36,439,158
Other Income	113,987
	$36,553,145
Deductions from Income:	
Cost of Sales, Selling, and General Administrative Expenses	$34,892,869
Interest on Notes and Debentures	133,498
Contribution to Employees' Retirement Income Trust	101,900
Miscellaneous Deductions	32,709
Provision for Federal and State Taxes on Income	697,000
	$35,857,976
Net Income for the Year	$ 695,169

THE NATIONAL CASH REGISTER COMPANY
Results of Operations

Income:	
Sales	$382,512,387
Other income	6,846,123
	$389,358,510
Costs and Expenses:	
Manufacturing, selling, general and administrative	$309,079,628
Research and development	13,649,707
Depreciation	14,170,710
Interest	3,526,920
Contribution to NCR Foundation	500,000
Income taxes:	
United States	15,000,000
Foreign	10,100,000
	$366,026,965
	$ 23,331,545

THE TIMKEN ROLLER BEARING COMPANY
Statement of Income

Net sales	$205,241,594
Interest earned	1,262,501
Other income	633,423
	$207,137,518
Deduct:	
Cost of products sold	$144,051,930
Selling, administrative and general expenses	18,350,006
Other charges	290,007
Taxes on income—estimated:	
Federal	$ 22,780,000
Foreign, state and local	920,000
Total Taxes on Income—Estimated	$ 23,700,000
Total Deductions	$186,391,943
Income	$ 20,745,575

Set Forth in Last Section

AMERICAN MACHINE AND METALS, INC.
Consolidated Statement of Income and Retained Earnings

Net Sales	$44,926,423
Cost of Sales	34,596,047
Gross Profit	$10,330,376
Expenses:	
Selling and advertising	$ 3,153,958
General and administrative	979,082
	4,133,040
	$ 6,197,336
Other Deductions (Income):	
Interest expense	$ 169,260
Miscellaneous—net	(80,264)
	88,996
	$ 6,108,340
Provision for Federal Income Taxes and Renegotiation (Note 2)	3,273,000
Net Income for the Year	$ 2,835,340

Note 2: Renegotiation—A substantial portion of the Company's business since 1954 is subject to renegotiation under applicable statutes and regulations of the U. S. Government. Based on prior years' renegotiation settlements, it is believed that the amounts provided for possible refunds for open years are adequate.

ELGIN NATIONAL WATCH COMPANY
Consolidated Statement of Earnings

Earnings before Taxes	$1,446,380
Provision for Federal Income Taxes	775,000
Net Earnings	$ 671,380

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY
Consolidated Income and Earned Surplus

Income before income taxes	$45,678,135
Provision for federal, state and foreign income taxes	24,311,000
Net income for the year	$21,367,135

PENNSALT CHEMICALS CORPORATION
Consolidated Earnings

Earnings before income taxes	$5,814,816
Federal, state and other income taxes	2,747,334
Net earnings	$3,067,482

THE RELIANCE ELECTRIC AND ENGINEERING COMPANY
Statement of Consolidated Income

Income before taxes on income	$13,957,028
Taxes on income—estimated:	
Federal	$ 7,271,000
Canadian and state	590,000
	$ 7,861,000
Net income (Note D)	$ 6,096,028

SCOTT PAPER COMPANY
Consolidated Operations

Income before taxes	$42,560,126
Provision for taxes on income	
State and Canadian	$ 1,185,000
Federal	19,815,000
	$21,000,000
Net income	$21,560,126

SIMMONS COMPANY
Consolidated Statement of Income

Income, before taxes on income	$11,512,537
Provision for taxes on income:	
Federal	$ 4,536,000
State	202,448
Foreign	1,143,522
	$ 5,881,970
Net income	$ 5,630,567

UNITED MERCHANTS AND MANUFACTURERS INC.
Consolidated Statement of Income

Operating Income	$18,753,103
Other Income	2,186,963
	$20,940,066
Other Deductions	5,141,525
	15,798,541
Net Provision for Federal and Foreign Taxes on Income (Note E)	5,910,876
Net Income (Note A)	$ 9,887,665

Note E: Reserve for Federal and Foreign Taxes on Income—The accompanying consolidated financial statements are subject to final determination of Federal, foreign, state and local taxes for the current year and certain prior years which have not been examined by the taxing authorities.

As at June 30, 1957, the loss carry-overs of subsidiary companies available in the future for Federal and foreign tax purposes approximated $1,650,000 and $2,750,000, respectively.

WEST VIRGINIA PULP AND PAPER COMPANY
Statement of Income

Income before federal taxes	$21,968,000
Federal taxes on income	10,000,000
Net income for the year	$11,968,000

ADJUSTMENTS FOR PRIOR YEAR INCOME TAXES

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, in discussing adjustments of provisions for income taxes of prior periods (Chapter 10, Section B, Paragraph 15), 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."

Presentation of Income Tax Adjustments

There were 102 of the 600 survey companies that presented a total of 123 income tax adjustment items in their 1957 annual reports. Table 11 summarizes the various methods of presentation of the tax adjustments as shown by the survey companies. Of the 123 income tax adjustments, 74 items were set forth in the income statement; 29 were disclosed either in the footnotes, president's letter to the stockholders, or parenthetically in the balance sheet; the remaining 20 items were shown in the retained earnings statement. The income account was utilized for 103 income tax adjustments by 88 companies, and the retained earnings account for 20 items by 14 companies. 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 1957 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 102 of the 600 survey companies in their 1957 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 1957 net income, computed without regard for either income tax adjustments or extraordinary items. Table 12 shows that 42 of such adjustments did not exceed a materiality percentage of 10%; 23 items were within 11-20% range of materiality; 17 items varied from 21-50%; and only 15 items exceeded 50% of materiality. In the case of 26 of the 123 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.

TABLE 11: INCOME TAX ADJUSTMENTS AND ALLOCATION—1957

Nature of Income Tax Adjustments	Presentation in Report* A: Income — Income Statement — Among other costs: With tax estimate	Among other costs: Special item	In last section: With tax estimate	In last section: Special item	Shown Elsewhere: In foot-notes	Shown Elsewhere: In letter to stock-holders	Income Total	B: Retained Earnings	1957 Total Items
Prior year tax accrual adjustment	1	2	2	12	5	1	23	5	28
Prior year tax adjustments not identified	2	4	3	8	—	5	22	3	25
Additional tax assessment or payment	—	—	1	1	1	1	4	4	8
Refunds under Sections 721, 722, etc.	—	2	1	6	3	1	13	3	16
Carry-back: Operating loss	3	—	4	11	—	—	18	—	18
Carry-forward: Operating loss	1	1	2	2	7	1	14	—	14
Interest received on tax refund	—	—	—	4	1	—	5	2	7
Tax adjustment—other items	—	1	—	—	—	3	4	3	7
Adjustments—Total	7	10	13	44	17	12	103	20	123
Allocation of Current Income Taxes, with:									
Extraordinary item shown net of related tax	3	9	4	29	8	—	53	17	70
Extraordinary item shown in full amount	—	3	—	2	3	—	8	1	9
Only tax effect of extraordinary item shown	1	—	1	4	4	1	11	1	12
Deferment of income tax benefit	—	4	3	6	8	2	23	—	23
Allocation—Total	4	16	8	41	23	3	95	19	114
Total	11	26	21	85	40	15	198	39	237

Number of Companies Presenting Special:	1957
Income tax adjustment items	102
Income tax allocation items	94
Total	196
Number of Companies not presenting special items	404
Total	600

*See Table 12 for Percentage of Materiality.
See Tables 13 and 14 for Extraordinary Items.

Examples—

Adjustments for Prior Year Income Taxes

The following examples, taken from the 1957 reports, illustrate the presentation and treatment of adjustments in connection with prior year income taxes:

THE AMALGAMATED SUGAR COMPANY
Statement of Income and Earned Surplus

Sales	$52,384,342
Income from miscellaneous sources	297,624
	$52,681,966
Cost of sales and expenses: (including depreciation provision of $739,792):	
Cost of sales and federal excise taxes	$44,674,497
Administrative and general office expenses	416,766
Miscellaneous expenses and losses	487,507
	$45,578,770
Income before provision for income taxes	7,103,196
Provision for federal and state income taxes	3,835,700
Net income carried to earned surplus	$ 3,267,496
Earned surplus:	
Balance at beginning of year	$20,388,711
Adjustment of income and of federal income tax liability as determined in settlement of federal income taxes to September 30, 1956	447,780
	$20,836,491
Net income for the year	3,267,496
	$24,103,987
Dividends paid	1,480,067
Balance at end of year	$22,623,920

CELANESE CORPORATION OF AMERICA
Consolidated Statement of Income

Income Before Provision for Federal Taxes on Income	$20,739,174
Provision for Federal taxes on income (Notes 3 and 4)	9,500,000
Net Income for Year Excluding Special Credit, Net	$11,239,174
Special credit, Federal taxes and interest (net)—(Note 4)	4,842,570
Net Income and Special Credit, Net, Transferred to Earned Surplus	$16,081,744

Note 4: Federal Taxes on Income—The net accrued liability for Federal taxes on income at December 31, 1957 is as follows:

Provision for Federal income taxes	$6,851,109
Deduct U. S. Treasury Notes and Certificates and accrued interest	6,851,109
Net	$ —

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

In 1956 as a result of examination of certain prior years' Federal tax returns by the Internal Revenue Service, the Federal tax provisions previously made were found to be in excess of requirements by $4,000,000.

During 1957 the claims of the Corporation for relief from excess profits taxes under Sections 721 and 722 of the Internal Revenue Code for the years 1940 through 1942 and the tax liability for such years were settled. As a result, $4,842,570, representing Federal tax provisions previously made not now required and the net amount recovered after providing for related income taxes and expenses, has been added to the income of 1957.

Applications for relief from such excess profits taxes filed by Tubize Rayon Corporation for the years 1941 through 1945 and by certain subsidiaries for all of such years have been rejected by the Excess Profits Tax Council, but petitions for redetermination have been filed with the Tax Court. No credit has been taken in the financial statements for any possible recovery pending final settlement or adjudication.

THE FLINTKOTE COMPANY
Comparative Statement of Consolidated Income

Income before federal and foreign taxes on income	$9,894,642
Federal and foreign taxes on income:	
United States	$3,300,000
Canada and United Kingdom	544,794
	$3,844,794
Net income for the year before special credit below	$6,049,847
Refund of federal income taxes—years 1956-1952 (Note 1)	$1,000,000
Net income and special credit	$7,049,847
Provision for depreciation and depletion included above	$3,987,139

TABLE 12: INCOME TAX ADJUSTMENTS AND ALLOCATION—1957

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1957
Nature of Income Tax Adjustments	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Total Items
Prior year tax accrual adjustments	3	4	7	3	1	5	23	2	1	1	—	1	—	5	28
Prior year tax adjustments not identified	11	3	1	—	—	7	22	2	—	—	—	1	—	3	25
Additional tax assessment or payment	—	1	—	1	—	2	4	1	—	1	1	—	1	4	8
Refunds under Sections 721, 722, etc.	2	2	5	3	—	1	13	1	—	—	—	—	2	3	16
Carry-back: Operating loss	1	—	3	4	7	3	18	—	—	—	—	—	—	—	18
Carry-forward: Operating loss	2	2	3	3	3	1	14	—	—	—	—	—	—	—	14
Interest received on tax refund	—	2	1	1	—	1	5	—	—	1	—	—	1	2	7
Tax adjustment—other items	1	—	—	—	1	2	4	—	1	—	1	1	—	3	7
Adjustments—Total	20	14	20	15	12	22	103	6	2	3	2	3	4	20	123
Allocation of Current Income Taxes, with:															
Extraordinary items shown net of related tax	12	8	7	6	11	9	53	3	2	—	2	7	3	17	70
Extraordinary item shown in full amount	2	—	1	2	2	1	8	—	—	—	1	—	—	1	9
Only tax effect of extraordinary item shown	—	2	4	2	—	3	11	—	1	—	—	—	—	1	12
Deferment of income tax benefit	8	4	4	1	1	5	23	—	—	—	—	—	—	—	23
Allocation—total	22	14	16	11	14	18	95	3	3	—	3	7	3	19	114
Total	42	28	36	26	26	40	198	9	5	3	5	10	7	39	237

	Accounts Adjusted for Special Items:		
Number of Companies, adjusting accounts	Income	Retained Earnings	1957 Total
For prior year income tax adjustments	103	20	123

Number of Companies Presenting Special:	
Income tax adjustment items	102
Income tax allocation items	94
Total	196
Number of Companies not presenting special items	404
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.

Note 1: . . . As a result of the recent U. S. Treasury Department Technical Information Release No. 62, involving depletion of brick, clay and cement rock deposits, Kosmos has filed claims for refund of federal income taxes for the years 1952-1956 which are reflected in the accompanying financial statements in 1957. The portion of such claims relating to 1956 amounts to $235,000.

RAYONIER INCORPORATED
Consolidated Statement of Surplus

	Earned surplus:
$67,515,101	Beginning of year
6,249,375	Net income for the year
2,166,232	Prior years' adjustments, principally depreciation, depletion and U. S. income taxes
$75,930,708	
7,714,261	Cash dividends on common stock
$68,216,447	End of year
	Capital surplus:
$ 3,401,703	Beginning of year
	Excess of consideration received over par value of common stock issued during the year:
70,786	Under employees restricted stock option plan
5,431,638	To minority stockholders of Canadian subsidiary
$ 8,904,127	End of year

Notes to Financial Statements: Prior Years' Adjustments—The company's U. S. income tax returns for the years 1949 through 1954 were examined during 1957 and agreement has been reached on adjustments proposed to date by the Treasury Department. Appropriate adjustments have been made to property accounts, related reserves and to accrued taxes on income. The adjustments applicable to prior years were credited to earned surplus; the effect of those applicable to 1957, which have been reflected in the statement of income for that year, was to reduce depreciation and other costs and expenses approximately $975,000 and to increase net income approximately $430,000.

Tax Assessments, Refunds, and Refundable Taxes

THE CUBAN-AMERICAN SUGAR COMPANY
Consolidated Income Statement

Income before United States and Cuban taxes on income	$4,268,526
United States and Cuban taxes on income (1956 reflects carry-forward refund)	1,254,614
Net income for the year	$3,013,912
Deduct—Additional income tax assessments relating to prior years	991,253
Balance of income carried to consolidated earned surplus statement	$2,022,659

THE CURTIS PUBLISHING COMPANY
Consolidated Undivided Profits

Balance Beginning of Year	$13,185,484
Additional profit (realized in 1957) from sale of Better Farming (less Federal and State Income Taxes amounting to $161,394)	419,451
Refund of 1951 and 1952 Federal Income Taxes including interest (less estimated Federal and State Income Taxes amounting to $61,200) and excess 1953 reserve not now required	850,325
Refund of Federal Income Taxes to a consolidated subsidiary (including interest) for the years 1951 and 1952 (less estimated Federal and State Income Taxes amounting to $10,400)	—
Reserve for Contingencies not now required	1,000,000
	$15,455,261

CHILE COPPER COMPANY
Statement of Consolidated Surplus

Consolidated Surplus, December 31, 1956, without deduction for depletion	$127,712,506
Payment of additional Chilean taxes on income of prior year for which claims have been filed	6,513,276
	121,199,230
Consolidated Net Income, without deduction for depletion	18,229,051
	139,428,281
Dividends declared and paid	16,558,136
Consolidated Surplus, December 31, 1957, without deduction for depletion	$122,870,145

CHICAGO PNEUMATIC TOOL COMPANY
Statement of Consolidated Income and Earned Surplus

Income:	
Net sales	$90,399,220
Cost of products sold, exclusive of taxes, depreciation and amortization	53,112,522
	$37,286,698
Administrative, selling and general expenses	10,576,278
Taxes (other than Federal and foreign income taxes)	2,107,900
Depreciation and amortization	1,796,431
	$14,480,609
	22,806,089
Other income	716,035
	$23,522,124
Provision for estimated Federal and foreign income taxes and renegotiation	12,206,000
Net income for the year before special credit	$11,316,124
Special credit representing refund of prior years' Federal taxes, including interest and less expenses	2,145,836
Net income for the year after special credit	$13,461,960
Earned Surplus at beginning of year	37,424,916
	$50,886,876
Increase in par value of Common stock from $5 to $8 per share	11,918,384
	$38,968,492
Dividends declared:	
Cash:	
$3 Convertible Preference stock	
Common stock (per share $1.04—1957)	4,448,686
10% Common stock dividend	
	4,448,686
Earned Surplus at end of year	$34,519,806

THE EMERSON ELECTRIC MANUFACTURING COMPANY
Consolidated Statement of Net Earnings

Sales and Other Income:	
Sales, less cash discounts, returns, and allowances	$65,341,252
Other income	33,017
	$65,374,269

Cost of Sales, Expenses, and Other Charges:	
Cost of sales and other charges, exclusive of items listed below	$52,493,190
Selling, general, and administrative expenses	6,149,299
Depreciation and amortization	1,344,107
Provision for cost of employes' pension plans (Note 4)	420,989
Interest	557,493
	$60,965,078
Earnings Before Taxes on Income	$ 4,409,191
Estimated Taxes on Income:	
Federal	$ 2,275,000
State	5,000
	$ 2,280,000
Net Earnings Before Nonrecurring Income	$ 2,129,191
Nonrecurring Income:	
Refund of 1944 and 1945 excess profits tax including interest, net of expenses and income taxes	$ 240,525
Net Earnings for Year	$ 2,369,716

Carry-Back and Carry-Forward of Operating Losses

Tables 11 and 12 summarize the number, report presentation, and materiality of carry-backs and carry-fowards of operating losses, as disclosed in the 1957 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 1957 reports of the survey companies.

Carry-Back of Operating Loss

GENERAL PLYWOOD CORPORATION
Consolidated Balance Sheet
Current Assets:

Income taxes refundable under the carry-back provisions of the Internal Revenue Code and Canadian Income Tax Act	$ 131,059

Consolidated Statement of Income

Sales, less returns, allowances, freight out, and discounts	$7,025,446
Cost of sales	6,956,189
Gross profit	$ 69,257
Selling and advertising expenses	$ 377,946
Administrative and general expenses	314,302
	$ 692,248
Operating loss	$ 622,991
Other income, net	14,458
	$ 608,533
Interest paid less interest received	$ 29,848
Loss before taxes on income	$ 638,381
Income taxes refundable under the carry-back provisions of the Internal Revenue Code and Canadian Income Tax Act, less provision for Federal, State and Canadian taxes on income (1957, $2,400)	$ 132,090
Net loss for the year	$ 506,291

KUNER-EMPSON COMPANY
Statement of Net Loss

Income:	
Sales	$6,125,692
Business interruption fire insurance recovery	23,947
Miscellaneous income	2,441
	$6,152,080
Costs and Expenses:	
Cost of sales	$5,405,877
Brokerage, cash discounts, swells and promotional expenses	348,784
Financial expenses	128,364
Administrative expenses	230,819
General selling expenses	175,864
Loss on farming operations	26,745
	$6,316,456
Loss Before Refundable Federal Taxes on Income and Special Credit	$ 164,375
Refundable Federal Taxes on Income arising from carry-back of net operating loss before special credit	81,000
Loss Before Special Credit	$ 83,375
Special Credit:	
Excess of insurance recovery over net carrying amount of plant and equipment destroyed by fire	$ 81,997
Less applicable federal taxes on income—Note C	16,000
	$ 65,997
Net Loss	$ 17,378

Costs and expenses include provision for depreciation of plant and equipment in the amount of $104,461.

Note C: The provision for federal taxes on income applicable to the special credit (all offset by the refundable federal taxes on income arising from the carry-back of net operating loss) has been computed on the assumption that approximately $50,000 of the gain on involuntary conversion of plant and equipment at Fort Lupton will not be recognized under the provisions of Section 1033 of the Internal Revenue Code of 1954.

Carry-Forward of Operating Loss

AVCO MANUFACTURING CORPORATION
Consolidated Earnings

Net sales	$314,882,677
Royalties, interest and miscellaneous income	625,803
Total	$315,508,480
Costs and expenses:	
Cost of sales, exclusive of depreciation	$277,211,579
Selling and administrative expenses	19,196,743
Provision for depreciation	6,119,628
Interest expense	2,105,968
Provision for amount payable under extra compensation plan (Note 8)	321,961
U. S. and Canadian income taxes (Note 2)	83,000
Total	$305,038,879
Earnings (loss) before extraordinary charge	$ 10,469,601

Extraordinary charge for losses from discontinuance of certain appliance operations (Note 1)	—
Net earnings (loss) for the year	$ 10,469,601
Special credit—adjustment arising from settlement of prior years' Federal income and excess profits taxes	$ 2,363,193
Net earnings (loss) and special credit	$ 12,832,794
Dividends:	
On $2.25 cumulative convertible preferred stock ($2.25 per share per year)	$ 297,972
On common stock (10 cents per share in 1957)	907,250
Total	$ 1,205,222
Increase (decrease) during the year in retained earnings	$ 11,627,572
Retained earnings at the beginning of the year	24,373,309
Retained earnings at the end of the year (Note 7)	$ 36,000,881

Note 2: The loss in the 1956 fiscal year resulted in carry-back tax refund for that year and a loss carry-forward which eliminated the U. S. income tax liability for 1957 and reduced by $275,000 the Canadian income tax liability for 1957. Approximately $5,100,000 of the 1956 loss remained available at November 30, 1957 as a carry-forward against subsequent taxable income.

THE CUDAHY PACKING COMPANY
Consolidated Income Statement

Net Sales and Operating Revenues	$340,133,267
Costs and Expenses:	
Cost of sales and operating expenses, exclusive of items below	$320,584,349
Selling and administrative expenses	12,801,388
Provision for depreciation	1,382,017
Taxes, other than Federal income taxes	2,081,768
Contribution to employees' pension fund	294,561
Interest on long-term debt	375,475
Other interest	547,604
Provision for Federal income taxes (See note)	—
	$338,067,162
Net Income for the Year, including the elimination of Federal income taxes of $1,000,000 in 1957 and $2,700,000 in 1956 (See note)	$ 2,066,105

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 $1,066,105 in 1957 and $2,567,724 in 1956. Substantial loss carry-forwards remain for use in 1958 and 1959.

ALLOCATION OF INCOME TAXES

The problem of allocation of income taxes arises in those cases where there are material and extraordinary differences between the taxable income upon which such income taxes are computed and the income for the period determined in accordance with generally accepted accounting principles. For a comprehensive discussion of the allocation of income taxes and the method of applying the allocation principle, see the *Restatement and Revision of Accounting Research Bulletins* (Chapter 10, Section B) issued by the committee on accounting procedure of the American Institute of 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 114 items of income tax allocation for extraordinary items and deferment of income tax benefits disclosed by the survey companies in their 1957 annual reports. In 70 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 12 of these cases. The extraordinary item was shown "in full amount" in 9 cases; however, all of these cases disclosed the amount of "the related tax effect." Allocation of current income taxes was reported by 23 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 12 instances, the amount of the extraordinary item was not clearly determinable in the 1957 reports, and the current year entry showed only "the related tax effect" thereof. During 1957, the income account and the retained earnings account were utilized to reflect 95 and 19 allocations, respectively.

Examples

AMERICAN VISCOSE CORPORATION
Consolidated Income and Retained Earnings

Estimated Taxes on Income:	
State	$ 495,000
Federal, including in 1957, $670,000 for deferred income taxes, Note 2	8,355,000
	$8,850,000

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 issues have been settled. Depreciation on certain assets for income tax purposes has been computed by using the sum of the years-digits method as permitted by the Internal Revenue Code of 1954. For 1957 the amount so determined exceeds by $1,291,000 the depreciation computed by the straight-line method recorded in the accounts. A charge of $670,000 has been made to income for the tax deferral arising from such excess depreciation. Had a similar charge been made in 1956 the amount would have been about $300,000.

AMERICAN WINDOW GLASS COMPANY
Consolidated Earnings Retained and Additional Paid-In Capital

	Earnings Retained	Additional Paid-in Capital
Balance, January 1, 1957	$2,801,901	$61,157
Add:		
Consolidated net earnings for the year	106,812	—o—

Excess of par value over cost of 6,262 shares of 5% Prior Preferred cancelled in satisfaction of sinking fund requirements	—o—	34,147
	$2,908,713	$95,304
Deduct:		
Cash dividends paid on capital stock:		
5% Prior Preferred at $1.25 per share	$ 201,380	$ —o—
5% Class B Preferred at $1.25 per share	1,330	—o—
Common at $.45 per share	185,361	—o—
Excess of cost over proceeds from sale of 963 shares of common stock held in the treasury	—o—	2,220
Estimated pension costs relating to years prior to 1957 (Note 2)	96,936	—o—
	$ 485,007	$ 2,220
Balance, December 31, 1957	$2,423,706	$93,084

Note 2: Pensions—The Company has in effect pension plans for its employees which provide for payment of monthly pensions after retirement. Amounts payable under the plans have not been funded and are not required to be funded.

The Company makes provision in its accounts for the present worth, actuarially calculated, of contractual pension commitments to employees who have retired. The total charge during the year for contractual pension benefits was $157,098, after giving effect to applicable tax credits. Of this amount, $96,936, representing contractual pension commitments to employees who retired prior to January 1, 1957, was charged to Earnings Retained. The balance, $60,162, was charged as an expense in the current year. Actuarial estimates of past service costs are not available.

DIAMOND T MOTOR CAR COMPANY

Consolidated Statement of Income and Earnings Retained in the Business

Net sales of trucks and parts	$56,323,302
Cost of sales	50,465,164
Gross profit	$ 5,858,138
Selling, general and administrative expenses	$ 3,286,908
	$ 2,571,230
Other income:	
Interest and finance charges	$ 367,297
Miscellaneous	13,698
	$ 380,995
	$ 2,952,225
Interest paid	$ 132,719
Income before federal income tax and special charge	$ 2,819,506
Provision for federal income tax (before reduction of $584,000 related to special charge below)	$ 1,475,000
	$ 1,344,506
Special charge related to sale of assets (Note A)	$ 1,122,181
Less, Related reduction in federal income tax	584,000
	$ 538,181
Net income for the year	$ 806,325
Earnings retained in the business, beginning of the year:	
Parent company	$12,186,972
Subsidiary not previously consolidated	21,511
	$13,014,808
Cash dividend	421,259
Earnings retained in the business, end of the year	$12,593,549

Note A: By a contract dated February 25, 1958, which is subject to approval by the stockholders of Diamond T Motor Car Company, the Company has agreed to sell its inventory and certain other assets to The White Motor Company. The amount to be received from the sale has been used as the basis on which the items to be sold are included in the balance sheet. The special charge to income represents principally the difference between the contract price and the amount at which such assets had been carried.

FRUEHAUF TRAILER COMPANY

Consolidated Statement of Net Earnings

Revenues:	
Commercial sales	$220,748,875
Rentals on leased trailers	5,080,009
Defense sales	17,421,433
Total sales	$243,250,317
Less excise taxes	11,208,608
Net sales	$232,041,709
Net earnings of and interest from Fruehauf Trailer Finance Company and Trailer Acceptance Company Limited (Notes A and C)	2,712,777
Miscellaneous	419,611
	$235,174,097
Costs and Expenses:	
Cost of products and service sold, other than items below	$206,074,270
Selling, administrative, and general expenses	15,879,452
Depreciation of plant and equipment	2,361,133
Taxes—property, pay roll, state income, and miscellaneous	3,091,504
Rents	1,592,628
Doubtful accounts	302,917
Interest on long-term debt, including $667,669 in 1957, to Fruehauf Trailer Finance Company	3,098,439
Other interest	1,333,363
United States and Canadian taxes on income (credit*) (Note C)	275,000*
Minority interest in net earnings of Fruehauf Trailer Company of Canada Limited	13,112
	$233,471,818
Net Earnings	$ 1,702,279

Note C: United States and Canadian Taxes on Income—The net earnings of the finance subsidiaries are stated after provision for United States and Canadian taxes on income ($2,479,500 for 1957). The credit of $275,000 for United States and Canadian taxes on income in the statement of net earnings is applicable to the operations of the Company and its consolidated subsidiaries (exclusive of the finance subsidiaries). The difference between this credit and the amount included in Current Assets as refundable taxes on income arises principally from the method of accounting for used trailers for tax purposes as described below.

Used trailers on hand and leased to customers are stated at $1.00 each for United States income tax purposes rather than at the bases used for financial reporting purposes. This practice has resulted in a postponement of income taxes that would have been payable. These taxes become due as the used trailers are sold or as lease rentals are earned; however, the acquisition of additional used trailers results in the postponement of the payment of taxes otherwise due. In effect, the amount of income taxes, the payment of which has been postponed, varies directly with the amount of used trailers on hand or leased to customers. The current liability for United States and Canadian taxes on income in the consolidated balance sheets includes taxes of approximately $5,100,000 at December 31, 1957, and $5,800,000 at December 31, 1956, applicable to used trailers included in Current Assets. Deferred taxes on income include taxes of approximately $3,900,000 at December 31, 1957, and $2,600,000 at December 31, 1956, applicable to used leased trailers included in Investments and Other Assets.

LUKENS STEEL COMPANY

Statement of Income and Retained Earnings (Earned Surplus)

Net income	$10,119,998
Retained Earnings, Beginning of Period	27,853,715
	$37,973,713
Deduct:	
Cash dividends paid, $3.40 per share in 1957, based on 953,928 shares	$ 3,243,355
Vacation pay adjustment applicable to prior years, less applicable reduction in income taxes of $806,000	667,710
	$ 3,911,065
Retained Earnings, End of Period: ($32,521,000 restricted under note agreement) (note)	$34,062,648

PENN FRUIT CO., INC.

Comparative Statement of Consolidated Earnings

Earnings Before Taxes on Income	$4,537,584
Federal and State Taxes on Income:	
State income tax	$ 229,800
Federal income tax	1,937,538
Provision for possible future federal income taxes (Note 4)	226,000
	$2,393,338
Net Earnings	$2,144,246

Note 4: Reserve for Possible Future Federal Income Taxes—The Company and a wholly-owned subsidiary company have used, for income tax purposes, the declining-balance method of computing depreciation at 200% of the straight-line rates on fixed asset additions from January 1, 1954 to and including the current fiscal year, as permitted by the Internal Revenue Code of 1954. Depreciation charges included in the consolidated statements of earnings for the current year and the two preceding fiscal years have been computed on the straight-line basis. The declining-balance method was used in the tax return and accounts for the fiscal year 1954.

The Company has made a net charge to "Earnings Retained and Invested in the Business" for years prior to the current fiscal year, and the "Income" account for the current year, and credited "Reserve 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 ($288,000 for the years prior to the current year and $226,000 for the current year) will be restored to income in years when depreciation based on the declining-balance method will be less than that computed on the straight-line method.

The consolidated earnings statement for the fiscal year 1956, as contained herein, has been adjusted for comparative purposes.

ZENITH RADIO CORPORATION

Statements of Consolidated Income and Earned Surplus

Income:		
Net Sales		$160,018,978
Costs and Expenses:		
Cost of sales		$120,855,790
Selling, advertising and administrative expenses		17,792,260
Contribution to Zenith Profit-Sharing Retirement Plan	$ 3,084,857	
Less—Amount provided from prior year accruals for renegotiation, etc., not required	338,552	
	$ 2,746,305	
Provision for depreciation and amortization		1,284,046
Total		$142,678,401
Income before Federal income taxes		$ 17,340,577
Provision for Federal Income Taxes		9,175,000
Net income for the year		$ 8,165,577
Earned Surplus:		
Balance, December 31, 1956		$ 45,721,558
Add—Net income for the year, as shown above		8,165,577
Settlement ($10,000,000) and accruals no longer required as a result of termination of litigation, less related Federal income taxes and other charges		9,761,953
Prior year accruals for renegotiation, etc., not required, less related Federal income taxes and other charges		651,612
		$ 64,300,700
Deduct—Cash dividends declared ($7 per share		3,447,248
Balance, December 31, 1957		$ 60,853,452

EXTRAORDINARY ITEMS

A total of 257 extraordinary items were disclosed in the annual reports of 184 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 adjustments, nonrecurring plant expenses, lump-sum reduction of intangible assets, and various 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 1957 annual reports. Of the 257 extraordinary items the great majority were set forth in the statement of income (188 items), a number were disclosed in either the footnotes or in the letter to the stockholders (38 items), and the balance (31 items) were shown in the statement of retained earnings or capital surplus.

Materiality of Extraordinary Items

Table 14 summarizes the percentage of materiality and the accounts adjusted for the 257 extraordinary items presented by the survey companies in their 1957 annual reports. The percentage of materiality of extraordinary items was determined by the ratio of such items to the 1957 earnings adjusted for both extraordinary items and prior income tax adjustment items. Table 14 shows that 124 of the extraordinary items did not exceed a materiality percentage of 10%; 32 items were within an 11-20% range of materiality; 38 items varied from 21-50%, and only 36 exceeded 50% of materiality. In the case of 27 of the 257 extraordinary items, the reports did not contain sufficient information for determination of the materiality.

The income account was utilized for the recording of 226 extraordinary items, the retained earnings account for 28 extraordinary items, and the capital surplus account for 3 items. A combination of such accounts was frequently employed by the survey companies in recording the extraordinary items.

Examples

Illustrative examples showing the retained earnings and capital surplus accounts adjusted during 1957 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.

TABLE 13: EXTRAORDINARY ITEMS—1957

	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	1957 Total Items
Disposal or sale of:							
Fixed assets	52	22	2	5	81	—	81
Investments or securities	13	9	2	1	25	—	25
Subsidiary, affiliate, or division	4	15	1	4	24	4	28
Other assets	1	1	—	—	2	1(1)	3
Change in valuation bases:							
Inventory write-down to market	—	4	1	2	7	1	8
"Lifo" liquidation or replacement	—	—	—	1	1	—	1
Inventory "base stock" adjustment	—	1	—	—	1	—	1
Change in investment valuation	4	2	—	2	8	1	9
Fixed assets conformed to "tax" basis	1	—	—	—	1	1	2
Other fixed asset adjustments	1	2	—	1	4	1	5
Miscellaneous adjustments	6	—	—	—	6	—	6
Expenses, losses, gains, etc.:							
Catastrophe—fire, flood, other	1	2	—	1	4	—	4
Foreign exchange adjustments	8	1	—	1	10	—	10
Government contracts	1	3	—	2	6	—	6
Nonrecurring plant expenses	4	3	2	10	19	—	19
Various other gains and losses	4	4	—	—	8	3	11
Various prior year adjustments	1	6	—	—	7	6	13
Miscellaneous other items:							
General undetermined contingencies	1	—	—	—	1	2(1)	3
Lump-sum intangible asset reduction	3	2	—	—	5	2(1)	7
Transfer to reserves or reversal	1	5	—	—	6	9	15
Total	106	82	8	30	226	31	257

Number of Companies Presenting Special:	1957
Non-recurring extraordinary items	184
Not presenting special items	416
Total	600

See also Tables 11 and 12.
*See Table 14 for Percentage of Materiality.
(1) Includes one entry to capital surplus.

BRIGGS MANUFACTURING COMPANY

Statement of Income and Income Invested in the Business

Loss for the year before special items	$(424,067)
Special items:	
Excess of estimated loss on disposition of Hamtramck plant provided in 1955 over loss incurred	49,168
Cost of settlement of legal action, less $100,000 reduction of federal income taxes ...	(91,646)
Loss for the year	$(466,545)

CHESAPEAKE INDUSTRIES, INC.

Statement of Consolidated Earnings

Net earnings before special items (note 5) ..	$1,167,810
Special Items:	
Profit realized on sale of subsidiaries (note 1)	848,829
Provision for contingencies (note 5)	(150,000)
Net earnings and special items (note 5)	$1,866,639

Note 1: Principles of Consolidation—All subsidiaries have been included in the consolidated financial statements except five inactive subsidiaries which are carried at no value.

The Colonial Trust Company was sold on January 17, 1958 as of the end of 1957. A portion of the proceeds from the sale of the stock, which had been pledged against a $5,000,000 bank loan, was immediately used to repay the bank loan and accrued interest thereon. The equity in the 1957 earnings of Colonial is shown as a separate item in the income section, and the profit on the sale of the stock is shown in the special items in the statement of consolidated earnings.

National Transitads, Inc. was sold in February, 1957 and its operations (which were not significant to the date of sale) have not been included in the statement of consolidated earnings. The loss on the sale, which was not material, has been included in special items in the statement of consolidated earnings.

Note 5: Federal Taxes on Income—The 1957 Federal income tax return will show no tax liability because of a net operating loss carryforward. The Internal Revenue Service has accepted the consolidated returns as filed through 1954.

During the year the Internal Revenue Service asserted a deficiency against a subsidiary of approximately $200,000 plus interest with respect to the year 1952 when the subsidiary was not owned by Chesapeake. The Company proposes to contest the asserted deficiency in the Tax Court of the United States, and, because of the complicated questions of law and fact involved, the company's tax counsel states that at present it is not possible to predict the ultimate liability, but he does believe that the $150,000 provided for this purpose in the provision for contingencies is adequate.

TABLE 14: EXTRAORDINARY ITEMS—1957

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1957
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	Total Items
Disposal or sale of:															
Fixed assets	42	9	7	12	4	7	81	—	—	—	—	—	—	—	81
Investments of securities	12	3	3	3	1	3	25	—	—	—	—	—	—	—	25
Subsidiary, affiliate, or division ..	5	2	4	5	7	1	24	—	—	1	1	2	—	4	28
Other assets	1	1	—	—	—	—	2	1(1)	—	—	—	—	—	1	3
Changes in valuation bases:															
Inventory write-down to market ..	—	1	—	3	2	1	7	1	—	—	—	—	—	1	8
"Lifo" liquidation or replacement	—	—	1	—	—	—	1	—	—	—	—	—	—	—	1
Inventory "base stock" adjustment	—	1	—	—	—	—	1	—	—	—	—	—	—	—	1
Change in investment valuation ..	2	2	2	1	1	—	8	—	—	1	—	—	—	1	9
Fixed assets conformed to "tax" basis	1	—	—	—	—	—	1	—	—	—	1	—	—	1	2
Other fixed asset adjustments	2	—	1	—	1	—	4	—	—	—	—	1	—	1	5
Miscellaneous adjustments	2	1	1	1	1	—	6	—	—	—	—	—	—	—	6
Expenses, losses, gains, etc.:															
Catastrophe—fire, flood, other ..	1	—	—	—	2	1	4	—	—	—	—	—	—	—	4
Foreign exchange adjustments ...	6	2	1	—	1	—	10	—	—	—	—	—	—	—	10
Government contracts	2	—	1	1	1	1	6	—	—	—	—	—	—	—	6
Non-recurring plant expenses ...	1	2	1	4	3	8	19	—	—	—	—	—	—	—	19
Various other gains and losses ...	1	1	4	—	2	—	8	—	—	—	1	2	—	3	11
Various prior year adjustments ..	2	1	—	1	1	2	7	2	1	1	—	2	—	6	13
Miscellaneous other items:															
General undetermined contingencies	1	—	—	—	—	—	1	1	—	1(1)	—	—	—	2	3
Lump-sum intangible asset reduction	4	1	—	—	—	—	5	1	—	—	1(1)	—	—	2	7
Transfer to reserves or reversal ..	1	2	1	—	—	2	6	—	2	1	3	2	1	9	15
Total	86	29	27	31	27	26	226	6	3	5	7	9	1	31	257

	Accounts Adjusted for Special Items:				
Number of Companies, adjusting accounts	Income	Income & Retained Earnings	Retained Earnings	Capital Surplus	1957 Total
For extraordinary items	158	4	20	2	184

Number of Companies Presenting Special:	
Non-recurring extraordinary items	184
Not presenting special items	416
Total	600

*Ratio of item to 1957 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.

CROWN CORK & SEAL COMPANY, INC.
Consolidated Statement of Income and Earned Surplus

Costs and Expenses:	
Cost of products sold other than depreciation	$ 98,278,000
Selling and administrative expenses	13,337,000
Depreciation of plant and equipment	2,494,000
Interest	894,000
Relocation of operating facilities including estimate of possible loss in connection with disposition of fixed assets, etc., less (in 1956) Treasury Department adjustments of fixed assets	637,000
	$115,640,000

GOEBEL BREWING COMPANY
Comparative Statement of Net Earnings and Earnings Retained

Costs and Expenses:	
Cost of maintaining plant No. 3 during idleness (Note H)	$149,703
Net Loss Before Non-Recurring Items	$ 85,671
Non-Recurring Items:	
Extraordinary and carrying costs applicable to plants sold or held for sale during the year (Note H)	98,166
Costs incurred to rehabilitate plant No. 3 after extended period of complete idleness	31,901
Reduction in liability arising from lump-sum settlement of royalty contract cancelled (credit*) (Note C)	302,920*
Loss from liquidation of excessive inventory of white bottles-package discontinued	30,635
Net Earnings (Loss*) Before Recoverable Federal Income Taxes	$ 56,547

Note C: The Company cancelled its contract with Arthur Guinness Son & Co. Ltd. as of December 31, 1956. The cancellation agreement resulted in a loss in 1956 of $399,669 after recoverable 1954 Federal income taxes in the amount of $432,975 as reported in the 1956 Annual Report. The cancellation agreement was renegotiated in 1957 and the remaining $600,000 liability was reduced by $302,920, which appears as a non-recurring credit in 1957. The promissory note of $175,000 in Current Liabilities on the Balance Sheet represents the unpaid balance of the settlement.

Note H: Idle plant costs in 1956 amounting to $578,233 have been separated to show the portion applicable to Plant No. 3 located at Detroit, Michigan, in the amount of $369,337 (restored to an operating status in 1957) and the portion applicable to Plant No. 4, located at Oakland, California, $208,896 (sold as of December 31, 1956). This split was made to put both years on a comparable basis.

Plant No. 3 cost during idleness includes depreciation of $110,266 in 1957 and $170,411 in 1956. The non-recurring costs applicable to plans sold or held for sale includes depreciation of $16,397 in 1957 and $128,461 in 1956.

HIGGINS, INCORPORATED
Income and Earned Surplus (Deficit)

Other Income:	
Discount on Purchases	$ 8,230
Profit on Sale of Fixed Assets	5,988
Income from Patent Rights	100,973
Miscellaneous	8,408
	$123,599
Loss for Year	$629,553
Loss Applicable to Prior Years:	
Price Adjustments of Defense Contracts	$ 17,559
Expiration of Timber Rights	16,512
Loss Applicable to Prior Years	$ 34,072
Loss Carried to Earned Surplus (Deficit)	$663,625

MILLER MANUFACTURING COMPANY
Consolidated Statement of Income and Accumulated Net Income Retained for Use in the Business

Other income and (deductions):	
Royalty income	$ 37,632
Gain on disposal of plant and equipment	104,441
Rental income	24,395
Excess of life insurance proceeds over cash surrender value	14,924
Interest and other income (net)	6,303
Interest on bank loans and debenture bonds, including amortization of bond discount and expense of $12,284 in 1957	(138,156)
	$816,346

TIME INCORPORATED
Consolidated Statement of Income

Net Income Before Special Items	$12,023,547
Special Items:	
Extraordinary capital gains (losses) after effect of capital gains taxes:	
From sale of 350,000 shares of St. Regis Paper Company common stock	7,709,290
From sales of preferred stocks	(2,004,885)
Net Income (including extraordinary capital gains and losses)	$17,727,952

WM. WRIGLEY JR. COMPANY
Statement of Consolidated Earnings

Income:	
Net sales, less cash discounts allowed	$92,277,165
Interest and dividends from investments	628,701
Net gains realized from sales of securities and other properties	10,290
Miscellaneous other income (net)	205,342
	$93,121,498

THE YALE & TOWNE MANUFACTURING COMPANY
Statement of Income and Earnings Retained

Net income before non-recurring expense	$11,041,036
Non-recurring Expense: Plant pre-opening and production facility rearrangement	$ 1,617,779
Net income before provision for taxes on income	$ 9,423,257
Provision for Taxes on Income	4,731,000
Net income for year	$ 4,692,257

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 61 survey companies that presented such items in a separate last section of the 1957 income statements. Forty-four companies indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year, while 17 companies clearly indicated the *exclusion* of such charges and credits from the figure of net income for the year.

Examples illustrating the presentation of the final figure of the income statement of the 1957 reports are as follows. Additional examples are given under *Extraordinary Items,* also in this section.

AMERICAN SHIP BUILDING COMPANY
Summary of Consolidated Income

Income Before Extraordinary Charge	$138,475
Extraordinary charge—provision for estimated additional contract loss, less estimated tax recovery of $960,000—Note	900,000
Net Loss	$761,525

Note: Under a contract with the United States Navy, the Company has sustained a substantial loss to June 30, 1957, on the basis of percentage of completion as determined by the Company at that date. It is expected that additional losses will be sustained in completing said contract. The estimated sustained loss to June 30, 1957, plus the estimated additional loss of approximately $900,000 (net of estimated tax recovery) to complete have been charged against income of the year ended June 30, 1957.

DIAMOND T MOTOR CAR COMPANY
Consolidated Statement of Income and Earnings Retained in the Business

Income before federal income tax and special charge	$2,819,506
Provision for federal income tax (before reduction of $584,000 related to special charge below)	1,475,000
	$1,344,506
Special charge related to sale of assets (Note A)	$1,122,181
Less, Related reduction in federal income tax	584,000
	$ 538,181
Net income for the year	$ 806,325

Note A: By a contract dated February 25, 1958, which is subject to approval by the stockholders of Diamond T Motor Car Company, the Company has agreed to sell its inventory and certain other assets to The White Motor Company. The amount to be received from the sale has been used as the basis on which the items to be sold are included in the balance sheet. The special charge to income represents principally the difference between the contract price and the amount at which such assets had been carried.

THE GILLETTE COMPANY
Consolidated Statement of Income and United States Earned Surplus

Net income before special charges	$25,940,570
Special charge to amortize goodwill (page 11)	2,628,255
Net income after special charge, transferred to United States earned surplus	$23,312,315

Page 11: Progress of the Company's Business—Goodwill applicable to the purchase of the Paper Mate Companies on September 30, 1955 is being amortized over the thirty-six months' period subsequent to the date of acquisition. The 1957 amortization of Paper Mate goodwill amounting to $2,628,255 is reflected under the caption "Special Charge to Amortize Goodwill" in the consolidated statement of income and United States earned surplus. The unamortized balance at the end of 1957 amounted to $1,971,192.

TABLE 15: DESIGNATION OF FINAL FIGURE—1957

Number of Companies Presenting:	1957
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. 15, 63, 196, 266, 532, 598)	25
Setting forth an *"undesignated"* figure preceding extraordinary item and designating final figure of the income statement as *"net income for the year"* (*Co. Nos. 124, 195, 270, 316)	7
Designating figure preceding extraordinary item as *"net operating income"* and final figure of the income statement as *"net income"* (*Co. Nos. 118, 522, 584)	5
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. 34, 153, 263)	7
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. 50, 64, 313, 524)	12
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. 68, 294, 355, 365)	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. 413)	1
Total	61

*Refer to Company Appendix Section.

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Consolidated Statement of Income

Net income before special item	$3,780,160
Special item—contract price adjustment, after taxes of $1,575,000 (Note 2)	1,455,614
Net Income	$5,235,774

Note 2: Substantially all of the Company's sales in 1955, 1956 and 1957 are subject to the Renegotiation Act of 1951. Renegotiation proceedings have been concluded to December 31, 1954, except for the years 1951 and 1953. The Company has paid or accrued refunds for 1951 and 1953 as determined by the Renegotiation Board, but the Company has petitioned the Tax Court of the United States for a redetermination of the excessive profits, if any, for these years. The Renegotiation Board has determined a net refund for the year 1954 amounting to approximately $1,170,000 after tax adjustments, and the Company has accepted this determination. Even though the Company believes its profits are not and have not been excessive, it has established reserves for the payment of this refund and any refunds which may be required for subsequent years.

The Company's request for a contract price adjustment on one large contract referred to in previous reports has been resolved and the effect thereof reflected on the income statement as a special item.

LONE STAR CEMENT CORPORATION

Comparative Consolidated Statement of Income and Earned Surplus

Net earnings for year	$15,702,778
Special Items—Credit or (Debit):	
Net foreign exchange adjustments other than those charged above (Note 2)	(1,368,519)
Amount transferred to statutory surplus by South American subsidiary	(81,610)
Net credit to surplus	$14,252,649

Note 2: The Consolidated Balance Sheet includes net current and working assets located in Cuba and South America aggregating $5,989,939 at December 31, 1957 and $6,599,872 at December 31, 1956 and other net assets of the Cuban and consolidated South American subsidiaries aggregating $13,397,540 at December 31, 1957 and $13,424,253 at December 31, 1956. 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 consolidated 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. 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.

THE W. L. MAXSON CORPORATION

Statement of Consolidated Income and Earned Surplus

Net income for the year	$266,942
Special items:	
Credit arising from the anticipated settlement of Federal income taxes for 1953 and 1954 (Note 5)	$400,000
Less: Write-off of certain deferred development expenses (Note 3)	$378,820
Less: Applicable Federal income tax credit (current—$54,000; deferred—$143,000—see Note 2)	197,000
	$181,820
	$218,180
Net income and special items	$485,122

Note 2: Substantially all development and general and administrative expenses deferred in the financial statements were deducted as incurred for income tax purposes; and depreciation of emergency facilities allowed for income tax purposes has exceeded depreciation thereon provided in the financial statements. The resulting reductions in Federal income taxes, which formerly were carried as a reserve for future Federal income tax, have been applied in the consolidated balance sheet at September 30, 1957 in reduction of the assets to which related, i.e., $620,000 in reduction of deferred development expenses, $188,000 in reduction of deferred general and administrative expenses and $166,000 as an addition to the reserve for depreciation of fixed assets.

The deductions allowable for tax purposes for the 1957 fiscal year in respect of development, general and administrative expenses and depreciation were, in the aggregate, less than the corresponding amounts deducted in the financial statements, which resulted in an increase in Federal income tax currently payable. Accordingly, $103,000 of the future Federal income tax reserve previously provided was credited to income of the 1957 fiscal year in reduction of the current Federal income tax provision charged thereto. $143,000 of such reserve was applicable to the deferred development expenses written off during the 1957 fiscal year.

Note 3: Deferred development expenses represent unamortized accumulated costs incurred in the development of new military and commercial products reduced by the proceeds received from customers on contracts for the items under development and, as explained in Note 2, by applicable Federal income tax credit. It is the Corporation's policy to defer such expenses until (1) a production contract, sales order or license agreement is obtained for a particular product developed, from which time the applicable deferred expense is amortized on the basis of the number of units expected to be sold or the royalty income expected to be received or (2) a particular development project is abandoned or determined by the management to be unlikely to result in substantial income, at which time the applicable deferred expense is written off. The deferred development expenses at September 30, 1957 relate primarily to uncompleted development work in process, the ultimate value of which is dependent on successful completion of the development work and sale or licensing of the related products.

Note 5: While the examination by the Internal Revenue Service of the Corporation's Federal income and excess profits tax returns for the 1953 and 1954 fiscal years has not yet been completed, it is expected that the reserve of $400,000 provided in 1953 for Federal tax contingencies will not be required. Accordingly, such reserve has been reversed and credited as a special item in the statement of consolidated income and earned surplus.

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

Statement of Profit and Loss and Earned Surplus

Net Operating Profit (Note 1)	$15,523,358
Deduct—Provisions for estimated Federal and state taxes on income	8,700,000
Net Profit Before Allowances	$ 6,823,358
Deduct—Increase in allowances on long-term contracts (Note 1)	425,000
Net Profit Carried to Earned Surplus	$ 6,398,358

Note 1: The Company's business consists largely of long-term ship construction, repair and conversion and hydraulic turbine and other construction contracts of large unit value, the performance of which may extend over periods as long as several years. A large part of the Company's business is with departments and agencies of the United States and the contracts therefor are subject to profit limitations and renegotiation to the extent that existing law and the contracts may provide and, in some cases, to termination at the convenience of the Government.

The Company records profits on its long-term shipbuilding contracts through estimates on the percentage-of-completion basis, and on its other long-term contracts as billings are made thereon. The profits so estimated and recorded are reduced by such allowances as may be considered advisable, taking into account the stage of completion of each contract, possible increases in costs not included in the estimates, guarantee liabilities, unsettled contract adjustments and other factors. The amounts reserved as allowances reflect the reductions in Federal and state income taxes which would result if the matters covered by the allowances materialize. To the extent that the matters for which the allowances were provided do not materialize, the allowances are included in income. If such matters materialize in amounts exceeding the allowances provided therefor, the excess will reduce income in the year in which such matters materialize. Federal and state income taxes must be paid for each year upon the profits as estimated and recorded without consideration of allowances. Such allowances aggregated $3,125,000 at December 31, 1957 and $2,700,000 at December 31, 1956.

Income from other contracts and orders is estimated and recorded as billings are made under the contracts or recorded upon completion of each contract.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY

Consolidated Statement of Earnings and Accumulated Earnings

Net Earnings from Operations	$2,919,388
Gain on the Sale of the Canadian Subsidiary's Railway Equipment Business, less related taxes on income of $403,000	646,651
Net Earnings	$3,566,039

EARNINGS PER SHARE

Statistical presentations of periodic net income (or loss) in terms of earnings per share are commonly used in annual reports to shareholders.

Accounting Research Bulletin No. 49, issued by the committee on accounting procedure of the American Institute of Certified Public Accountants in April, 1958 deals with a number of problems arising in the computation of earnings per share.

Among other things the committee stated that:

(a) It is, in many cases, undesirable to give major prominence to a single figure of earnings per share;

(b) Any computation of earnings per share for a given period should be related to the amount designated in the income statement as net income for such period; and

(c) Where material extraordinary charges or credits have been excluded from the determination of net income, the per share amount of such charges and credits should be reported separately and simultaneously.

Of the 600 companies included in the 1957 survey, 540 disclosed comparative earnings per share figures for two years or more. Four companies disclosed earnings per share for the current year only, and 56 companies made no such disclosures.

Although earnings per share are computed on the net income for the year, the per-share figure in most cases was not disclosed on the income statement, but presented in the "highlights," letter to stockholders, or in the financial or operating summary.

When computations of earnings per share for a period of years are submitted which include periods in which there have been stock splits or substantial stock dividends, Bulletin No. 49 states in effect that the earnings for periods prior to the dates of the splits, etc., should be divided by the current equivalent of the number of shares outstanding in the respective prior periods in order to arrive at earnings per share in terms of the present stock position. Table 16 summarizes the presentation of earnings per share where the number of shares has changed during the current year as a result of stock dividends, splits or conversions, etc., and the companies disclose comparative statistics for two years or more. In this connection it may be noted that where weighted averages are used, the earnings per share are generally indicated also on the number of shares outstanding at the end of the period.

Examples

The following examples selected from the 1957 annual reports illustrate the various methods used to present earnings per share and to disclose the basis for computation:

TABLE 16: EARNINGS PER SHARE—1957

Methods of Presentation or Computation	1957
Earnings Per Share Figures— Adjusted Retroactively for:	
Stock dividends (*Co. Nos. 49, 64, 156, 270, 295, 479, 491, 498, 525, 554)	74
Stock splits (*Co. Nos. 311, 388, 408, 504, 546)	31
Stock conversions (*Co. Nos. 1, 230)	2
Total	107
Not Adjusted Retroactively for:	
Stock dividends (*Co. Nos. 124, 201, 242, 245, 531)	21
Stock splits	—
Stock conversions (*Co. Nos. 146, 166, 237)	9
Total	30
Weighted Averages Employed:	
Based on average number of shares outstanding during the year (*Co. Nos. 18, 40, 65, 383, 449)	10
Number of Companies	
Disclosing comparative earnings per share	540
Disclosing earnings per share for current year only	4
Not disclosing earnings per share	56
Total	600

*Refer to Company Appendix Section.

Earnings Per Share Figure for Current Year Only

ADMIRAL CORPORATION

Letter to the Shareowners: Profits—Consolidated net income in 1957 was $965,067 or $.41 per share on the 2,362,096 shares outstanding, compared with earnings of $1,504,024 in the prior year.

BARIUM STEEL CORPORATION

Report to the Shareholders: Consolidated net earnings for the year amounted to $3,063,000 or approximately $.74 per share on the 4,149,495 shares outstanding at the year end.

Adjusted Retroactively for Stock Split

MERCK & CO., INC.
Summary of Consolidated Income and Dividends

	1957	1956	. . .	1949
Earnings per share of common stock*	$2.21	$1.92		$1.16

*Based on the average number of shares of common stock outstanding adjusted for the exchange in 1953 of 2¼ shares of Merck & Co., Inc. common for each share of Sharp & Dohme, Incorporated common and for the 3-for-1 split of the Merck & Co., Inc. common stock in 1951.

The financial information included in the above summary reflects the operations of Sharp & Dohme, Incorporated for the period prior to April 30, 1953, the date of the merger of that company into Merck & Co., Inc.

A. O. SMITH CORPORATION
Highlights of the Year

	1955	1956	1957
Net Income Per Share*	$3.01	$3.55	$4.85

*Based upon 2,000,00 shares of stock currently outstanding.

Financial Review: . . . Based upon the 2,000,000 shares of common stock currently outstanding, net profits for the 1956-57 fiscal year were equal to $4.85 per share and dividends of $1.40 per share were paid. By comparison, earnings and dividends in the prior year were $3.55 and $1.40 per share, respectively. (On the 1,000,000 shares of common stock outstanding prior to the stock split on September 20, 1957, profits in 1956-57 and 1955-56 were $9.71 and $7.10 per share, respectively.)

Adjusted Retroactively for Stock Dividend

MASONITE CORPORATION
Financial Highlights

	1957	1956
Earnings per Share	$3.43	$4.88*

*Based on 1,441,089 shares plus 1957 stock dividend of 29,051 shares.

President's Letter: . . . This profit was equal to $3.43 per share of common stock, including the shares issued pursuant to a 2% stock dividend which was distributed October 15, 1957.

TECUMSEH PRODUCTS COMPANY

President's Letter: . . . Profit after Federal income taxes totaled $5,788,568 or $4.82 per share in 1957 as compared with $7,386,467 or $6.16 per share in 1956 (after giving effect to the 100% stock dividend issued in 1957). . . .

UNIVERSAL-CYCLOPS STEEL CORPORATION
Financial Highlights

	1957	1956
Per Share of Common Stock	$2.87	$3.78*

*Restated on basis of shares outstanding as of December 31, 1957.

President's Letter to Shareholders: . . . Sales of Universal-Cyclops Steel Corporation for the year ended December 31, 1957, were $53,764,817 and net income was $2,937,954, equivalent to $2.87 per share on the 1,025,431 shares outstanding at the year end. . . .

Cash dividends paid during the year amounted to $1 per share, adjusted to give effect to the 100% stock distribution in July. In addition a 3% stock dividend on the increased number of shares was paid to shareholders of record December 12. . . .

Adjusted Retroactively for Stock Conversions

ACF INDUSTRIES, INCORPORATED
Financial Highlights

	1957	1956
Net income:		
ACF Industries, Incorporated and consolidated subsidiaries	$9,033,000	$8,008,000
SHPX group of companies (not consolidated)*	785,000	585,000
Combined	$9,818,000	$8,593,000
Earnings per share of ACF common stock (based on number of shares outstanding at April 30, 1957):		
ACF Industries, Incorporated and consolidated subsidiaries	$6.39	$5.67
SHPX group of companies	.56	.41
Combined	$6.95	$6.08

*Wholly-owned subsidiaries engaged in financing railroad cars leased to industrial users.

Statement of Financial Position
Stockholders' Equity:

	1957	1956
5% cumulative convertible preferred stock, $50 par—None authorized or outstanding at April 30, 1957 after conversion of 135,566 shares to common and redemption of 1,901 shares during current year	—	$ 6,873,350
Common stock, $25 par—Note 3 1,675,000 shares authorized of which 1,412,714 shares were outstanding at April 30, 1957 after deducting 24,428 treasury shares	$35,317,856	31,504,175

Letter to the Shareholders: . . . The combined net earnings, after taxes on income, of ACF Industries, Incorporated, and its wholly owned SHPX group of companies—$9,033,000 and $785,000 respectively—totaled $9,818,000, a gain of 14.3 per cent over the previous year. This was equal to $6.95 per share on the 1,412,714 shares of ACF common stock now outstanding. Combined earnings for fiscal 1956, based on the same number of shares, were equivalent to $6.08 per share.

Adjusted Retroactively for Merger with Another Company

COPPERWELD STEEL COMPANY
Highlights

	Combined* 1957*	Combined* 1956	Copperweld as previously reported 1956
For the year:			
Net sales	$121,094,351	$129,547,531	$100,541,926
Net income	2,769,855	4,106,039	3,440,872
Per cent of net sales	2.3%	3.2%	3.4%
Per share of common stock	$2.41	$3.72	$4.08
Shares of stock outstanding:			
Preferred—5% Series	10,887	12,557	12,557
Preferred—6% Series	38,032	54,691	54,691
Common	1,086,191	1,045,781**	790,601

*On November 30, 1957, the Company merged with Superior Steel Corporation. The figures shown throughout this report are combined for the entire year 1957 and for 1956 for comparative purposes.

**Adjusted to reflect 255,180 shares of Copperweld stock exchanged for 340,240 shares of Superior Steel Corporation stock as result of merger.

Financial Review of 1957: . . . Net income per share of common stock for 1957, after payment of dividends of $156,046 on preferred stock, was $2.41 on 1,086,191 shares of common stock outstanding at December 31, 1957. For the year 1956, net income per share of common stock, after payment of dividends of $216,036 on the preferred stock, was equivalent to $3.72 per share on 1,045,781 shares at December 31, 1956, adjusted to reflect the merger.

The net earnings of Superior Steel Corporation for the eleven-month period prior to the merger on November 30, 1957 were $1.49 per share of common stock on the 340,240 shares outstanding. For the twelve-month period ended December 31, 1956, Superior's earnings per share of common stock were $1.95 on the same number of shares outstanding.

Common Stock: The number of shares of Common Stock outstanding at December 31, 1957 was 1,086,191, representing an increase of 295,590 shares during the year. The increase is accounted for as follows:

Issued in exchange for 340,240 shares of Superior Steel Corporation stock upon merger	255,180
Less shares held as treasury stock	225
	254,955
Issued upon conversion of 16,659 shares of 6% Cumulative Preferred Stock on the basis of 2.02 shares of common for each share of preferred	33,650
Issued under employee stock option agreements granted December 14, 1955	6,985
Shares issued in 1957	295,590

Based on Weighted Average during Current Year

THE MEAD CORPORATION
A Quick Glance at the Years

Shareholders:	1957	1956
Number of shareholders	7,303	6,959
Average number of Common Shares outstanding	3,984,296	3,732,451
Per Common Share:		
Net earnings (on average shares)	$ 2.94	$ 3.73

Report to the Shareholders: . . . In comparing net earnings on a share basis, the 1957 results, based on average shares outstanding, were $2.94 per share, as against $3.73, on the same basis, in 1956, a reduction of 21%. For reasons explained on page 20, earnings per share are stated on the basis of the average shares outstanding during the year rather than on the shares outstanding at the end of the year.

The increased number of shares outstanding at the end of 1957, as compared with the beginning of the year, is the result of acquisitions of a number of other companies through exchange of stock. . . .

Page 20: Additional Common Shares were issued at various times during the year 1957 to acquire properties as outlined in Note E to the financial statements. Because of these changes, per share earnings are reported on the daily average of shares outstanding during the year rather than on the shares outstanding at the close of the year as was done in the past. The Corporation intends to report earnings on this basis in the future. . . .

Note E: . . . The changes in Common Shares during 1957 are summarized as follows:

	Shares	Amount
Outstanding at beginning of year	3,505,534	$51,647,601
Issued upon merger of Atlanta Paper Company	273,295	1,366,475
Outstanding at beginning of year after giving effect to merger	3,778,829	53,014,076
Issued upon acquisition of:		
Industrial Container & Paper Corp.	68,200	2,318,800
The Cleveland Paper Company	28,006	980,210
Mead Board Sales, Inc. (40%)	23,692	900,296
The Excello Paper Products Co.	55,726	2,117,588
The Shelby Paper Box Company	40,000	1,360,000
Common Share dividend (2½%)	99,969	3,498,915
Issued under stock option plan and other transactions	7,270	244,393
Outstanding at end of year	4,101,692	$64,434,278

American Smelting and Refining Company and Consolidated Subsidiaries

Consolidated Statement of Earnings

For the Years Ended December 31	1957	1956
SALES OF PRODUCTS AND SERVICE REVENUES	$498,551,310	$592,925,651
COSTS OF PRODUCTS AND SERVICES—exclusive of items deducted separately below	449,230,842	514,015,764
	49,320,468	78,909,887
OTHER INCOME:		
Dividends from subsidiaries not consolidated	2,808,446	1,988,898
Other dividends, interest and miscellaneous income	6,189,286	6,919,454
Profit on investments	583,930	46,333*
	58,902,130	87,771,906
DEDUCTIONS:		
Administrative and general expenses	7,454,162	6,683,631
Selling expenses	2,905,168	2,807,602
Research expenses and exploration expenses for new mines	3,185,139	2,803,099
State income and franchise taxes	472,560	837,555
Depreciation	9,622,321	8,590,776
Depletion	895,363	767,708
Total deductions	24,534,713	22,490,371
EARNINGS BEFORE U. S. AND FOREIGN TAXES ON INCOME	34,367,417	65,281,535
U. S. AND FOREIGN TAXES ON INCOME	9,400,470	25,454,715
NET EARNINGS	$ 24,966,947	$ 39,826,820

Notes to Financial Statements are on Page 24

*Loss

Columbian Carbon Company *and Subsidiaries*

Consolidated Statement of Earnings and Earnings Retained in the Business

Years Ended December 31, 1957 and 1956

	1957	1956
SALES AND OTHER INCOME:		
Net sales	$70,902,783	$65,529,600
Interest and other income	373,385	379,433
TOTAL SALES AND OTHER INCOME	71,276,168	65,909,033
COSTS AND EXPENSES:		
Cost of sales and operating expenses	45,308,266	40,917,950
Dry holes, geophysical, lease rentals and surrenders	3,252,794	2,873,549
Depreciation, depletion and amortization (including depletion of intangible well costs)	6,377,224	6,039,621
Selling and administrative expenses	8,018,671	7,199,831
Interest	532,094	598,348
U. S. and foreign taxes on income	3,265,000	3,210,000
Minority interest in earnings	269,000	235,378
TOTAL COSTS AND EXPENSES	67,023,049	61,074,677
NET EARNINGS	4,253,119	4,834,356
EARNINGS RETAINED IN THE BUSINESS— beginning of year	38,912,611	37,947,578
	43,165,730	42,781,934
DIVIDENDS PAID	3,869,323	3,869,323
EARNINGS RETAINED IN THE BUSINESS— end of year (notes 2 and 4)	$39,296,407	$38,912,611

The notes on page 17 are an integral part of the financial statements.

Standard Oil Company • New Jersey •

PARENT COMPANY STATEMENT OF INCOME

FOR THE YEARS 1957 AND 1956

	1957	1956
REVENUE		
Dividends from investments in companies consolidated	$555,253,977	$528,048,168
Dividends from other investments	91,795,017	107,160,493
Interest	28,479,976	26,358,172
Profit on sale of securities	590,995	264,500
	676,119,965	661,831,333
DEDUCTIONS		
General and administrative expenses	41,731,174	35,273,331
Taxes, other than income taxes	941,396	1,192,873
Interest on long-term debt	8,748,941	8,794,782
Other interest	14,134,437	13,696,932
Provision for loss on investments	10,463,640	6,282,149
Provision for income taxes	12,500,000	21,500,000
	88,519,588	86,740,067
NET INCOME	$587,600,377	$575,091,266

PARENT COMPANY STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEAR 1957

	CAPITAL			
	PAR VALUE OF STOCK ISSUED	AMOUNT IN EXCESS OF PAR VALUE	EARNINGS REINVESTED AND EMPLOYED	TOTAL
Balances at December 31, 1956	$1,378,574,946	$ 30,193,656	$1,167,386,930	$2,576,155,532
Stock issued (see page 9)	45,843,868	235,226,454		281,070,322
Net income for 1957			587,600,377	587,600,377
Cash dividends paid in 1957			(442,079,564)	(442,079,564)
Balances at December 31, 1957	$1,424,418,814	$265,420,110	$1,312,907,743	$3,002,746,667

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

Statement of Combined Operations and Retained Earnings

WHOLLY OWNED REAL ESTATE SUBSIDIARIES OF STIX, BAER AND FULLER COMPANY

Fiscal years ended February 2, 1957 and January 28, 1956

	1957	1956
Rental income:		
Stix, Baer and Fuller Company	$ 928,337	$539,366
Other	253,341	2,445
	$1,181,678	$541,811
Expenses:		
Ground rent	151,200	147,533
Taxes, other than those on income	184,095	133,317
Interest — Stix, Baer and Fuller Company	53,595	54,032
Interest — others	239,762	141,922
Depreciation	267,296	121,193
Administrative	188,565	19,036
Provision for federal and state taxes on income — estimated	21,000	21,000
	$1,105,513	$638,033
Net earnings or loss†	$ 76,165	$ 96,222†
Retained earnings:		
Balance at beginning of year	247,221	343,443
Balance at end of year	$ 323,386	$247,221

See Notes to Combined Financial Statements.

SUBSIDIARIES OF STANDARD BRANDS INCORPORATED

OPERATING OUTSIDE THE UNITED STATES AND CANADA

(INTERNATIONAL DIVISION SUBSIDIARIES)

Combined Income and Earnings Retained

	Year ended November 30 1957	1956
NET SALES	**$26,894,618**	$23,718,646
COST OF PRODUCTS SOLD	**16,418,924**	15,929,321
GROSS PROFIT	**10,475,694**	7,789,325
SELLING AND ADMINISTRATIVE EXPENSES	**7,907,709**	5,412,687
	2,567,985	2,376,638
OTHER EXPENSE—NET	**109,629**	157,524
INCOME BEFORE PROVISION FOR TAXES ON INCOME	**2,458,356**	2,219,114
PROVISION FOR TAXES ON INCOME	**1,007,290**	1,024,634
INCOME FROM OPERATIONS FOR THE YEAR	**1,451,066**	1,194,480
SPECIAL CREDITS (CHARGES):		
REVALUATION OF FOREIGN CURRENCIES	**(263,341)**	41,534
INCOME FOR THE YEAR TRANSFERRED TO EARNINGS RETAINED	**1,187,725**	1,236,014
EARNINGS RETAINED BEGINNING OF YEAR	**9,436,967**	8,139,707
	10,624,692	9,375,721
ADJUSTMENT OF INTER-COMPANY INDEBTEDNESS	**—**	712,298
	10,624,692	10,088,019
DIVIDENDS, PAID TO STANDARD BRANDS INCORPORATED	**502,135**	651,052
EARNINGS RETAINED END OF YEAR	**$10,122,557**	$ 9,436,967

Income from operations in foreign countries was translated monthly into U. S. dollars at prevailing rates of exchange, except that provisions for depreciation were based on the approximate U. S. dollar equivalents at the time of acquisition or construction of related assets.

The remittances of earnings by these subsidiaries generally are subject to exchange regulations of countries in which they operate. Earnings when remitted as dividends to Standard Brands Incorporated are subject to U. S. income tax.

Provisions for depreciation were $510,740 in 1957 and $522,887 in 1956.

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 1957 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, 1955, 1956, and 1957 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 1957 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, 576 survey companies declared cash dividends. Of these companies, 306 displayed such dividends in the retained earnings statement, 226 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 533 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 usually found 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, 1955, 1956, and 1957 is given in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

Of the 600 survey companies, 380 reported in 1957 the existence of restrictions on retained earnings limiting the declaration of cash dividends. This compares with 366 in 1956 and 350 in 1955 and is indicative of a trend in recent years in the number of companies subject to such restrictions. 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 1957 reports, are as follows:

LONG TERM DEBT

THE AMALGAMATED SUGAR COMPANY
Balance Sheet
Surplus:

Earned surplus, accumulated since April 1, 1936, of which $3,291,059 is available for distributions, and the distribution of the remainder restricted, under the provisions of the long-term agreement which expires on or before May 1, 1966	$22,623,920

DEERE & COMPANY
Consolidated Balance Sheet
Capital Stock and Surplus:

Preferred stock 7% cumulative of $20 par value—Authorized, issued and outstanding, 1,543,000 shares	$ 30,860,000
Common stock (includes $14,058,282 realized in excess of par value of shares sold)—Authorized, 10,000,000 shares of $10 par value; issued and outstanding, 6,700,000 shares	81,058,282
Earned surplus (Note 2)	229,946,544
Total capital stock and surplus	$341,864,826

Note 2: Under the terms of the indentures covering the debentures issued in 1952 and 1945, $101,308,847 of the consolidated earned surplus balance of $229,946,544 at October 31, 1957 was free of restrictions (involving the amount of consolidated earned surplus and also certain ratios of assets to liabilities) as to payment of dividends or reacquisition of the Company's stock.

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Charged	1957	1956	1955	1950
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in:				
Retained earnings statement (*Co. Nos. 23, 42, 76, 231, 324, 444)	301	300	310	325
Combined retained earnings and income statement (*Co. Nos. 295, 395, 397, 443, 500, 536)	195	198	182	150
Combined retained earnings and capital surplus statement (*Co. Nos. 99, 342, 489)	6	8	7	20
Stockholders' equity statement (*Co. Nos. 18, 278, 520)	15	15	14	11
Balance sheet (*Co. Nos. 424, 495, 544)	10	12	14	17
Unclassified surplus statement (*Co. Nos. 56, 94, 143)	5	6	7	8
Combined unclassified surplus and income statement (*Co. No. 322)	1	1	2	2
Total	533	540	536	533
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in:				
Retained earnings statement (*Co. Nos. 255, 396, 581)	5	3	5	5
Combined retained earnings and income statement (*Co. Nos. 309, 331, 412, 472)	31	30	32	33
Stockholders' equity statement (*Co. No. 415)	1	1	1	—
Total	37	34	38	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	1	—	—
Total	1	1	1	—
At the foot of the income statement (*Co. Nos. 139, 336, 453)	3	5	8	10
In a supplementary schedule (*Co. No. 428)	1	1	1	1
Within the "Distribution of Net Income" statement (*Co. No. 381)	1	1	2	3
Total	5	7	11	14
Number of Companies				
Declaring cash dividends	576	582	586	585
Not declaring cash dividends	24	18	14	15
Total	600	600	600	600

*Refer to Company Appendix Section.

The 1945 indenture requires the redemption annually of $800,000 principal amount of 2¾ per cent debentures. The Company had purchased in the open market and held in its treasury at October 31, 1957 and October 31, 1956, 2¾ per cent debentures in the principal amounts of $805,000 and $824,000, respectively. Such principal amounts of 2¾ per cent debentures in treasury have been excluded from the respective amounts shown as outstanding in the accompanying balance sheet.

The 1952 indenture requires the redemption annually of varying amounts of 3⅛ per cent debentures beginning in 1960 in the amount of $1,250,000 and gradually increasing to $2,500,000 in 1965.

W. F. HALL PRINTING COMPANY
Consolidated Statement of Income and Retained Earnings

Net income for the year	$ 2,708,221
Cash dividends of $1.40 per share	1,400,000
Balance of net income for the year retained	$ 1,308,221
Earnings retained and invested in the business:	
At beginning of year	18,512,491
At end of year	$19,820,712*

*Under terms of debenture agreement approximately $11,000,000 of this amount is restricted as to payment of dividends, other than stock dividends.

INLAND STEEL COMPANY
Consolidated Balance Sheet
Capital Stock and Earnings Reinvested:

Capital stock:	
Authorized—7,500,000 shares of no par value (see note)	
Issued and outstanding at December 31, 1957—5,692,763 shares	$105,574,831
Earnings reinvested in the business, per accompanying statement (under the terms of the First Mortgage, $133,209,480 of the reinvested earnings at December 31, 1957 was restricted as to payment of dividends, other than stock dividends)	301,384,563
	$406,959,394

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
Consolidated Balance Sheet
Noncurrent Liabilities:

Long-term Debt (Note 1):	
Subordinated debentures, 3.65%	$19,000,000
Term loan, 3¼%	8,100,000
Notes payable, 2¾%	—
	$27,100,000
Stockholders' Equity:	
Earnings retained in the business (Note 1)	$36,710,181

Note 1: Long-Term Debt and Indenture Provisions—The 3.65% Subordinated Debentures mature on July 1, 1977. Debentures have been purchased and canceled in prepaying the first of the $1,000,000 annual retirements of principal required, commencing July 1, 1958. The Debentures are convertible into common stock of the Corporation on or before December 31, 1967 at conversion prices as follows: $50 per share to December 31, 1957; $55 per share thereafter to December 31, 1962 and $60 per share thereafter to December 31, 1967.

The 3¼% Term Loan matures on July 1, 1964 with annual payments of $650,000. The last instalment of $125,000 on the 2¾% Notes Payable is due November 30, 1957.

The indentures relating to the 3.65% Debentures and the 3¼% Term Loan contain certain restrictions relative to, among other things, the payment of dividends and purchase of the Corporation's capital stock. The amount of retained earnings of the Corporation not restricted at June 30, 1957 was $11,059,982.

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1957	1956	1955
Long-term indebtedness (*Co. Nos. 190, 193, 310, 312, 418, 541, 545, 560)	340	325	303
Credit agreement (*Co. Nos. 22, 45, 211, 227)	30	16	22
V-loan agreement (*Co. Nos. 205, 245, 367)	9	8	8
Preferred stock requirements (*Co. Nos. 42, 291, 436, 555)	52	50	49
Treasury stock (*Co. Nos. 136, 185, 522)	6	6	8
Articles of Incorporation (*Co. Nos. 19, 194, 506, 532)	10	13	18
Elkins Act Decree (re: oil pipe lines) (*Co. Nos. 278, 520, 530)	3	3	3
Foreign statutory limitation (*Co. Nos. 58, 66, 520)	3	3	4
Board of directors' resolution (*Co. Nos. 61, 126)	2	2	1
Restriction not described	—	—	2
Various other (*Co. No. 43)	1	1	3
Total	456	427	421

Number of Companies	1957	1956	1955
Referring to dividend restrictions	380	366	350
Not referring to dividend restrictions	220	234	250
Total	600	600	600

*Refer to Company Appendix Section.

THE NATIONAL CASH REGISTER COMPANY
Financial Position
Sources From Which Capital Was Obtained:

Sinking fund notes (exclusive of installments due within one year)	$ 45,355,000
4½% Convertible Subordinated Debentures, due December 15, 1981 (Note 1)	28,099,600
Capital	71,963,500
Represented in 1957 by 7,065,282 shares of a total of 9,000,000 authorized shares of common stock with $5 par value and including $36,637,090 in excess of par value (Note 2)	
Earnings retained for use in the business (Note 1)	51,622,621
Total	$197,040,721

Note 1: The debentures are convertible at $54.00 per share through December 15, 1966 and at increasing prices to maturity with provisions for sinking fund payments commencing in 1967. At December 31, 1957 approximately $35,100,000 of the earnings retained for use in the business is not subject to the restrictions relative to the payment of cash dividends under the terms of the debentures.

Note 2: At January 1, 1957, 21,383 shares of common stock were reserved, under the Company's stock option plan, for issuance to certain officers at $16.78 per share, which was the market price on the date the options were granted. During 1957, all of the remaining options were exercised.

McCALL CORPORATION
Balance Sheet
Noncurrent Liabilities:

Long-term debt due after one year (Note 5):	
Sinking fund notes	$6,300,000
Notes payable to banks	800,000
	$7,100,000

Stockholders' Equity:

Retained earnings (excluding amount transferred to common stock in 1957) (Note 5)	$1,869,197

Note 5: Long-Term Debt and Dividend Restriction—Under the note agreements relating to the sinking fund notes, $5,000,000 of the principal amount bears interest at 4% and is payable in annual installments of $200,000 on September 1, 1958 through 1962 and $400,000 on September 1, 1963 through 1972; the balance of $1,500,000 bears interest at 4¼% and is payable in annual installments of $500,000 on September 1, 1973 through 1975. The bank loan is payable in annual installments of $200,000 on September 1, 1958 through 1962 and bears interest at a rate of ¼ of 1% in excess of the prime commercial rate with a minimum of 2¾% and a maximum of 3½%.

The note agreements place certain restrictions on the payment of cash dividends and the purchase or redemption of the Company's capital stock. At December 31, 1957 none of the retained earnings was subject to such restrictions.

THE STANDARD TUBE COMPANY
Statement of Financial Condition
Noncurrent Liabilities:

Long-term debt due after one year:	
5% Note payable to bank (Note 3)	$1,575,000
4½% Note payable to bank	—
Total long-term debt	$1,575,000

Stockholders' Equity:

Retained earnings (exclusive of $202,087 transferred to capital as a result of a stock dividend in 1951) (Note 3)	$2,336,142

Note 3: The 5% note payable to bank is due August 1, 1962 and is payable in monthly instalments of $25,000 plus annual payments, commencing April 15, 1959, equal to 50% of the net income of the preceding year in excess of $400,000. In accordance with a limitation imposed by the agreement with the bank, the Company has agreed that it will pay cash dividends only out of net earnings subsequent to January 1, 1957, except for 1957 dividends paid prior to July 24, 1957. Accordingly, $2,211,706 of retained earnings at December 31, 1957 was restricted as to cash dividends. The shares of Michigan Steel Tube Products Company owned by the Company are pledged as collateral for this loan.

CREDIT AGREEMENT

RHEEM MANUFACTURING COMPANY
Consolidated Balance Sheet
Noncurrent Liabilities:

Long-Term Indebtedness (Note 2):	
5½% term note payable to bank from 1959 to 1962	$ 8,500,000
3⅞% sinking fund debentures due in 1975, less current sinking fund requirement and debentures held in treasury	22,300,000
Purchase money obligations	—
	$30,800,000

Capital and Retained Earnings:

Earnings retained for use in the business (Note 2)	$11,521,190

Note 2: Long-Term Indebtedness—Under the terms of the credit agreement governing the term note payable to the bank, the company may not, without the lender's consent, pay cash dividends on its common stock in excess of 25 per cent of its net earnings after December 31, 1957 (less preferred dividend requirements) plus $1,000,000. Among other restrictions, the agreement requires the company to maintain consolidated working capital of $28,500,000.

The indenture relating to the 3⅞ per cent sinking fund debentures requires the company to make payments to the trustee sufficient to retire annually debentures in the principal amount of $900,000. Debentures held in the treasury December 31, 1957 ($53,000) may be used to satisfy part of the 1958 sinking fund requirement. The remainder of the 1958 requirement is included in current liabilities. The provisions of the indenture relating to payment of cash dividends are less restrictive than the credit agreement.

SQUARE D COMPANY
Consolidated Statement of Financial Condition
Investment of Shareowners:

Earnings retained for use in the business (Note F)	$26,250,974

Note F: Credit Agreement—On October 15, 1956, the Company entered into an agreement which provides for a revolving credit of $10,000,000, refundable on November 1, 1959, by a term loan payable thereafter in equal quarterly installments over a five-year period. The agreement also provides, among other covenants, that the Company will not:

(1) Permit consolidated working capital to decline below $18,000,000.

(2) Declare cash dividends on its capital stock or purchase shares of such stock after December 31, 1955, in amounts which will exceed $2,000,000 plus consolidated net earnings subsequent to that date.

During 1957 borrowings under this agreement aggregated $7,000,000, all of which had been repaid at December 31, 1957.

TILO ROOFING COMPANY, INC.
Consolidated Balance Sheet
Noncurrent Liabilities:

Long-term loans due after one year—payable to insurance companies (Note 1)	$2,457,511

Stockholders' Equity:

Earnings retained for use in the business (Note 1)	$6,704,229

Note 1: The total is comprised of three loans. Two loans aggregating $1,808,011 bear interest of 3¾% and are due in fixed annual instalments of $200,000 through 1961, plus additional annual instalments of the lesser of $50,000 or 20% of the amount by which consolidated net income for the preceding year exceeds $300,000; the balance of these loans is due in 1962. The third loan of $966,500 bears interest of 5½% and is due in fixed annual instalments of $67,000 to 1972.

Under the more restrictive terms of the 5½% loan agreement, so long as the loan remains unpaid, the Company agrees, among other things, not to declare a cash dividend or purchase any shares of its stock unless (1) the consolidated net working capital after such dividend or purchase is at least $5,700,000 and (2) there remain earnings retained for use in the business (excluding therefrom capital gains and losses) of $5,413,984, plus the aggregate amount of the fixed instalments of principal paid on the long-term loans after November 30, 1957. The effect of this provision is to restrict earnings retained for use in the business, in the amount of $5,559,000 at December 31, 1957.

PREFERRED STOCK

THE CUDAHY PACKING COMPANY
Consolidated Balance Sheet
Capital Stock and Surplus:

Earned surplus since October 30, 1954 (Under preferred stock provisions $7,001,094 is not available for cash dividends on, or purchase of common stock)	$8,656,180

W. T. GRANT COMPANY
Statement of Financial Position
Capital:

Earnings retained for use in the business—Note E	$73,519,523

Note E: The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at $100 (par value) per share plus accrued dividends to date of redemption.

So long as any of the Cumulative Preferred Stock remains outstanding, there are certain restrictions with respect to payment of dividends (other than stock dividends) on, and purchase of, Common Stock. At January 31, 1957, approximately $63,000,000 of earnings retained for use in the business was free of such restrictions.

TREASURY STOCK

CERTAIN-TEED PRODUCTS CORPORATION
Consolidated Balance Sheet
Stockholders' Equity—Note 2:

Capital assigned to shares:	
4½% Cumulative Prior Preference Stock, $100 par value, authorized and unissued 50,000 shares	
Common Stock, $1 par value, authorized 3,000,000 shares, issued 2,145,435 shares	$ 2,145,435
Capital in excess of par value	16,924,101
	$19,069,536
Retained earnings	22,335,231
	$41,404,767
Less: 149,200 shares of Common Stock held in treasury, at cost	1,437,780
	$39,966,987

Note 2: Stockholders' Equity—Pursuant to an incentive plan adopted by the Board of Directors on August 16, 1957, options to purchase 52,750 shares of Common Stock were granted to officers and key employees of (1) the Company (2) a wholly-owned subsidiary and (3) a 50%-owned company. The plan contains certain conditions, among which is a provision that the options are not exercisable earlier than two years or later than five years from the date of grant. The options were granted at option prices of $8.08 a share for 24,250 shares and $8.44 a share for 28,500 shares, which option prices represented 95% of the fair market value of the stock on the dates the options were granted. The shares which may be issued under the plan may not exceed 75,000 shares.

The aggregate amount of capital in excess of par value and retained earnings is restricted in the amount of $1,437,780, representing the cost of Common Stock held in treasury.

TEXAS GULF SULPHUR COMPANY
Consolidated Balance Sheet
Stockholders' Equity:

Retained earnings (Notes 5 and 6):	
Balance at beginning of year	$108,500,074
Add: Net income for year, per statement of income	17,557,369
	$126,057,443
Deduct: Cash dividends paid in the year	17,535,000
Balance at end of year	$108,522,443
	$134,697,443
Deduct: Cost of 1,500,000 shares of capital stock reacquired and held in treasury	$27,500,000

Note 5: Contingent Liabilities—The Company is contingently liable in respect of claims and commitments arising in the ordinary course of business including pending litigation. In the opinion of the Company the ultimate liability in respect thereof will not be material in relation to the total assets of the Company.

Note 6: Restrictions on Retained Earnings—Retained earnings are restricted in the amount of $27,500,000, the cost of shares of capital stock reacquired and held in treasury.

V-LOAN AGREEMENT

ALLEN B. DU MONT LABORATORIES, INC.
Consolidated Balance Sheet
Stockholders' Equity:

Earnings reinvested in the business (Note 2) $5,578,764

Note 2: V-Loan Agreement—Under the terms of a V-loan agreement with certain banks, the Company may borrow up to $5,000,000 at any time or from time to time prior to March 31, 1958, 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 its defense production contracts. At December 31, 1957, loans aggregating $5,000,000 were secured by amounts assigned as follows: accounts receivable $2,705,587 and inventories $3,085,680.

The agreement provides, among other things, that the Company will maintain its consolidated net current assets (as defined) at not less than $10,000,000, 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, 1957 were restricted (except as to 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
Capital Stock and Surplus:

Earned surplus—Note A $17,079,745

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, 1957, earned surplus unrestricted by the agreements as to payment of dividends was $3,852,781.

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.

STOCK DIVIDENDS AND STOCK SPLITS

Accounting Treatment of Stock Dividends and Stock Split-Ups

Accounting Research Bulletin No. 43 issued in 1953 provides the following comments concerning the accounting aspects of stock dividends and stock split-ups:

Stock Dividends

10. 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.

11. 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 in paragraph 2. 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.*

14. The corporate accounting recommended in paragraph 10 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 Split-Ups

15. Earlier in this chapter a stock split-up was defined 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.

16. 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, however, that of the 26 stock splits disclosed in the 1957 reports, in no case were shares distributed in a ratio of less than one for one.

Table 3 summarizes the accounting treatment of the stock distributions disclosed in 139 annual reports of the 600 survey companies. The distributions of 109 companies represented dividends in stock of the declaring company, 4 represented dividends in stock of another company, 23 represented stock splits, and the remaining 3 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

	Stock Dividends		Stock Splits	
Distribution Recorded As	1957	1956	1957	1956
Debit retained earnings	26	37	4	8
Debit retained earnings and *credit* capital surplus	87	71	—	—
Debit capital surplus	—	1	8	10
Debit retained earnings and debit capital surplus	3	1	2	9
Total	116	110	14	27
Increase in Number of Shares Only Set forth in:				
Letter to stockholders	—	—	8	7
Accompanying footnotes	—	—	4	7
Total Transactions	116	110	26	41
Number of Companies Showing:				
Stock distributions	116	110	26	41
No stock distributions	484	490	574	559
Total	600	600	600	600

Note: Included in the total of 26 stock dividend distributions charged to retained earnings are 4 companies with dividends-in-kind (*Co. Nos. 62, 78, 485, 518). Three companies disclosed stock dividends in addition to stock splits (*Co. Nos. 114, 261, 571).

*Refer to Company Appendix Section.

1957 STOCK DIVIDENDS

Retained Earnings

AMERICAN CHAIN & CABLE COMPANY, INC.

DR.—$1,846,740—*"Earned Surplus*: Dividend paid, in common stock, 4 per cent: 43,970 shares at $42.00 per share."

AMERICAN MAIZE-PRODUCTS COMPANY

DR.—$570,000—*"Earnings Retained in the Business*: Dividends paid, 5% in common stock—15,000 shares at $38.00 per share."

BOEING AIRPLANE COMPANY

DR.—$8,959,424—*"Retained Earnings*: Stock dividend (4%)—Amount transferred to the capital stock account by the Board of Directors, equal to the approximate market value on declaration date."

CALIFORNIA PACKING CORPORATION

DR.—$8,800,000—*"Earnings Retained for Use in the Business*: Dividends, in capital stock of the Corporation, 10%."

THE FLINTKOTE COMPANY
DR.—$3,128,572—"*Earned Surplus*: Stock dividend, 5% paid in common stock (84,556 shares)."

FOOTE MINERAL COMPANY
DR.—$890,212—"*Retained Earnings*: Stock dividend—2%."

THE KROGER CO.
DR.—$9,185,120—"*Accumulated Earnings*: Transferred to common capital stock on account of 4% stock dividend."

MASONITE CORPORATION
DR.—$798,903—"*Earned Surplus*: Dividends: Stock dividends declared; recorded at approximate market value —2% stock dividend, or 29,051 shares."

To the Stockholders: . . . Four regular dividends of 30¢ each, amounting to $1.20, were paid or declared during the year on the shares of common stock outstanding. There was also a 2% stock dividend declared (distributed in October) which resulted in the issuance of 29,051 shares of common stock.

McCALL CORPORATION
DR.—$244,559—"*Retained Earnings*: Dividends, Stock —3% (18,319 shares)."

President's Letter to the Stockholders: . . . Dividend payments during the year were made in accordance with the policy adopted in 1956 of paying dividends partly in stock and partly in cash. Stockholders received a 3% stock dividend on December 2, 1957, in addition to the 60¢ in cash paid previously during the year. A regular quarterly dividend of 15¢ per share was paid on February 1, 1958, on stock then outstanding, and we are proud to report that this was our 134th consecutive Common Stock dividend. It will be our policy to continue to strengthen the financial position of your Company by further retention of earnings through payment of year-end stock dividends, so as to meet the challenge of intensified competition and to permit proper growth and long-range planning.

THE MEAD CORPORATION
DR.—$3,498,915—"*Retained Earnings*: Share dividends paid on common shares: The Mead Corporation—2½% (99,969 shares at $35.00 a share)."

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
DR.—$4,025,584—"*Earned Surplus*: Dividends paid, in common stock, 2%, 171,960 shares."

PET MILK COMPANY
DR.—$1,050,075—"*Earnings Invested in the Business*: Dividends, Common—Stock—5% (22,500 shares at adjusted market value)."

Retained Earnings and Capital Surplus

ADDRESSOGRAPH-MULTIGRAPH CORPORATION
DR—$3,697,261—"*Earned Surplus*: Dividends paid, Stock—3%."
CR.—$3,431,271—"Capital Surplus: Excess of approximate per share market value ($139) over par value ($10) of 26,599 shares common stock issued as 3% stock dividend."

BEECH AIRCRAFT CORPORATION
DR.—$1,999,701—"*Earned Surplus*: 10% common stock dividend (74,063 shares) at value of $27 a share—Note F."
CR.—$1,925,638—"Capital Surplus—Note F."

Note F: Stock Dividend—A Common Stock dividend of 10%, paid during the year, resulted in the issuance of 74,063 shares. Based on the value of $27 a share, assigned by the Board of Directors, $1,999,701 was transferred from earned surplus, of which $74,063 ($1 par value) went to Common Stock and $1,925,638 ($26 a share) went to capital surplus.

BELL & HOWELL COMPANY
DR.—$633,283—"*Earnings Invested in the Business*: 2½% stock dividend on common stock—at market value of $39.76 a share (14,622 shares issued and $52,452 cash paid in lieu of fractional shares)."
CR.—$435,151—"Capital in Excess of Par Value of Shares: Market value over par value of common shares paid as a stock dividend."

THE BLACK AND DECKER MANUFACTURING COMPANY
DR.—$2,511,045—"*Earnings Retained*: Dividends: Paid by issuance of 48,996 shares of Common Stock with market value of $51.25 per share."
CR.—$2,462,049—"Capital in Excess of Par Value of Common Stock: Excess of market value over par value of 48,996 shares of Common Stock issued as stock dividend."

CONTINENTAL STEEL CORPORATION
DR.—$481,307—"*Retained Earnings*: Dividends paid, 3% stock dividend, 15,040 shares at market value of $32.00 a share on record date."
CR.—$270,455—"Capital in Excess of Par Value or Cost of Shares Issued for Stock Dividend."

FANSTEEL METALLURGICAL CORPORATION
DR.—$1,065,825—"*Earnings Retained in the Business*: Dividends on common stock, Stock, 3%."
CR.—$947,400—"Capital in Excess of Par Value of Shares: (Note 2)."

Note 2: The changes in "common stock" and "capital in excess of par value of shares" during the year 1957 attributable to the exercise of stock options and the payment of a 3% dividend in common stock are as follows:

	Number of shares	Common stock	Capital in excess of par value of shares
Balance, December 31, 1956	789,110	$3,945,550	$5,840,880
Stock options exercised	2,334	11,670	64,443
3% stock dividend	23,685	118,425*	947,400*
Balance, December 31, 1957	815,129	$4,075,645	$6,852,723

*Amounts transferred from earnings retained in the business.

FRUEHAUF TRAILER COMPANY
DR.—$6,156,102—"*Earnings Retained for Use in the Business*: Stock dividends in Common Stock (1957—255,871 shares) based on fair value on date of declaration."
CR.—$5,900,231—"Additional Paid-In Capital: Excess of fair value over par value of Common Stock issued as stock dividends (1957—255,871 shares)."

HOUDAILLE INDUSTRIES, INC.
DR.—$1,244,446—"*Earnings Retained in the Business*: Stock dividend—5% distributed in common stock: 63,620 shares at $18.50 per share $1,176,970; Cash paid in lieu of fractional shares $67,476."
CR.—$986,110—"Capital in Excess of Par Value of Capital Stock: Excess of market value over par value of common stock distributed as stock dividends."

JONES & LAUGHLIN STEEL CORPORATION

DR.—$1,468,000—*"Income Retained in the Business*: Dividends, 5% preferred stock, $5.00 per share."

DR.—$9,880,000—*"Income Retained in the Business*: Common stock, 3% stock dividend (226,772 shares at $43.57 per share)."

CR.—$7,613,000—"Capital in Excess of Par Value: Amount capitalized in excess of par value for 3% stock dividend (226,772 shares at $33.57 per share)."

MONSANTO CHEMICAL COMPANY

DR.—$13,030,898—*"Earned Surplus*: Stock, 2%."

CR.—$12,159,266—"Paid-In Surplus: Excess of approximate market value of common capital stock distributed as stock dividends over the par value thereof."

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

DR.—$800,000—*"Earned Surplus*: Earned Surplus transferred to capital (Note 3)."

Note 3: On November 13, 1957 the Charter of the Company was amended to increase the authorized number of shares of the Common Stock to 3,000,000 from 1,500,000. On November 29, 1957 a two-for-one split of the Common Stock was effected by the payment of a 100% dividend in Common Stock, increasing the number of outstanding shares to 1,600,000 from 800,000. For each share issued in payment of the stock dividend the amount of $1, the par value per share, was transferred to capital from the earned surplus account in the aggregate amount of $800,000, increasing the capital applicable to the Common Stock to $20,800,000 and resulting in a stated value for each of the 1,600,000 outstanding shares of $13 per share. Thereafter, employees purchased 400 shares of Common Stock through the exercise of options under the Employee Restricted Stock Option Plan for a total consideration of $12,132, of which $5,200 was credited to the capital account at the stated value of $13 per share and the balance of $6,932 was credited to capital surplus.

Coincidentally with the declaration of the 100% stock dividend, the number of shares of authorized but unissued Common Stock reserved for allotment under options granted or to be granted under the Restricted Stock Option Plan was increased to 120,000 from 60,000, and, accordingly, the number of shares so reserved at December 31, 1957, after the issue of 400 shares purchased by employees under the Plan, was 119,600. At December 31, 1957 options for the purchase of 47,200 shares of Common Stock were outstanding at option prices equal to 85% of the fair market value of the stock on the days when the options were granted. The option prices so determined, in terms of the Common Stock as at December 31, 1957, range from $29.27 to $35.33 per share. Options granted under the Plan expire seven years from the date of grant.

PHILCO CORPORATION

DR.—$2,164,822—*"Retained Earnings*: Dividends paid, Stock—4% on common stock, at market value."

CR.—$1,705,030—"Capital in Excess of Par Value: Excess of market value over par value of 153,261 common shares issued as a stock dividend."

PITTSBURGH STEEL COMPANY

DR.—$1,659,193—*"Accumulated Earnings*: Stock dividends, on common shares, four quarterly dividends of 1%."

CR.—$1,040,733—"Other Capital: Excess of assigned value over par value of 61,846 shares of common stock issued as dividends to common shareholders."

THE PITTSTON COMPANY

DR.—$3,056,198—*"Earned Surplus*: Market value of 47,103 shares of Common Stock issued as a 5% stock dividend January 28, 1957, plus $129,217 cash paid in lieu of issuance of fractional shares."

CR.—$2,879,877—"Capital Surplus: Excess of market value over par value of 47,103 shares of Common Stock issued as a 5% stock dividend January 28, 1957."

PLYMOUTH OIL COMPANY

DR.—$1,349,514—*"Earnings Retained in the Business*: Dividends paid: Stock, Approximate market value of capital shares issued."

CR.—$1,099,604—"Capital Surplus."

Note 7: Capital Surplus—Capital surplus additions in 1957 consisted of retained earnings of $1,099,604 capitalized in connection with a 2% dividend paid out of unissued capital stock and $166,614 representing the excess of the proceeds over par value of capital stock issued in connection with the Stock Option Plan.

THE RATH PACKING COMPANY

DR.—$2,182,500—*"Retained Earnings*: Ten per cent stock dividend January 16, 1957 90,000 shares at fair market value of $24.25 per share."

CR.—$1,282,500—"Capital Contributed in Excess of Par Value of Shares: Ten per cent stock dividend January 16, 1957 90,000 shares (excess of fair market value per share of $24.25 over par value of $10.00 per share)."

ROHM & HAAS COMPANY

DR.—$11,137,226—*"Earned Surplus*: Common stock dividend—3%."

CR.—$10,512,066—"Capital Surplus: (Excess of calculated market value over par value of common stock issued as dividends)."

Note 4: The increase of $10,512,066 in capital surplus represents the excess of calculated market value over par value of 31,258 shares of common stock issued as a 3% dividend.

SEARS, ROEBUCK AND CO.

DR.—$22,937,616—*"Accumulated Income Used in the Business*: Dividends paid: Stock, 1% (valued at approximate market price at date of declaration)."

CR.—$20,713,542—"Capital in Excess of Par Value: Excess of market price over par value of stock issued as stock dividend."

SUNDSTRAND MACHINE TOOL CO.

DR.—$694,668—*"Retained Earnings*: Common Shares."

CR.—$561,078—"Additional Capital: (In excess of par value of common shares) (Note F)."

Note F: Contributed Capital—Changes in contributed capital accounts during 1957 are summarized below:

	Common shares	Additional capital
Beginning of year	$6,685,870	$2,791,703
2% stock dividend—26,718 common shares issued at $26 a share	133,590	561,078
170,471 common shares issued pursuant to 1957 offering to stockholders	852,355	2,983,842
2,339 common shares issued incident to the exercise of stock options	11,695	38,139
End of year	$7,683,510	$6,374,762

At December 31, 1957, 98,692 common shares were reserved for issuance under a restricted stock option plan for key managerial employees, including officers and certain directors. A summary of stock option transactions for 1957 is presented below:

	Common shares reserved under stock option plan		
	Options granted	Available for granting	Total
Beginning of year	38,225	60,830	99,055
Adjustment for 2% stock dividend in 1957	760	1,216	1,976
Options granted June 25, 1957 at a price of $24.62	500	(500)	—
Options exercised during the year	(2,339)	—	(2,339)
	37,146	61,546	98,692

Option prices range from $21.26 to $24.86 a share, the equivalent of 95% of quoted market prices on dates options were granted. Options are exercisable after one year and not later than ten years after the date they were granted.

VICK CHEMICAL COMPANY

DR.—$1,560,944—*"Earned Surplus*: Dividends: Stock, 2%, 31,856 shares."

CR.—$1,481,304—"Capital Surplus: (See Note 3)."

Note 3: The increase in capital surplus during the year represents the excess of market over par value of 31,856 shares issued as a stock dividend.

WALKER MANUFACTURING COMPANY OF WISCONSIN

DR.—$287,053—*"Retained Earnings*: Dividends: Common stock, 5% stock dividends (including $5,616 paid in cash in lieu of fractional shares) at $23.75 per share."

CR.—$234,037—"Amounts in Excess of Par Value of Capital Stock: Excess of market value ($23.75 per share) over par value ($4 per share) of shares issued as a dividend."

1957 DIVIDENDS-IN-KIND

ARGO OIL CORPORATION

DR.—$71,588.58—*"Retained Earnings*: Extra dividend paid in capital stock of Standard Oil Co. (N.J.): 1957 dividend—8,171 shares of Standard Oil Co. stock issued on basis of one share for each 200 shares of Argo Oil Corporation stock held. Market value on distribution date —$.250313 per share of Argo Oil Corporation stock held."

DR.—$81,476.55—*"Retained Earnings*: Cash to holders of less than 200 shares of Argo Oil Corporation stock."

To Argo's Shareholders: . . . Dividends paid, including the market value of Standard Oil Co. (New Jersey) stock distributed as an extra dividend, amounted to $1.25 per share.

SAFETY INDUSTRIES, INC.

DR.—$340,959—*"Retained Earnings*: Dividends declared on capital stock (Note 6)."

Note 6: Dividends paid were as follows:

	Per-share	Total
Cash	$ .75	296,937
Stock	.84	332,808
	$1.50	629,745

In 1957, 7,924 shares of Vapor Heating Corporation common stock having a market value of $332,808 were distributed as a dividend at the rate of two shares for each one hundred shares of Safety Industries, Inc. Retained earnings have been reduced in the amount of $340,959 covering the cash dividend of $296,937 and the cost basis of $44,022 of the shares so distributed.

STANDARD OIL COMPANY (INDIANA)

DR.—$6,836,642—*"Earnings Retained and Invested in the Business*: Dividend paid by Standard Oil Company (Indiana): Special dividend paid in capital stock of Standard Oil Company (New Jersey)—432,261 shares at cost—together with equalizing cash payments in lieu of fractional shares. Market value on date of distribution was equivalent to $0.71 per share of Standard Oil Company (Indiana) stock."

SPIN-OFF

BARIUM STEEL CORPORATION

DR.—$10,026,367.60—*"Retained Earnings*: Distribution on May 31, 1957 of the Common Stock of Republic Industrial Corporation."

DR.—$402,266.92—*"Capital in Excess of Par Value*: Adjustments arising out of liquidation and spin-off of subsidiaries."

CR.—$417,360.48—"Retained Earnings: Adjustment arising out of liquidation and spin-off of subsidiaries."

Notes to Financial Statements: "Spin-Off" of Subsidiaries Not Related to Basic Steel Production—On May 31, 1957, the company distributed to its stockholders all of the capital stock of Republic Industrial Corporation in a tax-free "spin-off" of subsidiaries not related to basic steel production. The results of operations of the Republic companies for the period through May 31, 1957 have been included in the statement of earnings herewith.

1957 STOCK SPLITS

Retained Earnings

CHICAGO PNEUMATIC TOOL COMPANY

DR.—$11,918,384—*"Earned Surplus*: Increase in par value of common stock from $5 to $8 per share."

Notes to Financial Statements: Capital—In 1957 the stockholders approved the increase of the authorized Common stock from 1,500,000 shares of $5 par value to 5,000,000 shares of $8 par value and the split of each share of the outstanding stock into three shares. In connection with this increase, $11,918,384 of earned surplus, based upon shares outstanding at the end of 1956, was transferred to the capital stock account.

EX-CELL-O CORPORATION

DR.—$5,445,240—*"Earnings Retained for Use in Business*: Par value of 1,815,080 shares issued April 1, 1957 pursuant to stock distribution of one share for each share previously outstanding."

Report of the President: . . . Net earnings for 1957 were equivalent to $3.87 per share on the 3,630,160 shares outstanding on November 30, 1957. This compared with net earnings for 1956 of $4.01 per share on the shares outstanding on November 30, 1956 adjusted for the April 1, 1957 stock split-up.

Capital Surplus

AMERICAN HOME PRODUCTS

DR.—$3,840,785—*"Capital Surplus*: Transfer to Capital Stock account to give effect to 2-for-1 stock split."

THE BRUNSWICK-BALKE-COLLENDER COMPANY

DR.—$566,819—*"Capital Surplus*: Aggregate stated value of common stock issued in connection with two-for-one stock split (566,819 shares)."

DRESSER INDUSTRIES, INC.

DR.—$1,086,162—*"Capital in Excess of Par Value*: Transfer to capital account in connection with the issuance of one additional share of common stock for each share outstanding."

OUTBOARD MARINE CORPORATION

DR.—$159,500—*"Capital in Excess of Par Value of Capital Stock*: Transfer to common stock in connection with 3-for-1 stock split and change in par value from $.83 1/3 to $.30 per share."

Financial Review: . . . As of May 31, 1957, the Company split its common stock on a 3-for-1 basis to promote wider distribution of ownership. As of September 30, 1957, there were approximately 9,000 stocholders of Outboard Marine Corporation, compared with about 4,300 a year earlier.

THE RELIANCE ELECTRIC AND ENGINEERING COMPANY

DR.—$1,405,150—*"Other Capital*: Par value of 281,030 shares of Common Stock issued in three-for-two split."

SNAP-ON TOOLS CORPORATION

DR.—$345,435—*"Additional Paid-In Capital*: 345,435 shares issued as a 100% stock distribution."

Increase in Number of Shares Only

BETHLEHEM STEEL CORPORATION

To the Stockholders: . . . As stated in the Annual Report of your Corporation for 1956, the Amended Certificate of Incorporation of your Corporation was further amended effective January 18, 1957, so as to change each of the 20,000,000 shares of its previously authorized Common Stock, without par value (both issued and unissued), into 4 shares of the Common Stock of your Corporation, of the par value of $8 each, thus increasing the number of shares of its authorized Common Stock to 80,000,000, without thereby effecting any change in the aggregate amount of the capital represented by the issued and outstanding Common Stock of your Corporation.

THE CHAMPION PAPER AND FIBRE COMPANY

Letter to Stockholders: . . . As approved by the shareholders at their Annual Meeting in July, 1956, the common stock of the company was split on a two-for-one basis.

CRUCIBLE STEEL COMPANY OF AMERICA

Supplementary Financial Information: Capital Stock—

Common:	Number of Shares
Par value	$12.50
Authorized	5,000,000
Reserved for stock option plan	173,947
Outstanding	3,791,486

The number of shares authorized, issued, and outstanding was doubled in January 1957 by a two-for-one stock split approved by a special meeting of the stockholders held January 15, 1957. During the year there were issued 150,000 shares to acquire full ownership of Rem-Cru Titanium, Inc., and 5,029 shares pursuant to stock options.

HARBISON-WALKER REFRACTORIES COMPANY

Letter to the Stockholders: Common Split 2 for 1—Shareholders in annual meeting April 25, 1957 amended the Articles of Incorporation to split each authorized and issued Common share of $15 par value into 2 Common shares of $7.50 par each. Each Common shareholder of record at the May 2, 1957 effective date was mailed May 21, 1957 a certificate(s) for 1 Common share in addition to each Common share held. All certificates issued May 2, 1957 or before currently represent Common shares of $7.50 par each in the number marked thereon. At year end 2,999,222 of 4,000,000 authorized Common shares were outstanding among 6,082 holders.

INTERNATIONAL BUSINESS MACHINES CORPORATION

Financial Review: . . . In May 1957, the Corporation's capital stock was split up by issuing one additional share for each share held at the close of business on May 7, 1957, which resulted in increasing the issued and outstanding capital stock from 5,251,118 shares to 10,502,237 shares. The March 1957 regular quarterly cash dividend payment was at the rate of $1.00 per share, and the subsequent quarterly rate of $.60 per share on the increased number of shares arising from the split-up represented an increase of 20% in the rate of cash dividends.

THE NATIONAL SUPPLY COMPANY

Letter to the Stockholders: Dividends—Dividends *declared* during the year amounted to $7,045,151, representing four quarterly dividends of 60¢ per share each on the new $5 par value common stock resulting from the two-for-one stock split effective January 16, 1957. Dividends *paid* in 1957 consisted of a dividend of $1.12½ per share on the old $10 par value common stock prior to the stock split and three quarterly dividends of 60¢ per share each after the stock split.

SAFEWAY STORES, INCORPORATED

Financial Review: Common Stock Split-Up—At the Special Meeting held on November 4, 1957 the Common Stockholders approved an amendment of the Company's Charter to split up each share of the Company's Common Stock, $5 par value, into three shares of the par value of $1.66 2/3 per share. When the amendment of the Company's Charter became effective on November 6, 1957, the Company's authorized Common Stock was increased and changed from 9,000,000 shares of the par value of $5 each to 27,000,000 shares of the par value of $1.66 2/3 each. On November 18, 1957 the certificates for the additional shares resulting from this 3-for-1 split-up were distributed to stockholders of record on November 6, 1957. Each certificate for the old ($5 par value) Common Stock continues to represent the same number of shares of the new $1.66 2/3 Par Value Common Stock and should be retained as the old certificates were not called in and will continue to be acceptable in transactions on the New York Stock Exchange and the Pacific Coast Stock Exchange.

Distribution of the additional shares to our Common Stockholders did not change their proportionate interest in the Company, although the interest represented by each share, after giving effect to the split-up, was reduced proportionately. No change was or will be made in the stated capital or surplus accounts by reason of the split-up.

THE TIMKEN ROLLER BEARING COMPANY

Note B: The authorized common stock was increased to 6,000,000 shares and the outstanding shares were each split two-for-one by amendment of the Articles of Incorporation filed on June 4, 1957. An additional 484,276 common shares were sold by a subscription offer which expired July 1, 1957, and the net proceeds thereof amounting to $18,905,122 were added to stated capital. Unissued common shares include 78,620 shares reserved for possible future sale to employees.

OTHER CHARGES AND CREDITS TO RETAINED EARNINGS AND CAPITAL SURPLUS ACCOUNTS

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 1957 are summarized and classified in Table 4. Approximately 44% 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, approximately 50% of the 1957 annual reports also reported various charges and credits to the capital surplus or unclassified surplus accounts. In the 1957 annual reports 486 companies presented capital surplus or unclassified surplus accounts.

1957 CHARGES AND CREDITS

Illustrative examples of some of the 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

CHICAGO PNEUMATIC TOOL COMPANY

DR.—$11,918,384—"*Earned Surplus*: Increase in par value of common stock from $5 to $8 per share."

COOK PAINT AND VARNISH COMPANY

DR.—$7,067,362.55—"*Earned Surplus*: Amount transferred to common stock in connection with change of no par value shares to $20.00 par value shares and issuance of 218,774 shares as a stock dividend."

TABLE 4: RETAINED EARNINGS AND CAPITAL SURPLUS

	Retained Earnings Account				Capital Surplus Account			
	1957		1956		1957		1956	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Revision in capital structure	3	1	5	1	6	3	3	6
Premium and discount on initial issue of capital stock	—	—	—	—	—	33	—	31
Conversion from preferred stock or debentures to common stock (or preferred)	1	—	1	1	—	52	3	57
Redemption, retirement of capital stock, warrants, script, etc.	10	6	24	8	13	49	19	57
Treasury stock transactions	5	2	6	2	16	32	7	18
Capital stock issued in acquisition of subsidiary companies or business properties	2	2	7	5	3	63	4	70
Mergers, liquidations, dissolutions	10	12	5	2	9	10	7	8
Adjustments arising in consolidation	9	12	7	6	4	3	4	16
Subsidiary or affiliate income or earnings	—	—	3	4	—	—	—	3
Goodwill, intangible assets	4	—	3	—	—	—	—	1
Employee benefit plans involving sale or issue of capital stock	2	—	—	—	5	180	2	168
Appropriation or reserve—transfers thereto and transfers therefrom	11	23	16	24	1	2	—	3
Financing expenses	1	1	3	1	7	—	7	—
Extraordinary losses or gains	5	5	5	6	—	—	1	—
Foreign exchange adjustments	—	—	—	—	1	—	—	—
Prior year adjustments:								
Fixed assets and depreciation	1	3	—	1	2	1	—	2
Tax adjustments	5	10	8	8	1	1	—	1
Various other adjustments	11	4	2	4	1	3	—	1
Adjustments re: Section 462, 1954 Internal Revenue Code	—	—	1	—	—	—	—	—
Miscellaneous transactions	3	2	7	4	1	3	6	6
Dollar changes—not described	1	—	1	—	1	14	2	15
Total	84	83	104	77	71	449	65	463
Stock dividends and stock split-ups*	122	—	126	—	13	87	21	71
Cash dividend declaration (Table 1)	576	—	582	—	—	—	—	—
Net loss or income for the year	26	574	19	581	—	—	—	—
Total Other Charges or Credits	808	657	831	658	84	536	86	534

*Includes dividends-in-kind for 4 companies, see Table 3.

FIRST NATIONAL STORES CO.

DR.—$25,000,000—*"Retained Earnings*: Transfer to common stock account of portion of earnings employed in the business."

President's Letter: Over a period of many years the company has utilized a substantial part of its retained earnings for capital expenditures for fixed assets. In order to reflect more properly the ratio of our investment in fixed assets to common stock $25,000,000 has been transferred from "Earnings Retained in the Business Account" to "Common Stock Account."

Retained Earnings and Capital Surplus

PITTSBURGH BREWING COMPANY

DR.—$1,891,670—*"Recapitalization Surplus*: Transfer to increase in stated value of Preferred stock (Note 4)."

DR.—$1,089,455—*"Capital Surplus*: Transfer to the increase in stated value of the Preferred stock (Note 4)."

Note 4: On October 31, 1957, the stated value of the Preferred Stock was increased, pursuant to a resolution of the Board of Directors, from $25 per share to a total stated value of $50 per share in order to correspond with the basic redemption and voluntary liquidation price of the Preferred Stock of $50 per share before accrued dividends and in order to restore the stated value of the Preferred Stock to its original par value of $50 per share which was changed in 1934. Such increase was accomplished by transferring recapitalization surplus in the amount of $1,891,670, which is earned surplus accumulated during the period from 1934 to 1949, and by transferring $1,089,455 from capital surplus, representing an amount to which the Preferred Stock has had prior claim since such change in its par value by reason of unpaid accrued dividends from 1934 to 1949 and by reason of its redemption and voluntary liquidation price since 1949. Notwithstanding such increase in stated value, Preferred shareholders are entitled to $25 per share before accrued dividends on involuntary liquidation.

Capital Surplus

ALLIED CHEMICAL & DYE CORPORATION

DR.—$26,707,675—*"Capital Surplus."*

Notes to Financial Statements: By resolution of the Board of Directors in February 1958, the Company's Capital Surplus at December 31, 1957 was transferred to Capital. At the same time, the Board resolved that the entire proceeds received by the Company in connection with the issuance of stock upon exercise of stock options will be credited to Capital. On this basis the Company's Capital at December 31, 1957 of $205,307,131 consisted of $178,599,456 represented by 9,922,192 shares of $18 par value and additional Capital of $26,707,675. For comparative purposes 1956 figures have been restated.

ALUMINUM GOODS MANUFACTURING COMPANY
CR.—$1,732,444—"Capital in Excess of Par Value: Excess of par value transferred from capital stock on April 18, 1957."

Note: Pursuant to action of stockholders on April 10, 1957, the authorized capitalization was increased to 1,750,000 shares of common stock which were designated as shares having a par value of $10.00 each, effective April 18, 1957. The resultant exchange on a share-for-share basis of the then outstanding shares having no par value produced a transfer of capital in the sum of $1,732,444 to capital in excess of par value.

AMERICAN HOME PRODUCTS CORPORATION
DR.—$3,840,785—*"Capital Surplus*: Transfer to capital stock account to give effect to 2-for-1 stock split."

COOK PAINT AND VARNISH COMPANY
DR.—$167,559.45—*"Capital Surplus*: Amount transferred to common stock in connection with change of no par value shares to $20.00 par value shares and issuance of 218,774 shares as a stock dividend."

HAMILTON WATCH CO.
CR.—$602,043—"Capital Assigned to Common Shares in Excess of Par or Stated Value: Arising from change of common shares from no par to $1 par—stated value in excess of par value."

PITTSBURGH BREWING COMPANY
CR.—$1,788,675—"Capital Surplus: Reduction in par value of common stock from $2.50 to $1.00 per share."

PREMIUM ON INITIAL ISSUE OF CAPITAL STOCK

Capital Surplus

ALCO PRODUCTS, INCORPORATED
CR.—$962—"Capital Surplus: Amount paid the Company for capital stock in excess of par value (Note 6)."

Note 6: Amount paid the company for capital stock in excess of par value (capital surplus) has been credited with $962 representing the excess of the award over the carrying value of common stock delivered in payment of contingent awards made in prior years under the Incentive Compensation Plan.

ALUMINUM GOODS MANUFACTURING COMPANY
CR.—$6,000—"Capital in Excess of Par Value."

Financial Review: Schedule—Excess of par value on stock subsequently sold.

ARDEN FARMS CO.
CR.—$370,334—"Capital Surplus: Excess of sales price of common and preferred stock over par or stated value thereof."

To the Stockholders: During the year 1957, the Company sold for cash 21,428 shares of Common Stock at $14.00 per share, 5,555 shares of Preferred Stock at $54.00 per share, and $1,200,000 Principal amount of 5% Subordinate Debentures, Series due July 1, 1986, Convertible until July 1, 1964, at par plus accrued interest, for aggregate gross proceeds of $1,816,736.14.

THE BABCOCK & WILCOX CO.
CR.—$13,451,209—"Excess over Par Value—Capital Surplus."

1957 in Review: Financial Position—After carefully considering the requirements for more capital during the next few years, it was decided that, in April, the Company would offer to stockholders 535,148 shares of additional capital stock. Almost 99% of the shares were subscribed for by exercise of Rights and the balance were purchased by the underwriters. The net proceeds amounted to $18,267,541 of which $9 per share or $4,816,332 was credited to Capital Stock and the remainder of $13,451,209 was added to Excess over Par Value—Capital Surplus.

BELL & HOWELL
CR.—$2,781,514—"Capital in Excess of Par Value of Shares: Proceeds over par value of common shares sold, less expenses of $18,486."

FIRESTONE TIRE & RUBBER CO.
CR.—$780,539—"Additional Capital: Adjustments from sales of common stock."

FOOTE MINERAL CO.
CR.—$10,298—"Capital in Excess of Par Value of Outstanding Shares: Excess of proceeds over par value of 207 shares of common stock sold to the company's pension trusts."

GOODYEAR TIRE & RUBBER CO.
CR.—$1,465,975—"Capital Surplus: Proceeds in excess of par value, from common stock issued."
CR.—$15,262,094—"Capital Surplus: Excess of market value over par value of stock issued as a 2% stock dividend."

HUNT FOODS AND INDUSTRIES
CR.—$1,229,760—"Capital Surplus: Excess of common stock dividend declared in November 1956 over par value of common stock issued therefor in December 1956."

LIBBY, McNEILL & LIBBY
CR.—$2,617,335—"Capital in Excess of Par Value."

Notes to Financial Statements: . . . relates to the excess of cash received over par value of 610,664 shares of common stock of the company issued during the year. . . .

H. H. ROBERTSON COMPANY
CR.—$32,651—"Capital Surplus: Excess of proceeds over par value of capital stock issued for cash."

SAFETY INDUSTRIES, INC.
CR.—$10,205—"Paid-In Capital."

Notes to Financial Statements: . . . arising from the excess of the realization from the sale or exchange of the company's own capital stock over the par value thereof.

SPERRY RAND CORPORATION
CR.—$50,216,146—"Capital Surplus: Net proceeds in excess of par value of 2,570,846 shares of common stock sold."

SUNDSTRAND MACHINE TOOL CO.
CR.—$2,983,842—"Additional Capital: 170,471 common shares issued pursuant to 1957 offering to stockholders, (excess over par)."

UNITED STATES RUBBER CO.
CR.—$3,969,303—"Capital Surplus: Excess of market value over par value ($5) of 101,777 common shares issued as part payment for investment in Englebert S. A."

CONVERSION OF DEBENTURES INTO COMMON STOCK

Capital Surplus

ALLEGHENY LUDLUM STEEL CORPORATION

CR.—$148,232—"Capital Surplus: Excess of principal amount of convertible subordinated debentures over par value of 2,824 shares of common stock issued upon conversion, less $2,641 paid in lieu of fractional shares and $4,004 unamortized debenture expense."

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$3,135,735—"Capital Surplus: Excess of conversion price over par value of common stock issued upon conversion of subordinated debentures."

BARIUM STEEL CORPORATION

CR.—$3,166,754.61—"Capital in Excess of Par Value: Excess of principal amount of 5½% Convertible Debentures due 1968 converted into Common Stock over par value of shares issued and applicable charges."

CR.—$442,653.49—"Capital in Excess of Par Value: Excess of principal amount of 5½% Convertible Subordinated Debentures due 1969 converted into Common Stock over par value of shares issued and applicable charges."

THE BRUNSWICK-BALKE-COLLENDER COMPANY

CR.—$1,802,072—"Capital Surplus: Excess of conversion price over stated value of common stock issued upon conversion of 5% convertible subordinated debentures (62,915 shares)."

THE COLORADO FUEL & IRON CORPORATION

CR.—$23,347—"Capital Surplus: Adjustment arising from conversion of Debentures into Common Stock."

THE DAYTON RUBBER COMPANY

CR.—$758,232.11—"Paid-In Surplus: Excess of conversion price over par value of 44,639 shares of common stock issued in exchange for debentures converted."

THE DOW CHEMICAL COMPANY

CR.—$21,306,684—"Capital Surplus: Excess of face value of debentures over the par value of common stock issued on conversion."

DRESSER INDUSTRIES, INC.

CR.—$4,839—"Capital Surplus: Excess over par value of conversion price of common stock issued in exchange for convertible debentures."

EASTERN STAINLESS STEEL CORPORATION

CR.—$3,619,143—"Paid-In Surplus: (Note 3)."

Note 3: The excess of the principal amount of 4½% convertible subordinate debentures over the par value of 116,821 shares of common stock issued in conversion less expenses relating to the debentures.

GENERAL AMERICAN TRANSPORTATION CORPORATION

CR.—$92,977—"Capital Surplus: Addition arising from conversion of debentures into common stock."

GENERAL DYNAMICS CORPORATION

CR.—$12,741,752—"Capital Surplus: Excess of principal amount over par value of 262,105 shares of common stock issued upon conversion of debentures."

THE GRAND UNION COMPANY

CR.—$462,726—"Capital Surplus: Excess of principal amount of convertible debentures converted to common stock over the par value of shares issued (Note 3)."

Note 3: The debentures are convertible into common stock at a price of $20.74 principal amount of debentures for each share of stock. The conversion price increases after September 15, 1959 and is subject to certain adjustments as specified in the indenture.

LEAR, INCORPORATED

CR.—$9,302—"Additional Paid-In Capital: Excess of conversion price of 1,000 shares of Common Stock issued upon conversion of 4¼% Convertible Subordinated Debentures in the principal amount of $10,000 less unamortized expenses of debenture issue related thereto."

LOCKHEED AIRCRAFT CORPORATION

CR.—$99,742—"Additional Capital: (Note 7)."

Note 7: Additional capital increased during 1957 by $99,742, representing the excess of the conversion price (less unamortized debenture expense) over the par value of capital stock issued upon conversion of debentures.

PHILLIPS PETROLEUM COMPANY

CR.—$121,059—"Capital in Excess of Par Value of Stock: Note 2."

Note 2: . . . Capital in excess of par value of stock was increased during the year by $84,806 received in excess of the par value of stock issued under options, and by $121,059 arising from conversion of the Company's 4¼% debentures into common stock.

RADIO CORPORATION OF AMERICA

CR.—$684—"Capital Surplus: Amount paid in over stated value of common stock issued upon conversion of debentures."

SINCLAIR OIL CORPORATION

CR.—$2,998,481—"Other Paid-In Capital: Excess paid in over par value of shares issued upon conversion of $3,398,800 principal amount of 3¼% convertible subordinated debentures less net expense applicable thereto."

CR.—$46,589—"Other Paid-In Capital: Excess paid in over par value of shares issued upon conversion of $52,400 principal amount of 4⅜% convertible subordinated debentures less net expense applicable thereto."

CONVERSION OF PREFERRED STOCK INTO COMMON

Capital Surplus

ACF INDUSTRIES, INCORPORATED

CR.—$2,965,506—"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."

ALLIS-CHALMERS MANUFACTURING COMPANY

CR.—$1,284,260—"Capital in Excess of Par Value of Common Stock: (Note)."

Note: . . .

	Number of Shares	Par Value	Capital in Excess of Par Value
Conversion of 4.08% preferred stock, 19,264 shares	64,214	$642,140	$1,284,260

AMERICAN AIR FILTER COMPANY, INC.

CR.—$35,079—"Other Capital in Excess of Par Value of Shares: Excess in par value of 2,525 shares of 5% cumulative convertible preference stock retired in exchange for common stock."

AMERICAN CYANAMID COMPANY
CR.—$10,898,860—"Capital Surplus: Excess of par value of shares of cumulative preferred stock converted over par value of shares of common stock issued upon conversion."

AMERICAN METAL PRODUCTS COMPANY
CR.—$439,476—"Additional Paid-In Capital: Excess of par value of 24,721 shares of Preferred Stock over par value of 27,436 shares of Common Stock issued in conversion, less $72.43 paid in lieu of fractional shares."

BEATRICE FOODS CO.
CR.—$205,957.50—"Capital Surplus: Excess of conversion price over par value of 7,846 shares of common stock issued in exchange for 3⅜% cumulative convertible prior preferred stock."

CITY STORES COMPANY
CR.—$857,949—"Other Capital: Excess of par value over cost of preferred stock reacquired."

Annual Report: . . . We averaged 253,000 more common shares than in the prior year due to conversions of preferred stock into common stock. . . .

COPPERWELD STEEL COMPANY
CR.—$664,700—"Amount Paid-in In Excess of Par Value of Stock—Net: (Note 4)."

Note 4: . . . Excess of par value of 6% preferred stock converted over par value of common stock issued.

ERIE FORGE & STEEL CORPORATION
CR.—$42,418.92—"Paid-in Surplus: Excess of par value of 6% cumulative first preferred shares over par value of common shares into which they were converted."

Note D: Conversion—The 6% Cumulative First Preferred Stock is convertible (at par value) into Common Stock through February 28, 1962, at a conversion price of $7.40 per share of Common Stock. Provisions of the 6% Cumulative First Preferred Stock require that the conversion price be adjusted upon the issuance, under certain conditions, of additional Common Stock; however, no change is required in the effective conversion price until the cumulative net effect of one or more adjustments amounts to 20¢.

FEDDERS-QUIGAN CORPORATION
CR.—$833,990—"Paid-in Surplus: Excess of par value of preferred stock over par value of common stock issued on conversion."

FOOD MACHINERY AND CHEMICAL CORPORATION
CR.—$385,522—"Capital in Excess of Par Values of Capital Stocks: Excess of par value of 4,874 shares of 3¼% preferred stock over par value of 10,187 79/100 shares of common stock issued on conversion."

GENERAL PLYWOOD CORPORATION
CR.—$768,881—"Capital Surplus: Excess of par value of 41,566 shares of Preferred Stock over par value of 124,698 shares of Common Stock issued in conversion of Preferred Stock less excess ($90) of redemption price over par value of 90 shares of Preferred Stock redeemed and retired."

THE GENERAL TIRE & RUBBER COMPANY
CR.—$5,706,100—"Capital Surplus: Excess of par value of shares of 4½% cumulative preference stock over par value of common stock issued upon conversion."

HAMILTON WATCH COMPANY
CR.—$623,016—"Capital Assigned to Common Shares in Excess of Par or Stated Value: Arising from conversion of preferred shares into common shares—par value of preferred shares in excess of par or stated value of common shares."

HUDSON PULP & PAPER CORP.
CR.—$1,880—"Capital Surplus: Excess of par value over cost of 80 shares of Cumulative Second Preferred Stock over the par value of 80 shares of Common Stock, Class A, issued in exchange therefor."

MERCK & CO., INC.
CR.—$1,425,278—"Other Paid-in Capital: Excess of the proceeds over the par value of common stock issued on conversion of $4.00 convertible series, second preferred stock (41,534 shares in 1957)."

PENN-TEXAS CORPORATION
CR.—$5,640—"Capital Surplus: Surplus arising from conversion of preferred stock into common stock."

SAFEWAY STORES, INCORPORATED
CR.—$7,260,574—"Additional Paid-in Capital: Excess of par value of 4.30% preferred stock over that of common stock issued on conversion."

SUNRAY MIDCONTINENT OIL COMPANY
CR.—$7,616—"Capital in Excess of Par Value of Stock: Excess of par value of shares (263) of 5½% cumulative, convertible second preferred stock, series 1955, over par value of shares (274) of common stock into which converted."

CAPITAL STOCK ACQUIRED FOR RETIREMENT OR REDEMPTION

Retained Earnings

BIGELOW-SANFORD CARPET COMPANY, INC.
CR.—$34,049—"Earnings Retained and Employed in the Business: Sundry credits related to capital stock transactions."

COOK PAINT AND VARNISH COMPANY
DR.—$1,585.13—*"Earned Surplus*: Excess of cost over par value of 724 shares of Series A prior preference stock retired during the year."

CRANE CO.
CR.—$14,103—"Earned Surplus: Excess of par value over cost of 3¾% cumulative preferred shares cancelled in connection with sinking fund requirements."

THE FIRESTONE TIRE & RUBBER COMPANY
DR.—$34,848—*"Income Invested in the Business*: Premium on preferred stock retired."

THE FLINTKOTE COMPANY
CR.—$64,770.86—"Earned Surplus: Excess of paid-in amount over cost of $4 cumulative preferred stock retired."

GRANITE CITY STEEL COMPANY
DR.—$27,304—*"Earnings Reinvested in the Business (Unappropriated Earned Surplus)*: Premium on redemption of 3,413 shares of Series B 5½% Preferred Stock."

PENN FRUIT CO., INC.

DR.—$1,560—"*Earnings Retained and Invested in the Business*: Premium paid on redemption of 1,560 shares of 4.6% Cumulative Preferred Stock through sinking fund."

Retained Earnings and Capital Surplus

CAPITOL RECORDS, INC.

DR.—$1,775—"*Earnings Employed in the Business*: Premium on redemption of preferred stock."

CR.—$3,075—"Capital in Excess of Par Value of Stock."

To the Shareholders: The Company acquired and retired during the year 2,405 shares of its preferred stock, par value $120,250, for $118,950. The capital stock account was reduced by the par value of the shares and the difference between the par value and the acquisition price was accounted for by a charge of $1,775, to earnings employed in the business and a credit of $3,075 to capital in excess of par value. This completed the retirement of all outstanding preferred stock.

KIMBERLY-CLARK CORPORATION

DR.—$21,650—"*Earnings Retained in the Business*: Premium paid on redemption of 5% preferred stock of Peter J. Schweitzer, Inc."

CR.—$65—"Additional Paid-in Capital: Scrip Certificates expired during the year."

Capital Surplus

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$24,844—"Capital Surplus: Excess of par value over cost of preferred stock retired."

AVON PRODUCTS, INC.

CR.—$4,145—"Capital Surplus: Excess of par value over cost of 4% cumulative preferred stock retired."

BOOTH FISHERIES CORPORATION

CR.—$7,485—"Paid-in Surplus: Discount on 473 shares of preferred stock purchased."

Letter to the Stockholders: . . . Under the sinking fund provisions of 4% preferred stock a total of 473 shares were purchased for retirement, leaving a balance of 10,337 shares out of an original 15,000 shares issued in 1946.

BORG-WARNER CORPORATION

CR.—$5,396—"Capital in Excess of Par Value: Excess of par value of 4,040 shares of preferred stock retired over cost thereof."

A. S. CAMPBELL CO., INC.

CR.—$6,958—"Capital Surplus: Discount on preferred stock retired."

COLONIAL STORES INCORPORATED

CR.—$12,084—"Capital Surplus: Net excess of par value over cost of cumulative preferred stock retired through sinking funds."

CROWN CORK & SEAL COMPANY, INC.

CR.—$354,000—"Capital Surplus."

Notes to Financial Statements: During 1957, 20,000 preferred shares were purchased and retired and the corporate charter amended to reduce the authorized number of shares accordingly. The $354,000 by which the stated value of the shares exceeded purchase cost was credited to capital surplus.

ERIE FORGE & STEEL CORPORATION

CR.—$26,808.88—"Paid-In Surplus: Excess of par value over cost of 5% Cumulative Sinking Fund Second Preferred Stock purchased and held for retirement."

CR.—$2,379.50—"Paid-In Surplus: Excess of par value over cost of 6% Cumulative First Preferred Stock purchased and held for retirement."

Note D: Redemption—The 6% Cumulative First Preferred Stock and the Second Preferred Stock are subject to redemption in whole or in part at any time on thirty days notice at the price of $10.50 and $50.00, respectively, plus, in each case, accrued dividends.

Sinking Fund—The Corporation is required to set aside annually on August 1st a sum sufficient to retire 6,000 shares of 6% Cumulative First Preferred Stock, and an additional sum equal to 5% of net income (as defined) for the preceding fiscal year, after deducting from net income the amount of $500,000.00. Sinking fund requirements to August 1, 1957, have been met by application of stock acquired by purchase and conversion.

The Corporation is obliged within 60 days after the close of each fiscal year to set aside as a sinking fund for the retirement of Second Preferred Stock a sum equal to 10% of net income (as defined) for such fiscal year after deducting from net income sinking fund requirements of 6% Cumulative First Preferred Stock in such period. Sinking fund requirements to June 29, 1957, have been satisfied by applying shares purchased and held for retirement at April 30, 1957. Sinking fund retirement prices are equivalent to par value of the shares.

FEDDERS-QUIGAN CORPORATION

CR.—$805—"Paid-in Surplus: Excess of par value over cost of 500 shares of preferred stock purchased for retirement under sinking fund provisions."

FOOD MACHINERY & CHEMICAL CORPORATION

CR.—$85,759—"Capital in Excess of Par Values of Capital Stocks: Discount on 8,796 shares of 3¾% preferred stock purchased for retirement."

GENERAL PLYWOOD CORPORATION

DR.—$90—"*Capital Surplus*: Excess ($90) of redemption price over par value of 90 shares of preferred stock redeemed and retired."

INDIAN HEAD MILLS, INC.

CR.—$47,749—"Capital Surplus: Discount on preferred stock retired through sinking fund operations."

JAMES LEES AND SONS COMPANY

CR.—$4,477—"Capital Surplus: Profit arising through acquisition for redemption of 3.58% cumulative preferred shares at less than par value."

LIBBY, McNEILL & LIBBY

CR.—$10,621—"Capital in Excess of Par Value."

Note: Capital in Excess of Par Value—Of the $2,627,956 increase in capital in excess of par value, $2,617,335 relates to the excess of cash received over par value of 610,664 shares of common stock of the Company issued during the year and the balance of $10,621 relates to the purchase and cancellation of 3,000 shares of preferred stock and the conversion into common stock of $500 principal amount of 5% Convertible Sinking Fund Debentures.

MOORE DROP FORGING COMPANY

CR.—$5,605—"Capital Surplus: Par value in excess of cost of preferred stock retired under sinking fund provision."

MUNSINGWEAR, INC.

CR.—$9,539—"Capital in Excess of Par Value: Represents the excess of par value over cost of 5¼% cumulative preferred stock purchased for retirement."

PARAMOUNT PICTURES CORPORATION
DR.—$5,062,239—"*Capital Surplus.*"

Note F: Capital—During the year 150,000 shares of common stock were retired and the Certificate of Incorporation was amended to reflect the resultant reduction in capital. The difference ($5,062,239) between the cost of the shares and the par value was charged to capital surplus. . . .

PHILIP MORRIS, INC.
CR.—$44,029—"Capital Surplus: Adjustments due to retirement of preferred stocks through sinking fund."

H. K. PORTER COMPANY, INC.
DR.—$17,475—"*Capital Surplus*: Excess of cost over par value of preferred stock retired during year."

REYNOLDS METALS COMPANY
CR.—$111,380—"Capital Surplus: Capital Surplus increased in 1957 by $111,380 for the excess of par value over cost of 17,400 shares of preferred stock purchased for retirement."

JACOB RUPPERT
CR.—$29,863—"Capital Surplus: From redemption of preferred stock."

SCOVILL MANUFACTURING COMPANY
CR.—$41,028—"Additional Capital: Excess of par value over cost of 2,150 shares of 3.65% cumulative preferred stock purchased and retired."

SPIEGEL, INC.
CR.—$30,238—"Capital Surplus: Excess of stated value over cost of 1,043 shares of preferred capital stock retired."

THOMPSON PRODUCTS, INC.
CR.—$17,810—"Capital in Excess of Par Value of Shares: Excess of par value over purchase price of Preferred Stock purchased and retired."

TREASURY STOCK TRANSACTIONS

Retained Earnings

ASSOCIATED DRY GOODS CORPORATION
DR.—$19,749—"*Earned Surplus*: Premium on preferred stock acquired for the treasury."

President's Report: Purchase of Preferred Shares—During the year 12,190 shares of our preferred stock were purchased by the company at prices averaging $101.19 a share. These shares are being held in the treasury available for the sinking fund and other purposes. . . .

BROWN & SHARPE MANUFACTURING COMPANY
DR.—$90,232—"*Earnings Employed in the Business*: Excess cost of shares in treasury over capital value."

THE CUBAN-AMERICAN SUGAR COMPANY
DR.—$9,256—"*Earned Surplus*: Excess of cost over par value of Company's preferred and common shares purchased during the year."

Letter to the Stockholders: Dividends and Stock Purchases—Dividends were paid during the fiscal year at the rate of $7.00 per share on the Preferred Stock and $1.75 per share on the Common Stock.

Dividends on the Common Stock represent an increase of 50 cents per share over the $1.25 paid last year.

During the year the Company purchased for its treasury 55 shares of Preferred Stock and 900 shares of Common Stock.

EMERSON RADIO & PHONOGRAPH CORPORATION
DR.—$4,328—"*Earned Surplus*: Surplus charge—Excess of purchase price over par value of 2,886 shares of the Corporation's capital stock acquired."

Balance Sheet: Capital Stock and Surplus—

Capital stock—authorized 3,000,000 shares of $5 par value each; issued 1,953,373 shares less 2,886 shares of treasury stock; outstanding 1,950,487 shares	$ 9,752,435
Capital surplus	1,654,395
Earned surplus	9,957,447
	21,364,277
Total	$41,326,467

Capital Surplus

AMERICAN MACHINE & METALS, INC.
CR.—$606,720—"Capital in Excess of Stated Value: (Note 4)."

Note 4: Capital in Excess of Stated Value—Capital in excess of stated value increased $606,720 during 1957 resulting from (a) proceeds in excess of stated value on issuance of 2,307 shares of capital stock under the Employees' Restricted Stock Option Plan—$75,547 and (b) proceeds in excess of cost on sale of 12,000 shares of treasury stock—$531,173.

BELL & HOWELL COMPANY
CR.—$6,115—"Capital in Excess of Par Value of Shares: Par value over cost of preferred shares purchased for treasury."

BURLINGTON INDUSTRIES, INC.
DR.—$743,219—"*Capital in Excess of Par Value*: Excess of cost over par value of Common Stock acquired for treasury, less excess of option price over par value of treasury shares sold under exercise of option rights."

CALUMET & HECLA, INC.
DR.—$440,297—"*Capital Surplus*: Excess of cost over par value of common shares purchased (79,900 shares) during the year 1957 for Treasury."

FEDERATED DEPARTMENT STORES, INC.
DR.—$1,158,171—"*Capital in Excess of Par Value of Common Stock*: Excess of cost over par value of common stock purchased for treasury."

FORT PITT INDUSTRIES, INCORPORATED
DR.—$625—"*Paid-in Surplus*: Loss on sale of 39,500 shares of Treasury stock."

FRUEHAUF TRAILER COMPANY
DR.—$8,424—"*Additional Paid-in Capital*: Excess of cost over selling price of 3,030 shares of Common Stock sold from treasury."

GENERAL ELECTRIC COMPANY
CR.—$11,980,162—"Investment in Excess of Par Value of Common Stock: (Note 7)."

Note 7: 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 GILLETTE COMPANY
DR.—$99,863—"*Additional Paid-in Capital*: Net loss on sales of treasury stock."

JONES & LAUGHLIN STEEL CORPORATION
CR.—$24,000—"Capital in Excess of Par Value: Gain on sale of treasury common stock."

THE MAY DEPARTMENT STORES COMPANY
CR.—$173,438—"Additional Paid-in Capital: Excess of quoted market price over par value of treasury common stock contributed to The May Stores Foundation, Inc."

SOCONY MOBIL OIL COMPANY, INC.
CR.—$6,597,675—"Capital Surplus: Treasury stock sold or exchanged for properties."

Financial Review: Changes in Capital Stock—In February 1957 Socony Mobil sold 4,379,758 shares of additional capital stock at $45.50 a share. After deducting expenses of issuance, the company obtained $193 million of new capital funds. These new shares were offered to shareholders on the basis of one share for each ten shares owned. Funds obtained are being used to provide facilities to meet the expected growth in demand for Mobil brand products, to improve the company's working capital position, and for other corporate purposes.

During the year the company acquired certain marketing properties in exchange for 64,204 Treasury shares. Also, the trustee of the company's Employees Savings Plan purchased 68,648 Treasury shares from the company at current market prices.

At December 31, 1957, there were issued 48,770,011 shares (including 459,816 shares in the Treasury) of the 75,000,000 authorized shares of a par value of $15 each. Shares outstanding at the end of 1957 were 48,310,195, an increase of 4,512,610 over the previous year end.

FINANCING EXPENSES

Retained Earnings

HUDSON PULP & PAPER CORP.
DR.—$15,000—*"Earned Surplus*: Expenses in connection with the 6¼% Cumulative Preferred Stock, Series D, issued September 6, 1957."

Retained Earnings and Capital Surplus

SAFEWAY STORES, INCORPORATED
DR.—$247,304—*"Additional Paid-in Capital."*
CR.—$247,304—"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 1957 consist of excess of par value of 4.30% preferred stock over that of common stock issued on conversion $7,260,574 less pro-rata share of original issue expense $247,304, excess of proceeds over par value of common stock issued under options exercised $1,032,507 and discount on 4% preferred stock acquired $69,472.

Capital Surplus

THE ANACONDA COMPANY
DR.—$2,266,567—*"Surplus Arising Through Capital Transactions*: Commission and expense of issue of 1,734,-865 additional shares of capital stock at par value."

ANDERSON-PRICHARD OIL CORPORATION
DR.—$29,746—*"Paid-in Capital*: Deferred stock issue expenses."

BELL & HOWELL COMPANY
DR.—$18,486—*"Capital in Excess of Par Value of Shares*: Proceeds over par value of common shares sold, less expenses of $18,486."

THE DAYTON RUBBER COMPANY
DR.—$8,008.23—*"Paid-in Surplus*: Applicable portion of unamortized cost of issuing debentures."

PENN-TEXAS CORPORATION
DR.—$9,719—*"Capital Surplus*: Documentary and transfer stamps on stock dividends and original issue of common stock."

CAPITAL STOCK ISSUED IN ACQUISITIONS OF SUBSIDIARIES OR BUSINESS PROPERTIES

Capital Surplus

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$700,485—"Capital Surplus: Excess of assigned value of $62.50 per share over par value of 11,390 shares of common stock issued in exchange for capital stock of The Wallingford Steel Company held by minority stockholders."

ARDEN FARMS CO.
CR.—$65,578.75—"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."

President's Letter to the Stockholders: . . . The company acquired the business and certain assets of Zottola's Dairy Products, Inc., engaged in selling and distributing frozen foods and dairy products in Grant's Pass, Oregon, and the surrounding territory . . .

AUTOMATIC CANTEEN COMPANY OF AMERICA
CR.—$157,604—"Investment in Excess of Par Value of Common Stock: (Note 4)."

Note 4: Investment in Excess of Par Value of Common Stock—The increase of $1,441,303 during the current fiscal year represents the excess over par value of the related shares of (1) the amounts paid in for common stock sold under stock options ($503,041), (2) the market value of shares issued as a 5% stock dividend ($780,658), and (3) the agreed value of shares issued as payment for additional interests in consolidated subsidiaries and for vending equipment ($157,604).

BEATRICE FOODS CO.
CR.—$518,310—"Capital Surplus: Excess of fair value over par value of 15,948 shares of common stock issued in connection with acquisition of the net assets of other companies."

BELL AIRCRAFT CORPORATION
CR.—$1,303,615—"Capital Surplus: Excess of value over par value of common stock issued for net assets of Lake Erie Engineering Corporation and Fabmo Corporation."

BENDIX AVIATION CORPORATION
CR.—$10,876,086—"Capital Surplus: Excess of market value over par value of capital stock issued in connection with the acquisitoin of The Sheffield Corporation (new subsidiary)."

CARRIER CORPORATION
CR.—$126,750—"Capital Surplus: Excess of fair value of assets acquired over par value of 3000 shares of Common Stock issued therefor (acquisition of Mt. Hawley Manufacturing Company)."

CLARK EQUIPMENT COMPANY
CR.—$864,000—"Capital in Excess of Par Value of Shares Issued in Exchange For an Interest in a Foreign Company."

CORN PRODUCTS REFINING COMPANY
CR.—$2,525,670—"Capital Surplus."

Note 9: . . . (2) The excess of $2,525,670 of market value over par value of 128,288 shares of common stock issued in connection with the acquisition of net assets of a company in 1957, . . .

DRESSER INDUSTRIES, INC.

CR.—$5,361,450—"Capital in Excess of Par Value: Excess over par value of amounts assigned to assets or stock of other companies acquired in exchange for common stock."

FEDERATED DEPARTMENT STORES, INC.

CR.—$14,610,579—"Capital in Excess of Par Value of Common Stock: Excess of consideration received over par value of common stock issued for acquisition of the business of Burdine's."

THE FIRESTONE TIRE & RUBBER COMPANY

CR.—$9,365,625—"Additional Capital: Excess of market over par value of common stock issued in acquisition of Electric Wheel Co. (112,500 shares)."

FORT PITT INDUSTRIES, INCORPORATED

CR.—$758,600—"Paid-in Surplus: Excess of fair value over par value of 189,650 shares of capital stock issued in connection with the acquisition of certain assets of J. P. Seeburg Corporation."

THE HALOID COMPANY

CR.—$645,000—"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: 10,000 shares at $69.50 per share, $695,000; Less: 10,000 shares at $5.00 par value per share, $50,000; Net, $645,000."

KIMBERLY-CLARK CORPORATION

CR.—$3,290,371—"Additional Paid-in Capital: Shares issued in exchange for the net assets of Neenah Paper Company as of May 31, 1956 (excess of market value less expenses of $9,629 over par value credited to additional paid-in capital)."

MONSANTO CHEMICAL COMPANY

CR.—$9,587,500—"Paid-in Surplus: Excess of approximate market value over the par value of common capital stock issued for a 50 per cent interest in Plax Corporation."

PITTSBURGH SCREW AND BOLT CORPORATION

CR.—$1,051,250—"Other Capital Contributed Upon Issuance of Shares: Issuance of capital stock for acquisition of Southington plant*."

*On September 1, 1957, the Corporation acquired the net assets of the Southington Hardware Manufacturing Company by the issuance of 145,000 shares of its unissued capital stock.

SPERRY RAND CORPORATION

CR.—$3,332,908—"Capital Surplus: Assigned value (based on market price) in excess of par value of 140,333 shares of Common Stock issued in connection with the acquisition of a foreign subsidiary."

EXCESS OF NET ASSETS ACQUIRED OVER COST OF INVESTMENT IN SUBSIDIARY

Capital Surplus

THE AMERICAN HARDWARE CORPORATION

CR.—$1,340,053—"Capital Surplus: Excess of book value of net assets of Kwikset Locks, Inc. at date of acquisition, July 1, 1957, over cost of investment."

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

CR.—$2,475,376—"Capital Surplus: Excess of net assets of Vari-Typer Corporation (acquired as a wholly-owned subsidiary as at August 1, 1956) over par value ($10) of 12,918 shares of Addressograph-Multigraph Corporation common stock exchanged."

AMERICAN CYANAMID COMPANY

CR.—$3,810,043—"Capital Surplus: Excess over par value of value ascribed to 134,414 shares of Common Stock issued for the net assets of Mac Gregor Instrument Company and Illinois Powder Manufacturing Company."

CHAIN BELT COMPANY

CR.—$2,178,396—"Paid-in Surplus: Excess of net assets of Chains, Inc. and L. Burmeister Co. as at dates of acquisition over par value of capital stock issued therefor."

THE EMERSON ELECTRIC MANUFACTURING COMPANY

CR.—$1,185,723—"Paid-in Capital: Excess of amount of Pryne & Co., Inc. net assets acquired over par value of 38,682 shares of common stock issued therefor."

JONES & LAUGHLIN STEEL CORPORATION

CR.—$1,380,000—"Capital in Excess of Par Value: Excess of purchase price of assets acquired over par value of 28,890 shares of common stock issued."

H.K. PORTER COMPANY, INC.

CR.—$117,616.59—"Capital Surplus: Excess of book value of subsidiaries acquired over costs of investments to company."

REYNOLDS METALS COMPANY

CR.—$9,041—"Capital Surplus."

Note L: Capital surplus increased in 1957 by $111,380 for the excess of par value over cost of 17,400 shares of Preferred Stock purchased for retirement, and by $9,041 for the excess of net assets over cost of acquisition of a consolidated subsidiary.

GOODWILL—INTANGIBLE ASSETS

Retained Earnings

CLEVITE CORPORATION

DR.—$2,041,498—*"Reinvestment of Profit*: Write-off of intangible assets (Note 7)."

Note 7: In 1957, the Board of Directors authorized a write-off of intangible assets acquired in purchases of subsidiaries, in the amount of $2,041,498.

THE CURTIS PUBLISHING COMPANY

DR.—$2,000,000—*"Undivided Profits*: Reduction of Goodwill in accordance with Resolutions of Board of Directors."

ADJUSTMENTS ARISING IN CONSOLIDATION

Retained Earnings

AMERICAN STORES COMPANY

DR.—$219,565—*"Earnings Retained for Use in the Business*: Retained earnings as of March 31, 1956 of subsidiary operating in Colombia, which subsidiary is excluded from current consolidation because of unsettled conditions in that country."

THE AMERICAN TOBACCO COMPANY

CR.—$3,809,529—"Retained Earnings: Retained earnings, beginning of year (includes December 31, 1955, retained earnings of previously unconsolidated subsidiaries, $3,809,529)."

ARDEN FARMS CO.

DR.—$8,954.05—*"Earned Surplus*: Minority equity changes in consolidation."

CR.—$4,804.70—"Earned Surplus: Earned surplus of subsidiary not previously consolidated."

COLGATE-PALMOLIVE COMPANY

CR.—$45,679,252—"Earned Surplus: Retained earnings of foreign subsidiaries (not previously consolidated)."

Notes to Financial Statements: Consolidated Statements—Since 1944, the accounts of foreign subsidiaries have been excluded from the financial statements of the Company and presented separately in supplementary statements. In the Company's financial statements, foreign subsidiaries were carried as investments, at cost or less, and foreign earnings were reflected in net income only as dividends were received in United States dollars.

For the year 1957, the financial statements include the accounts of all foreign subsidiaries and the comparative statements for the year 1956 have been restated accordingly. In addition to the Consolidated Income Account and Balance Sheet, statements of Domestic and Foreign Income Accounts and Net Assets are also presented.

COMBUSTION ENGINEERING, INC.

CR.—$4,227,560—"Earned Surplus: Equity in undistributed earnings of subsidiary company applicable to investment therein prior to date of acquisition of majority interest (Note 1)."

Note 1: . . . On July 24, 1957 the Company acquired additional shares which gave it a majority interest in the capital stock of The Lummus Company and the consolidated results of operations of such company and subsidiaries have been included in the Statements of Consolidated Income and Earned Surplus for 1957 only from the date of acquisition of control of such company. . . .

CORN PRODUCTS REFINING COMPANY

CR.—$2,474,752—"Earned Surplus: Equity in earned surplus of subsidiaries previously not consolidated."

DIAMOND T MOTOR CAR COMPANY

CR.—$21,511—"Earnings Retained in the Business: Earnings retained in the business, beginning of the year: Parent company, $12,186,972; Subsidiary not previously consolidated, $21,511."

LOEW'S INC.

CR.—$4,340,367—"Earned Surplus: Surplus of majority-owned domestic subsidiaries formerly not consolidated (Note 1)."

CR.—$430,532—"Earned Surplus: Surplus of wholly owned French subsidiaries previously not consolidated (Note 2)."

Note 1: . . . Effective in 1957, the assets and liabilities of majority owned (51% to 99%) domestic subsidiaries have been included in the consolidated balance sheet. Prior to 1957, such subsidiaries were consolidated only in the statement of income.

Note 2: Basis of Consolidation—The consolidated financial statements at August 31, 1957, include the accounts of all majority-owned domestic and foreign subsidiaries, except for subsidiaries operating in Japan and certain other countries in the Far East. The net assets of these excluded subsidiaries (carried at no value) and the blocked cash of a domestic subsidiary company in Spain and certain other foreign countries also excluded from the consolidated balance sheet amounted to approximately $6,000,000 at August 31, 1957. At August 31, 1956, total excluded assets, including assets of the French subsidiaries which were consolidated in 1957, amounted to approximately $5,700,000.

Income from companies operating in countries with severe exchange restrictions is not included in the income statement until realizable. In 1957, approximately $1,200,000 was realized on blocked earnings of prior years as compared to $3,800,000 in 1956.

Assets, liabilities and income of foreign subsidiaries have been translated at curent rates of exchange, except that historical rates were used for fixed assets and depreciation.

Intercompany transactions have been eliminated.

THE MEAD CORPORATION

CR.—$1,108,334—"Retained Earnings: Equity in retained earnings of previously unconsolidated subsidiary at date on which it became wholly-owned."

Retained Earnings and Capital Surplus

THE BILLINGS & SPENCER COMPANY

DR.—$26,989—*"Earned Surplus*: Eliminations from Earned Surplus: Portion applicable to Minority Interest, The Peck, Stow and Wilcox Company (Note 2)."

DR.—$9,528—*"Earned Surplus*: Excess of Parent's cost over stated capital stock and capital surplus valuation of subsidiary, The Peck, Stow and Wilcox Company."

DR.—$421,103—*"Capital Surplus*: Excess of Parent's cost over stated capital stock valuation of subsidiary."

DR.—$8,510—*"Capital Surplus*: Capital surplus of Subsidiary, The Peck, Stow and Wilcox Company, applicable to Minority Interest (Note 2)."

CR.—$429,614—"Capital Surplus: Capital surplus of Subsidiary, The Peck, Stow and Wilcox Company, at acquisition date, March 31, 1954."

Note 2: The Billings & Spencer Company owned 98,019 shares of the capital stock of The Peck Stow and Wilcox Company, representing 98.019% of the total of 100,000 shares of common stock issued and outstanding, par value $10.00 per share, at September 30, 1957.

BURLINGTON INDUSTRIES, INC.

DR.—$77,013—*"Capital in Excess of Par Value*: Adjustment of value of net assets of subsidiary companies as of dates of acquisition over cost of investment therein."

CR.—$1,399,033—"Retained Earnings: Accumulated earnings to September 29, 1956 of subsidiary company, not previously consolidated."

CANNON MILLS COMPANY

CR.—$37,031.79—"Earned Surplus: Earnings of subsidiaries during the period of 1956 subsequent to acquisition (Note 1)."

CR.—$788,021.64—"Capital Surplus: (Note 1)."

Note 1: During 1956 Cannon Mills Company acquired substantially all of the outstanding capital stock of Brown Manufacturing Company (which company owns all of the outstanding capital stock of Roberta Manufacturing Company). Subsequently the Company acquired all of the remaining outstanding shares of capital stock of Brown Manufacturing Company. Beginning with 1957, the accounts and operating results of Brown Manufacturing Company and its wholly owned subsidiary are included in the above consolidated statements. The book value of the net assets of Brown Manufacturing Company and Roberta Manufacturing Company upon acquisition by Cannon Mills Company was $788,021.64 in excess of the cost of the entire outstanding capital stock of Brown Manufacturing Company, which excess is included in Capital Surplus in the above consolidated balance sheet.

CORPORATE MERGERS—
LIQUIDATIONS AND DISSOLUTIONS

Retained Earnings

CROWN CENTRAL PETROLEUM CORPORATION

CR.—$9,059—"Earned Surplus: Earned surplus of unconsolidated subsidiary liquidated during period."

RELIANCE MANUFACTURING COMPANY

CR.—$688,483—"Earned Surplus: Excess of liquidating dividends from Rice-Stix Inc. (in liquidation) over remaining cost of investment (Note C)."

Note C: . . . Liquidating dividends of $6,575,359 received by Reliance Manufacturing Company during 1957 have been applied first to reduce the $5,886,877 remaining cost of its investment in Rice-Stix, Inc. at December 31, 1956 to the nominal amount of $1 and the balance of $688,483 has been credited to earned surplus. . . .

Retained Earnings and Capital Surplus

GENERAL DYNAMICS CORPORATION

CR.—$17,065,282—"Earned Surplus: Earned Surplus, beginning of year, $100,207,751; Merger Adjustment: Earned surplus of The Liquid Carbonic Corporation and subsidiaries as at January 1, 1957, $17,065,282; Amount shown as of December 31, 1956, in accompanying consolidated balance sheet, $117,273,033."

CR.—$24,158,941—"Capital Surplus: Capital Surplus, beginning of year, $34,215,078; Merger Adjustments: Capital surplus of The Liquid Carbonic Corporation as at January 1, 1957, $8,186,564; Excess of par value of common shares of The Liquid Carbonic Corporation at end of 1956 over par value of 1,156,227 shares of the Corporation issued in exchange therefor, $15,972,377; Total Merger Adjustments, $24,158,941; Amount shown as of December 31, 1956, in accompanying consolidated balance sheet, $58,374,019."

Note 1: Merger—The Liquid Carbonic Corporation was merged with and into the Corporation effective at the close of business September 30, 1957, in accordance with an agreement of merger under which the outstanding shares of The Liquid Carbonic Corporation at the date of merger were exchanged for shares of common stock of the Corporation on a share-for-share basis.

To provide a basis for comparison of the consolidated financial position at December 31, 1957, the consolidated balance sheet of the Corporation and its subsidiaries and the consolidated balance sheet of The Liquid Carbonic Corporation and its subsidiaries as at December 31, 1956, have been combined.

The Statement of Consolidated Income combines the consolidated operating results of the Corporation and its subsidiaries for the year 1957 and for the year 1956 with the consolidated operating results of The Liquid Carbonic Corporation and its subsidiaries for the nine months ended September 30, 1957, and the fiscal year ended September 30, 1956, respectively.

Capital Surplus

CALUMET & HECLA, INC.

CR.—$1,603,995—"Capital Surplus: Increase resulting from receipt at book value of assets of Goodman Lumber Company on its complete liquidation."

CARRIER CORPORATION

DR.—$2,439,348—*"Capital Surplus*: Excess of investment in Elliott Company prior to merger over par value of shares represented thereby."

CR.—$3,629,035—"Capital Surplus: Capital surplus of Elliott Company as of October 31, 1956, as adjusted."

CR.—$3,469,860—"Capital Surplus: Difference between par value of remaining shares of Elliott Company outstanding and par value of shares of Carrier Corporation exchanged therefor, less expenses related to merger."

Consolidated Capital Surplus:

Balance as of beginning of year		$17,438,845
Merger entries:		
Capital surplus of Elliott Company as of October 31, 1956, as adjusted	$ 3,629,035	
Excess of investment in Elliott Company prior to merger over par value of shares represented thereby	(2,439,348)	
Difference between par value of remaining shares of Elliott Company outstanding and par value of shares of Carrier Corporation exchanged therefor, less expenses related to merger	3,469,860	
		4,659,547
Amount shown as of October 31, 1956, in accompanying consolidated balance sheet		$22,098,392
Add:		
Excess of proceeds over par value of 1,755 shares of Common Stock issued under the Incentive Stock Option Plan	$ 69,554	
Excess of fair value of assets acquired over par value of 3,000 shares of Common Stock issued therefor	126,750	
Excess of par value of 55 shares of Cumulative Second Preferred Stock, 4.8% Series, over par value of 43 shares of Common Stock issued in exchange therefor upon conversion	2,320	
		198,624
Deduct:		
Expenses related to sale of 118,000 shares of Cumulative Second Preferred Stock, 4.8% Series		(28,616)
Balance as of end of year		$22,268,400

Notes to Financial Statements: Merger—Elliott Company was merged into the Corporation as of July 31, 1957. In the consolidated balance sheet as of October 31, 1956, the accounts of Carrier Corporation and the former Elliott Company have been combined, giving effect therein retroactively to the exchange of stock involved in the merger. The results of operations for 1956 reflect the earnings of Carrier for its fiscal year ended October 31, 1956, and of Elliott Company for its fiscal year ended December 31, 1956. For fiscal 1957, the earnings of Elliott from November 1, 1956, the beginning of that fiscal year, have been included.

COPPERWELD STEEL COMPANY

DR.—$87,668—*"Amount Paid-in In Excess of Par Value of Stock*: Expenses incurred in connection with merger."

DR.—$3,975—*"Amount Paid-in In Excess of Par Value of Stock*: Excess of cost over par value of 225 shares of common stock acquired in connection with merger."

CR.—$2,885,772—"Amount Paid-in In Excess of Par Value of Stock: Excess of carrying value of Superior Steel Corporation common stock over par value of Copperweld Steel Company common stock issued upon merger."

Note 1: On November 30, 1957, the Company merged with Superior Steel Corporation. The accompanying summary of income and retained earnings includes, on a "pooling of interests" accounting basis, the results of the 1957 operations of the merged companies for the entire year. The combined statement of financial condition as of December 31, 1956, and the combined summary of income and retained earnings for 1956 have been compiled for comparative purposes as if the merger had taken place at January 1, 1956.

POOLING OF INTERESTS

Retained Earnings

DIAMOND GARDNER CORPORATION

DR.—$1,332,000—*"Earnings Retained*: (See Note 1)."

DR.—$62,000—*"Earnings Retained*: (See Note 1)."

CR.—$19,761,000—"Earnings Retained: (See Note 1)."

Note 1: The consolidated financial statements for 1957 and 1956 include the assets and liabilities and results of operations of The Gardner Board and Carton Co., the net assets of which were transferred to the Company on October 31, 1957 in exchange for 745,550 shares of common stock. The transfer has been treated in the financial statements as a "pooling of interests" and affected common stock and earnings retained as of December 31, 1955 as follows:

Balances, December 31, 1955	Common Stock	Earnings Retained
The Diamond Match Company	$30,390,000	$34,870,000
The Gardner Board and Carton Co.:		
Common Stock and Paid-In Surplus	2,344,000	
Earnings Retained		19,761,000
Adjustments to conform Gardner accounting to that of Diamond (principally adjustment of method of costing inventories)		1,332,000*
	2,344,000	18,429,000
Combined	32,734,000	53,299,000
Expenses of reorganization	68,000*	

Elimination of inter-company profit in inventories		62,000*
Adjusted balances, December 31, 1955	$32,666,000	$53,237,000

*Indicates deduction

Stock options previously granted to certain key employees of Gardner have been assumed by Diamond Gardner Corporation and permit the purchase of 12,950 shares of common stock at $37.87 per share. The options become exercisable over a five-year period beginning February 1, 1958 and expire January 31, 1964.

JONES & LAUGHLIN STEEL CORPORATION

CR.—$20,840,000—"Income Retained in the Business, Exclusive of Amounts Transferred to Capital: (Note A); Balance at beginning of year: Jones & Laughlin Steel Corporation, $208,200,000; Rotary Electric Steel Company and the Cold Metal Products Company, $20,840,000."

Note A: Rotary Electric Steel Company and The Cold Metal Products Company—During 1957 the assets and business of Rotary Electric Steel Company and The Cold Metal Products Company were transferred to the Corporation, and Rotary and Cold Metal were dissolved. Since the transactions were poolings of interests, the carrying amounts of the assets, liabilities and shareholders' investments have been carried forward and combined as of the beginning of the year and the results of operations of Rotary and Cold Metal for the year 1957 have been included in the consolidated statement of income.

P. R. MALLORY & CO., INC.

CR.—$849,647—"Retained Earnings: Balance at December 31, 1956: P. R. Mallory & Co., Inc. and subsidiaries, $7,643,829; Radio Materials Corporation, $849,647; (Note 2)."

Note 2: In September 1957, the Company exchanged 176,488 shares of its common stock for all the outstanding stock of Radio Materials Corporation, which was merged into and became a division of the Company as of December 31, 1957. Under the pooling of interests concept, operations of Radio Materials Corporation for the entire year 1957 are reflected in the consolidated statement of income.

THE MEAD CORPORATION

CR.—$3,222,732—"Retained Earnings: Balance at beginning of year: The Mead Corporation and consolidated subsidiaries, as previously reported, $37,283,178; Atlanta Paper Company and subsidiaries (Note A), $3,222,732; Balance at beginning of year revised to give effect to subsequent merger, $40,505,910."

Note A: Merger and Basis of Consolidation—In May 1957, Atlanta Paper Company became a wholly-owned subsidiary of The Mead Corporation. This transaction has been reflected in the accompanying financial statements in accordance with the pooling of interests accounting principle. Accordingly, the consolidated retained earnings account has been credited with $3,222,732 as of the beginning of the year 1957, which represents the excess of the net assets of the merged company over the aggregate par value of the 273,295 Common Shares of The Mead Corporation issued pursuant to, and at the date of, the merger.

The accompanying statements of net earnings and retained earnings include the results of operations of Atlanta Paper Company and subsidiaries for the year (52 weeks) ended December 29, 1957 and include comparative results of operations for the year (53 weeks) ended December 30, 1956. The statements include the results of operations of other subsidiary companies, acquired by purchase in 1957, from their respective dates of acquisition.

The statement of financial condition at December 30, 1956, presented herein for purposes of comparison, has been revised on a combined basis as if the Atlanta merger had taken place at that date.

As in the past, the accompanying financial statements also include the accounts of all subsidiaries, over 60% of whose voting stock was owned by the corporation, except for Upper Michigan Power & Light Company which was excluded because its operations are not homogeneous with those of the corporation.

PHILIP MORRIS INCORPORATED

CR.—$13,615,003—"Earnings Retained in the Business: Balance at beginning of year: Philip Morris and its Subsidiary, Benson and Hedges, $60,046,760; Milprint and Consolidated Subsidiaries, $13,615,003; Total, $73,661,763."

Note 1: Principles of Consolidation—. . . In 1957, the Company by an exchange of its stock acquired substantially all of the outstanding stock of Milprint, Inc. For accounting purposes, this transaction was treated as a pooling of interests; consequently the accompanying balance sheets and statements of income and surplus include the accounts of both companies for each period shown. . . .

THE RELIANCE ELECTRIC AND ENGINEERING COMPANY

CR.—$6,131,412—"Income Retained for Use in the Business: Retained income of The Master Electric Company at date of acquisition, exclusive of its net income for the period from November 1, 1956 to July 31, 1957."

Note: The 1957 figures in this Report include the full year of operations of The Master Electric Company in accordance with the "pooling of interests" accounting principle.

Retained Earnings and Capital Surplus

KIMBERLY-CLARK CORPORATION

DR.—$3,254,260—*"Additional Paid-in Capital*: Excess of par value of 735,000 shares issued on March 1, 1957 over the par value of 420,740 shares of Peter J. Schweitzer, Inc."

CR.—$11,834,005—"Earnings Retained in the Business: Peter J. Schweitzer, Inc. and subsidiaries—Note 1."

Note 1: Merger—During 1957, Kimberly-Clark Corporation issued 735,000 shares of its $5 par common stock in exchange for all of the outstanding stock of Peter J. Schweitzer, Inc. and for accounting purposes has treated the transaction as a pooling of interests.

The accompanying summaries of consolidated earnings and earnings retained in the business include the results of operations of Peter J. Schweitzer, Inc. and wholly-owned subsidiaries for the entire year ended April 30, 1957, with comparative combined figures for the year ended April 30, 1956.

The combined balance sheet as at April 30, 1956 has been compiled for comparative purposes as if the acquisition had taken place at that date.

The accounts of all subsidiaries, 66 2/3% or more owned, except one insignificant subsidiary whose fiscal year differs from that of Kimberly-Clark Corporation, are included in the consolidated statements.

Capital Surplus

COMMERCIAL SOLVENTS CORPORATION

DR.—$11,072—*"Additional Paid-in Capital."*

Notes to Financial Statements: Principles of Consolidation—On April 30, 1957 Thermatomic Carbon Company was merged into Commercial Solvents Corporation. The assets, liabilities and earnings retained in the business of Thermatomic have been carried forward at the amounts recorded on its books in accordance with the pooling of interests principle of accounting. In connection therewith additional paid in capital has been reduced by $182,913 in 1956 and $11,072 in 1957. The financial statements as of December 31, 1957 and December 31, 1956 and for the years then ended reflect the combined operations. . . .

HARRIS-INTERTYPE CORPORATION

CR.—$2,052,650—"Other Capital: Credit resulting from acquisition of net assets of Intertype Corporation (represents amount equal to excess of par value of Common Stock of Intertype Corporation over par value of 431,885 shares of Harris-Seybold Company Common Stock issued, less applicable net expense)."

Note A: Acquisition—On June 27, 1957, Harris-Seybold Company acquired substantially all the assets and assumed substantially all the liabilities of Intertype Corporation, and at that time the name of Harris-Seybold Company was changed to Harris-Intertype Corporation. The acquisition has been considered a "pooling of interests" for accounting purposes and accordingly consolidated net income of Harris-Intertype Corporation includes the results of operations of Intertype Corporation and its consolidated subsidiaries for the twelve months ended June 30, 1957.

HEYDEN NEWPORT CHEMICAL CORPORATION

DR.—$303,405—*"Paid-in Surplus*: Excess of par value of capital stock of Heyden Newport Chemical Corporation over total par value of capital stocks of constitutent corporations prior to acquisition of net assets of Newport Industries, Inc. as at January 2, 1957, representing a pooling of interests."

Consolidated Earned Surplus Statement:

Earned surplus, December 31, 1956	$16,023,052
Add:	
Earned surplus acquired at time of acquisition of net assets of Newport Industries, Inc. as at January 2, 1957	5,289,075
	21,312,127
Deduct:	
Excess of cost over book value of 65,509 shares of common stock of Newport Industries, Inc. owned by Heyden Chemical Corporation prior to acquisition of net assets of Newport Industries, Inc. as at January 2, 1957	291,378
Earned surplus, January 2, 1957	21,020,749
Add:	
Net income for year	2,582,168
	23,602,917
Deduct:	
Dividends paid:	
3½% Cumulative preferred stock, Series A	255,937
$4⅜ cumulative second preferred stock	191,117
Common stock, $.80 per share	1,575,897
	2,022,951
Earned surplus, December 31, 1957	$21,579,966

Consolidated Paid-In Surplus Statement:

Paid-in surplus, December 31, 1956	$ 4,329,308
Add:	
Paid-in surplus acquired at time of net assets of Newport Industries, Inc. as at January 2, 1957	4,397,775
	8,727,083
Deduct:	
Excess of par value of capital stock of Heyden Newport Chemical Corporation over total par value of capital stocks of constituent corporations prior to acquisition of net assets of Newport Industries, Inc. as at January 2, 1957, representing a pooling of interests	303,405
Paid-in surplus, January 2, 1957	8,423,678
Add:	
Excess of stated value over cost of 1,500 shares of 3½% cumulative preferred stock, Series A, purchased for future sinking fund requirements	53,173
Paid-in surplus, December 31, 1957	$ 8,476,851

Note 1: Pursuant to the terms of an agreement dated as of November 9, 1956 between the Corporation and Newport Industries, Inc., and as approved by the holders of common stock of each company at meetings held on December 27, 1956, the Corporation, effective January 2, 1957, acquired all the assets, property, business and goodwill of Newport Industries, Inc., in consideration of the issuance and delivery to Newport of 910,215 shares of the common stock of the Corporation and the assumption by the Corporation of the liabilities and obligations of Newport.

EMPLOYEE STOCK PLANS

Stock Options

Capital Surplus

ALLEGHENY LUDLUM STEEL CORPORATION

CR.—$1,097,198—"Capital Surplus: (Note 6)."

Note 6: . . . Excess of the option price over the par value of 56,909 shares of common stock issued under employees' stock option plan. . . .

ALLIED LABORATORIES, INC.

CR.—$63,662—"Capital Surplus: Credits arising from employees' stock option plan (Note 3)."

Note 3: Options granted to employees to purchase 3,150 shares (before adjustment for the stock dividend) of the company's unissued common stock became exercisable in 1957. 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 1957 of $11,250 with a corresponding credit to capital surplus. Options for 2,390 shares (before adjustment for the stock dividend) were exercised during the year and the excess of the option price over the declared value of such shares, $52,412, was credited to capital surplus.

ALLIED STORES CORPORATION

CR.—$394,800—"Common Stockholders' Equity: Additional amounts received for shares issued in excess of $1.00 per share, . . . 10,500 shares . . . issued under stock option (Note D)."

Note D: Of the 103,875 shares of common stock reserved at January 31, 1956 for issuance to officers and employees under a stock option plan approved by the stockholders on June 19, 1951, 93,375 such shares remained at January 31, 1957, options to purchase 10,500 shares at $38.60 per share having been exercised during the year. As a result, at January 31, 1957, sixteen officers and employees had options expiring July 24, 1958 for 33,125 shares at a price of $38.60 per share and options expiring September 28, 1961 for 11,250 shares at a price of $45.84 per share.

ALLIS-CHALMERS MANUFACTURING COMPANY

CR.—$190,128—"Capital in Excess of Par Value of Common Stock."

Note:

	Number of Shares	Par Value	Capital in Excess of Par Value
Sales under stock option plan:			
$19.07 per share	1,773	$17,730	$ 16,081
$30.07 per share	6,859	68,590	174,047
			$190,128

ALUMINUM COMPANY OF AMERICA

CR.—$1,040,324—"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.—$23,388—"Capital Surplus: Excess of proceeds of sales of previously unissued common capital stock (under the stock option plan) over par value thereof."

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$66,380—"Capital Surplus: Excess of proceeds over par value of common stock issued under stock option plan."

AMERICAN METAL PRODUCTS COMPANY

CR.—$109,384—"Additional Paid-in Capital: Excess of proceeds over par value of 5,890 shares of Common Stock issued under Stock Option Plan."

AMERICAN STORES COMPANY

CR.—$89,434—"Capital in Excess of Par Value of Common Stock: (Note 3)."

Note 3: . . . Sales proceeds over par value of 2,784 shares common stock sold to officers and employees pursuant to exercise of stock options.

ARMSTRONG CORK COMPANY

CR.—$146,464—"Capital in Excess of Redemption Price and Par Value of Outstanding Shares: (Note 3)."

Note 3: . . . During the year options for 9,200 shares were exercised . . . The excess, $146,464 of proceeds over the par value of shares sold through exercise of options was added to "Capital in excess of redemption price and par value of outstanding shares."

AUTOMATIC CANTEEN COMPANY OF AMERICA

CR.—$503,041—"Investment in Excess of Par Value of Common Stock: (Note 4)."

Note 4: The increase of $1,441,303 during the current fiscal year represents the excess over par value of the related shares of (1) the amounts paid in for common stock sold under stock options ($503,-041), . . .

AVON PRODUCTS, INC.

CR.—$153,410—"Capital Surplus: Excess of option price over par value of Common Stock issued pursuant to stock option plan."

BELL & HOWELL COMPANY

CR.—$18,454—"Capital in Excess of Par Value of Shares: Proceeds over par value of common shares issued under stock option plan."

COLGATE-PALMOLIVE COMPANY

CR.—$228,782—"Capital Surplus: Excess of option price over stated value of shares of common stock issued under Stock Option Plan."

COLONIAL STORES INCORPORATED

CR.—$352,943—"Capital in Excess of Par Value of Capital Stock: Excess of consideration received over par value of common stock issued to employees (Notes 3 and 4)."

Note 3: Profit-Sharing Distributions in Common Stock—As authorized by the Board of Directors, 12,789 shares of common stock of the company were issued in February 1957 to certain employees in partial discharge of the accrual for profit-sharing liability at December 29, 1956. For this purpose, the shares issued were deemed to have a fair value of $26.50 per share (the approximate bid price at the close of business November 30, 1956), an aggregate of $338,909.

Note 4: Options to Purchase Common Stock—Pursuant to authorization by the Board of Directors and approval by the stockholders, options were granted in 1955 to certain executive employees of the company to purchase an aggregate of 40,800* shares of the authorized but unissued common stock of the company at $23.77* per share. Such options became exercisable on January 1, 1957; they expire on November 8, 1965 or at such earlier dates as the optionees cease to be employees of the company. The quoted market value of the common stock at the date the options were granted was $25.00* per share. After cancellation in 1956 of options relating to 510* shares, there remained outstanding at December 29, 1956 options relating to 40,290* shares. During the year 1957, options relating to 2,163* shares were exercised, leaving 38,127* shares under option at December 28, 1957.

(*Adjusted to give effect to common stock split and stock dividend in 1956.)

COPPERWELD STEEL COMPANY

CR.—$135,334—"Amount Paid-in In Excess of Par Value of Stock—Net: (Note 4)."

Note 4: . . . Excess of option price over par value of common stock on employees' stock options exercised . . .

CORN PRODUCTS REFINING COMPANY

CR.—$87,350—"Capital Surplus: (Note 9)."

Note 8: Stock Options— . . . The excess of the proceeds over the par value of the 5,833 shares of common stock issued upon the exercise of stock options in 1957, plus $7,284, representing the difference between the market value on date options were granted and the option value, resulted in an addition of $87,350 to capital surplus.

Note 9: Capital Surplus—The increase of $2,668,514 in capital surplus during the year 1957 represents: (1) the exercise of stock options as explained in Note 8 amounting to $87,350; . . .

THE ELECTRIC AUTO-LITE COMPANY

CR.—$11,904—"Additional Paid-in Capital: Excess of option price over par value of 407 shares of common stock issued under Stock Option Plan during the year."

THE ELECTRIC STORAGE BATTERY COMPANY

DR.—$99—*"Capital in Excess of Par Value of Common Stock*: . . . net adjustment of $99 in 1957 for transactions related to . . . stock option transactions."

THE GRAND UNION COMPANY

CR.—$160,231—"Capital Surplus: Excess of amounts received over par value of shares of common stock issued under employees' stock option plan."

HARRIS-INTERTYPE CORPORATION

CR.—$100,701—"Other Capital: Excess of proceeds over par value of 5,107 shares of Harris-Seybold Company sold under stock options."

JONES & LAUGHLIN STEEL CORPORATION

CR.—$629,000—"Capital in Excess of Par Value."

Note F: Shareholders' Investment— . . . Excess of proceeds over par value of common stock sold under stock options. . . .

KIMBERLY-CLARK CORPORATION

CR.—$153,878—"Additional Paid-in Capital: (Note 8)."

Note 8: . . . Shares issued under stock option plan (excess of option price over par value credited to additional paid-in capital) . . .

LEAR, INCORPORATED

CR.—$37,988—"Additional Paid-in Capital: Excess of option price over par value of 10,400 shares of Common Stock sold to officers and employees under stock option plans."

CR.—$130,104—"Additional Paid-in Capital: Excess of fair value over par value of 28,912 shares of Common Stock issuable as of December 23, 1957, to employees as compensation."

Note C: Stock Options and Reservation of Common Stock—As of December 31, 1957, 299,000 shares of Common Stock, par value 50 cents a share, were reserved for conversion of 4¼% Convertible Subordinated Debentures and 147,000 shares were reserved for stock option plans. At December 31, 1957, options for 89,825 shares were outstanding (of which options for 28,225 shares were exercisable) at prices ranging from $5,625 to $8.75 a share—the fair market value of the shares on the dates of grant. In addition, options for 9,500 shares were outstanding (of which options for 2,875 shares were exercisable) at prices ranging from $6.1875 to $9.63 a share—110% of the fair market value of the shares on the dates of grant. During the year ended December 31, 1957, options for 28,100 shares were granted at a price of $5.625—the fair market value on the date of grant; options for 3,000 shares were granted at a price of $6.1875—110% of the fair market value on the date of grant; and options for 10,400 shares were exercised at an aggregate price of $43,188.

The 28,912 shares of Common Stock issuable as of December 23, 1957, to employees are in partial payment of bonuses under the Company's Incentive Bonus Plan. The issuance of the stock has been deferred pending qualification of the shares in the various states and with the American Stock Exchange.

METAL & THERMIT CORPORATION

CR.—$8,438—"Paid-in Surplus: Increase represents excess of proceeds over par value of 750 shares common stock sold in 1957 under stock option."

THE MOHAWK RUBBER COMPANY

CR.—$4,550—"Capital Surplus: Excess of proceeds over common capital of 310 shares of common stock sold under stock option plan."

MUNSINGWEAR, INC.

CR.—$18,488—"Capital in Excess of Par Value: (Note 5)."

Note 5: The $28,027 increase in capital in excess of par value during the year resulted from $18,488 excess over par value realized on common stock issued under the stock option plan and $9,539 representing the excess of par value over cost of 5¼% cumulative preferred stock purchased for retirement.

PHILLIPS PETROLEUM COMPANY
CR.—$84,806—"Capital in Excess of Par Value of Stock."

Note 2: Common Stock— . . . Capital in excess of par value of stock was increased during the year by $84,806 received in excess of the par value of stock issued under options, . . .

THE PROCTER & GAMBLE COMPANY
CR.—$1,072,590—"Additional Paid-in Capital."

Note 4: . . . $1,072,590 represented the excess of proceeds over the par value of 34,387 shares of common stock sold under the stock option plan, . . .

SAFEWAY STORES, INCORPORATED
CR.—$1,032,507—"Additional Paid-in Capital."

Notes to Financial Statements: Additional Paid-in Capital— . . . Excess of proceeds over par value of common stock issued under options exercised. . . .

SEARS, ROEBUCK AND CO.
CR.—$3,410,444—"Capital in Excess of Par Value: Excess of selling price over par value of employee's stock options exercised."

SPERRY RAND CORPORATION
CR.—$384,480—"Capital Surplus: Proceeds in excess of par value of 72,000 shares of Common Stock issued upon the exercise of options granted by a predecessor company under a key employees' stock option plan."

PARKE DAVIS & COMPANY
CR—$175,184—"Additional Paid-in Capital: Additional paid-in capital, including $175,184 added in 1957 . . . with respect to stock options."

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.

A summary of transactions for the year 1957 with respect to the Executive Stock Option Plan follows:

	Shares
Options outstanding at January 1, 1957	41,452
Add options granted at $38.89 a share	1,205
	42,657
Less:	
Options exercised (at prices ranging from $29.12 to $38.89 a share)	10,531
Options terminated	228
	10,759
Options outstanding at December 31, 1957 (at prices ranging from $29.12 to $38.89 a share, being 85% of the highest market price at the dates the options were granted)	31,898

Options for 12,781 shares were exercisable at December 31, 1957.

In addition, an option granted to an officer in 1950 was outstanding at December 31, 1956, for 500 shares of treasury stock at $31.99 a share. Under this option, 250 shares were purchased during 1957, leaving 250 shares under option at December 31, 1957.

PILLSBURY MILLS, INC.
CR.—$11,893—"Additional Paid-in Capital: Excess of proceeds received over the par value of 1,340 shares of common stock issued under restricted stock option plan."

Restricted Stock Options

Capital Surplus

AMERICAN MACHINE & METALS, INC.
CR.—$606,720—"Capital in Excess of Stated Value: (Note 4)."

Note 4: Capital in Excess of Stated Value—Capital in excess of stated value increased $606,720 during 1957 resulting from (a) proceeds in excess of stated value on issuance of 2,307 shares of capital stock under the Employees' Restricted Stock Option Plan—$75,547 and (b) proceeds in excess of cost on sale of 12,000 shares of treasury stock—$531,173.

AMERICAN WINDOW GLASS COMPANY
DR.—$2,220—*"Additional Paid-in Capital*: Excess of cost over proceeds from sale of 963 shares of common stock held in the treasury."

Note 4: Stock Options—Under a restricted stock option plan, 37,978 shares of Common Stock, including 2,602 shares presently held in the treasury, are reserved for issue on or before October 22, 1967 under options already granted to certain officers. At December 31, 1957, options for 22,067 Common shares are exercisable at prices ranging from $8.57 to $12.50 per share.

During the current year, options were granted to purchase 2,100 shares of Common Stock at $12.50 per share, and options were exercised for 993 shares at prices ranging from $8.57 to $10.38 per share.

A. S. CAMPBELL CO., INC.
CR.—$6,426—"Capital Surplus: Excess over par value received for common stock issued under the restricted stock option plan."

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
CR.—$6,932—"Capital Surplus: Excess of consideration received for common stock purchased by employees under the Employee Restricted Stock Option Plan over the stated value of $13 per share."

Incentive Stock Options

Capital Surplus

AMERADA PETROLEUM CORPORATION
CR.—$315,830.54—"Capital Surplus: (Arising during 1957 from sale of treasury stock under the Incentive Stock Option Plan)."

THE ATLANTIC REFINING COMPANY
CR.—$370,454—"Capital in Excess of Par Value of Stock: Excess received over par value of common stock issued under Incentive Stock Option Plan."

CARRIER CORPORATION
CR.—$69,554—"Capital Surplus: Excess of proceeds over par value of 1,755 shares of Common Stock issued under the Incentive Stock Option Plan."

Notes to Consolidated Fincancial Statements: Incentive Stock Option Plan—The Incentive Stock Option Plan, as amended in 1956, provides that the number of shares of Common Stock to be optioned to officers and key employees of the Corporation and its subsidiaries shall not exceed 10% of the maximum number of shares at any time outstanding or 250,000 shares, whichever is less. The option price for such stock shall not be less than 95% of the market price on the date the option is granted. Options become exercisable beginning one year from date of grant in cumulative annual installments for periods of from five to nine years. All options must be exercised prior to the expiration of their respective terms, which may not exceed ten years.

On October 31, 1957, 145 key employees, including officers, held options to purchase a total of 109,768 shares of Common Stock at prices ranging from $49.30 to $54.90 per share. Of these, options for 52,576 shares were exercisable at that date.

During fiscal 1957 options for 1,755 shares were exercised for an aggregate amount of $87,104. The aggregate market value on the dates exercised was $102,102.

DAYSTROM, INCORPORATED
CR.—$21,694—"Additional Capital."

Note 10: Additional Capital—The increase of $21,694 in additional capital represents the excess of option prices over the par value of 2,450 shares of common stock issued under the Company's prior stock option incentive plan. No additional options are outstanding, and no further options may be granted, under this plan.

THE NEW YORK AIR BRAKE COMPANY
CR.—$5,560—"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 (400 shares in 1957)."

Note B: At December 31, 1957, the Company had reserved 47,100 unissued shares of Common Stock under incentive Stock Option Plan for Executives and Key Employees. Options on 2,900 shares at $18.90 per share had been exercised. Options were outstanding to purchase 16,600 shares including 12,500 granted in 1957, and are exercisable during various periods ending in 1965 at prices per share (not less than 95% of market at date of grant) of 4,100 shares—$18.90; 11,500 shares—$23.25; 1,000 shares—$19.25.

RADIO CORPORATION OF AMERICA
DR.—$11,860—*"Capital Surplus*: Award value under cost of treasury stock distributed under RCA Incentive Plan."

STOKELY-VAN CAMP, INC.
CR.—$119,819—"Capital Paid-in In Excess of Par Values of Capital Stock: Excess of amounts received over par value of common shares issued in connection with Incentive Stock Option Plan 10,041 shares, 1957."

Stock Options and Stock Purchase

Capital Surplus

BELL AIRCRAFT CORPORATION
CR.—$131,747—"Capital Surplus: Excess of amounts received over par value of common stock issued under the Employees' Stock Purchase Plan and a Restricted Stock Option Agreement, etc."

MONSANTO CHEMICAL COMPANY
CR.—$519,490—"Paid-In Surplus: Excess of amounts received over the par value of common capital stock issued under stock option plans."

Financial Review: Monsanto has two stock option plans in effect: the Stock Option Plan authorized by shareowners in 1951 for key employes and the Employes' Stock Plan, authorized by shareowners in 1956 for hourly and salaried employes, except participants of the preceding plan. The status of each and the changes occurring during the year were:

	Stock Option Plan	Employes' Stock Plan
Shares issuable under options outstanding January 1	535,168	302,846
Unoptioned shares available January 1	218,479	—0—
Shares optioned during year	—0—	—0—
Shares exercised during year	19,346	6
Shares in unexercised options which expired	—0—	61,484
Shares issuable under options outstanding December 31	526,092*	241,356
Unoptioned shares available December 31	222,889*	—0—

*Adjusted for 1957 two per cent stock dividend.

Under the Stock Option Plan, 112 options are outstanding, at prices ranging from $27.17 to $45.06 a share, the prices having been adjusted for the 1955 three-for-one split and the 1955, 1956 and 1957 stock dividends of two per cent each. Under the 1956 Employes' Stock Plan, 400,000 Monsanto shares were allotted to employes at $38.50 a share, being 95 per cent of the New York Stock Exchange average price on September 7, 1956, 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. At the end of 1957, 6,392 options were outstanding.

SINCLAIR OIL CORPORATION
CR.—$292,385—"Other Paid-In Capital: Excess of sales prices over cost of treasury stock delivered under amended stock purchase and option plan."

Stock Purchases

Capital Surplus

AMERICAN CYANAMID COMPANY
CR.—$49,365—"Capital Surplus: Premium ($9.00 per share) on shares of Cumulative Preferred Stock, Series D, issued under employees' stock purchase contracts."

CONTINENTAL CAN COMPANY, INC.
CR.—$466,285—"Capital Surplus (Paid-in): Note 6."

Note 6: Capital Surplus—Capital surplus increased in 1957 by $466,285, arising principally from excess of consideration received over the par value of Common Stock sold under employees' stock purchase plans and from excess of par value of Second Preferred Stock converted during the year over par value of Common Stock issued in exchange therefor.

GENERAL MOTORS CORPORATION
CR.—$46,336,026—"Capital Surplus: Paid-in capital in excess of par value of newly issued common stock of $1 2/3 par value sold to trustees of General Motors Savings-Stock Purchase Program for salaried employees (1,167,973 shares in 1957)."

GENERAL PLYWOOD CORPORATION
CR.—$71,831—"Capital Surplus: Excess of amount received over par value of shares of Common Stock issued to officers and employees under stock purchase agreement (1957, 27,921 shares)."

STRUTHERS WELLS CORPORATION
CR.—$200,000—"Additional Capital: Excess of sales price over par value of 10,000 shares of common stock issued to employees under stock purchase plan."

Stock Bonus Plan

Capital Surplus

AMERICAN BOX BOARD COMPANY
CR.—$341,397—"Paid-In Capital in Excess of Par Value: Excess of proceeds over par value of 12,049 shares of common stock sold during the year."

President's Letter: An additional 12,000 shares of stock of the company were sold to the Employee Stock Bonus Plan.

FOOTE MINERAL COMPANY
CR.—$543,535—"Capital in Excess of Par Value of Outstanding Shares: Excess of assigned value over par value of 12,671 shares of common stock issued to officers and employees under the incentive bonus plan (50% payable in stock)."

APPROPRIATIONS OF RETAINED EARNINGS

Inventory Purposes

W. T. GRANT COMPANY
CR.—$3,214,118—"Earnings Retained for Use in the Business: Restoration of reserve for reduction in inventory valuation (net of taxes) relative to Lifo—Note A."

Note A: . . . the Company during 1956 abandoned its claim, filed with the Treasury Department, to the right to use Lifo retroactively to 1941. Hence, the reserve of $3,214,118 for reduction in inventory valuation (net of taxes) is no longer required and has been restored to earnings retained for use in the business.

THE GREISS-PFLEGER TANNING CO.
DR.—$30,000—"*Retained Earnings*: Provision for reduction of Lifo inventory valuation to replacement market, less related Federal taxes on income."

UNITED STATES SMELTING REFINING AND MINING COMPANY
CR.—$1,778,451—"Earned Surplus: Amount restored to surplus from reserve for metal price fluctuations equal to the above gain or loss from fluctuations of metal prices subsequent to production or purchase of ores."

Property Purposes

ALCO PRODUCTS, INCORPORATED
DR.—$1,941,000—"*Income Retained in the Business*: Provision for loss on disposal of excess plant and for rearrangement costs, resulting from consolidation of Schenectady locomotive facilities after applicable income tax credit of $1,788,000."

ART METAL CONSTRUCTION COMPANY
CR.—$10,094—"Earned Surplus: Transfer from Appreciation surplus (land and buildings of a subsidiary written-up in 1934)."

BATES MANUFACTURING COMPANY
CR.—$1,300,000—"Income Retained in the Business: Special reserves restored to income retained—Unreserved: Reserve for property replacements."

BIGELOW-SANFORD CARPET COMPANY, INC.
DR.—$3,300,000—"*Earnings Retained and Employed in Business*: Provision to reduce Thompsonville plant and equipment to estimated realizable values (Note 3)."

Note 3: On February 13, 1958, the Board of Directors authorized, as of December 31, 1957, a reserve for the revaluation of the Company's land, buildings and manufacturing facilities located at Thompsonville, Connecticut, in anticipation of the disposal of a substantial part of these properties and the eventual transfer of operations to another location. Accordingly, as of December 31, 1957, reserves were provided from Earnings Retained and Employed in the Business to reduce the net carrying value of the Company's Thompsonville property, including machinery and equipment, to estimated realizable values as determined by outside appraisers, and to provide for estimated non-operating costs in connection with the above mentioned transfer of operations. These reserves aggregated $3,300,000 after giving effect to estimated income tax benefit.

BRISTOL-MYERS COMPANY
DR.—$671,775—"*Earnings Retained in the Business—Unappropriated*: Transfer to Appropriated—to set aside for estimated increase in replacement cost of property, plant and equipment."

CANADA DRY GINGER ALE, INCORPORATED
DR.—$42,706—"*Earned Surplus*: Increase in reserve for cases, for balance sheet purposes, to amount equal to 50% of ledger value of cases."

MOTOR PRODUCTS CORPORATION
CR.—$1,781,308.79—"Earned Surplus: Special Credits: Portion of reserve for losses and expenses relating to realization of assets equal to amount of such losses and expenses incurred during the year (Note 1)."

Note 1: During the year, automotive parts production was discontinued and the realization of assets of the Automotive Division and Deepfreeze Appliance Division was substantially completed except for disposition of the Mack Avenue plant of the Automotive Division. Further losses and expenses may be realized in the completion of the company's asset conversion program. The balance of the reserve of $1,218,691.21 is believed adequate to cover such possible losses and expenses.

Contingency Purposes

BATES MANUFACTURING COMPANY
CR.—$2,000,000—"Income Retained in the Business: Special reserves restored to income retained—Unreserved: Reserve for contingencies."

BENDIX AVIATION CORPORATION
CR.—$750,000—"Earned Surplus: Reversal of portion of reserve for contingencies no longer required."

CONSOLIDATED CIGAR CORPORATION
CR.—$2,500,000—"Retained Earnings Employed in the Business: Restoration of appropriation for crop hazards and other contingencies to unappropriated earnings."

CRADDOCK-TERRY SHOE CORPORATION
CR.—$7,131.93—"Earned Surplus—Reserved for Contingencies: Provision for retirement pay in excess of current requirements."

THE CURTIS PUBLISHING COMPANY
CR.—$1,000,000—"Undivided Profits: Reserve for Contingencies not now required."

FIRST NATIONAL STORES INC.
CR.—$744,258—"Earnings Employed in the Business: Transfer from earnings appropriated in prior years for contingencies."

Insurance Purposes

MOTOR PRODUCTS CORPORATION
CR.—$50,000—"Earned Surplus: Special credit: Reserve for workmen's compensation risks no longer required."

A. O. SMITH CORPORATION
CR.—$350,000—"Earnings Reinvested in Business: Reserve for workmen's compensation insurance transferred to earnings reinvested in business."

Tax Purposes

ANDERSON, CLAYTON & CO.
DR.—$2,758,227—"*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, 1957, 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, 1957, this appropriation for theoretical tax liability amounted to $10,751,323 as compared with $7,993,096 as of July 31, 1956, an increase of $2,758,227 for the current year.

The reserve for contingencies includes as of July 31, 1957, reserves for tax claims, fire losses, lawsuits, etc. aggregating $877,871 provided by foreign subsidiaries.

WARNER BROS. PICTURES, INC.
CR.—$3,300,000—"Earned Surplus: Reserves for prior years' federal income taxes, no longer required."

Renegotiation

BOEING AIRPLANE COMPANY
DR.—$2,195,749—*"Retained Earnings*: Revision of adjustment made in 1956 to allowance for renegotiation."

Other Purposes

THE GILLETTE COMPANY
DR.—$858,064—*"Earnings Retained in Foreign Businesses of Subsidiary Companies*: Excess of foreign earnings realized in U. S. dollars over current year's foreign income."

MC GRAW-HILL PUBLISHING COMPANY, INC.
DR.—$290,436—*"Income Retained in the Business*: Increase in unexpired subscriptions."

A. O. SMITH CORPORATION
CR.—$895,000—"Earnings Reinvested in Business: Reserve for research and development transferred to earnings reinvested in business."

Note 2: Reclassification of Reserves—At July 31, 1957 the reserve for product guarantee was classified as a current liability, the reserves for workmen's compensation and research and development were transferred to earnings reinvested in business and the cash segregated for research and development was included in current assets.

TIME INCORPORATED
CR.—$1,873,904—"Earned Surplus: Elimination of allowance for excess of cost over quoted market prices of preferred stocks."

APPROPRIATIONS OR RESERVES—TRANSFERS THEREFROM

Retained Earnings

ANDERSON, CLAYTON & CO.
CR.—$204,149—"Earned Surplus — Unappropriated: Reserves previously established from earned surplus no longer required."

BIGELOW-SANFORD CARPET COMPANY, INC.
CR.—$200,000—"Earnings Retained and Employed in Business: Reversal of prior year's reserve no longer required."

CALUMET & HECLA, INC.
CR.—$100,000—"Earned Surplus: Restoration of Earned Surplus Reserve."

CONGOLEUM-NAIRN INC.
CR.—$1,058,192—"Earned Surplus: Transfer of Operating and Miscellaneous Reserves no longer required."

EXTRAORDINARY LOSSES OR GAINS

Retained Earnings

BIGELOW-SANFORD CARPET COMPANY, INC.
DR.—$400,000—*"Earnings Retained and Employed in Business*: Loss on sale of Fiber Glass and Reinforced Plastics Business."

CONGOLEUM-NAIRN INC.
DR.—$16,692,000—*"Earned Surplus*: Write-downs and other costs related to the consolidation of linoleum facilities less estimated income tax recovery (Note 2)."

Note 2: During 1957, the Company's linoleum production was consolidated at Trenton, New Jersey, and the linoleum manufacturing facilities at Kearny, New Jersey, were written down to estimated realizable value and provisions were made for other costs and expenses related to the consolidation. Such write-downs and provisions, amounting to $1,692,000, after taking into consideration the estimated tax recovery, were charged to earned surplus. . . .

THE CURTIS PUBLISHING COMPANY
CR.—$419,451.13—"Undivided Profits: Additional profit (realized in 1957) from sale of Better Farming (less Federal and State Income Taxes amounting to $161,-394.68)."

THE DRACKETT COMPANY
DR.—$1,082,317.75—*"Retained Earnings*: Loss on Sale of Evendale, Ohio Plant (Note 2), $2,176,615.71; Less: Federal income tax adjustments (Note 2), $1,094,297.96; Total, $1,082,317.75."

Note 2: Sale of Evendale, Ohio, Plant—On July 1, 1957, The Drackett Company sold its Evendale, Ohio, plant consisting of buildings, machinery, equipment and the site upon which the properties are located. The Company retained approximately 70 acres of land adjacent to the plant site sold.

A gross loss of $2,176,615.71 resulted from this sale which caused a reduction of $944,090.46 in federal income taxes applicable to 1956-1957 earnings from operations, and a credit of $150,207.50 against taxes paid in 1954-1955. The statement of Consolidated Earnings does not include the loss from the sale of the Evendale Plant. This loss is presented in the statement of Consolidated Retained Earnings. The tax reduction for 1956-1957 resulting from this loss and the credit for taxes, due to carry-back of a portion of said loss to 1954-1955, are included in one amount in the statement of Consolidated Retained Earnings. Refundable income tax in the amount of $150,207.50 relating to the foregoing, is shown in the accompanying balance sheet.

FORT PITT INDUSTRIES, INCORPORATED
DR.—$3,688,718—*"Earned Surplus*: Estimated losses on liquidation of brewery division and overcoat divisions."
CR.—$139,081—"Earned Surplus: Excess of proceeds received on life insurance policies over cash surrender value."

PLYMOUTH OIL COMPANY
DR.—$1,262,629—*"Earnings Retained in the Business*: (a) Represents the net effect of adjustments made as of December 31, 1957 to charge off company's investment of $194,652 in the capital stock of Melben Oil Company; to accrue additional interest receivable of $128,169 on notes of this affiliate; and to provide a reserve of $1,196,146 for possible loss on notes receivable due from Melben Oil Company."

SERVEL, INC.
CR.—$2,395,951—"Deficit: Net profit (after deducting expenses) from the sale of inventories, property, plant, and equipment, tools and dies, patents, etc., substantially all of which is in connection with disposal of the All-Year Air Conditioning Division and the Defense Division plant (Note 1), $1,226,423:

Decrease in warranty reserves resulting from assumptions of warranty obligations by the purchaser of the All-Year Air Conditioning Division, and a restudy of the warranty reserves in connection with the pending sale of the Home Appliance Division referred to in Note 1, $1,169,-528."

Note 1: Subsequent to October 31, 1957, the Company sold to Whirlpool Corporation the major part of the Company's facilities formerly used in the manufacture of home appliances, having a net depreciated book value of $4,787,661 (cost—$10,518,640, less depreciation—$5,730,979), exclusive of land purchased for $101,975 subsequent to October 31, 1957 which was included at cost in the sale.

The property and assets sold were comprised of land, buildings, machinery and equipment, tools, dies, fixtures, patents, trade-marks, and inventories, but did not include accounts receivable. The Company received on January 3, 1958, $6,275,000 cash, representing all but $250,000 of the total sale price. The balance of such sale price ($250,000) is subject to adjustment, depending upon the final determination of the Company's representations as to properties and assets sold, and is payable by the buyer upon such final determination.

The Company also entered into a noncompetition agreement with the buyer for a limited period of time with respect to certain products and territories.

Concurrently with such sale the Company paid the buyer $1,600,000 for assuming full responsibility for fulfilling the Company's unexpired warranty obligations on a world-wide basis for the following Company products—refrigerators, refrigerettes, automatic ice-makers, and food freezers.

On September 20, 1957, the Company sold to a wholly-owned subsidiary of Arkansas Louisiana Gas Company for $3,651,712 cash the business, property and assets, except the accounts receivable, of its All-Year Air Conditioning Division and the Company's Defense Division plant. As a part of such sale, the buyer and its parent corporation agreed to assume the Company's warranty obligations then outstanding on products previously sold by the All-Year Air Conditioning Division. The Company also entered into a five-year consultation and noncompetition agreement with the buyer relating to the products of the last named Division, under which the Company will be paid $200,000 in each year of the five-year contract period commencing September 20, 1957.

PRIOR YEAR ADJUSTMENTS—FIXED ASSETS AND DEPRECIATION

Retained Earnings

THE FEDERAL MACHINE & WELDER COMPANY
CR.—$32,781—"Earned Surplus: Transfer of depreciation on war emergency facilities from capital surplus."

M. H. FISHMAN CO., INC.
CR.—$3,404—"Surplus Earned: Adjustment of fixed assets accounts—per Internal Revenue Service."

RAYONIER INCORPORATED
CR.—$2,166,232—"Earned Surplus: Prior year adjustments, principally depreciation, depletion and U. S. income taxes."

Notes to Financial Statements: Prior Years' Adjustments—The company's U. S. income tax returns for the years 1949 through 1954 were examined during 1957 and agreement has been reached on adjustments proposed to date by the Treasury Department. Appropriate adjustments have been made to property accounts, related reserves and to accrued taxes on income. The adjustments applicable to prior years were credited to earned surplus; the effect of those applicable to 1957, which have been reflected in the statement of income for that year, was to reduce depreciation and other costs and expenses approximately $975,000 and to increase net income approximately $430,000.

SPRAGUE ELECTRIC COMPANY
CR.—$51,998—"Retained Earnings: Net adjustment of fixed assets and accumulated depreciation and amortization for prior years in connection with examination by Internal Revenue Service, less additional Federal income taxes ($31,060)."

Capital Surplus

THE BORDEN COMPANY
CR.—$48,626—"Capital Surplus: Note 4."
Note 4: . . . proceeds from disposal of properties previously written off against capital surplus, . . .

BROWN SHOE COMPANY, INC.
DR.—$70,000—*"Additional Capital*: Contribution received in 1951 from community group deducted from fixed assets in settlement of federal taxes on income."

THE FEDERAL MACHINE & WELDER COMPANY
DR.—$32,781—*"Capital Surplus*: Transfer of depreciation on war emergency facilities from capital surplus."

PRIOR YEAR ADJUSTMENTS—TAXES

Retained Earnings

THE AMALGAMATED SUGAR COMPANY
CR.—$447,780—"Earned Surplus: Adjustment of income and of federal income tax liability as determined in settlement of federal income taxes to September 30, 1956."

AMERICAN WRITING PAPER CORPORATION
CR.—$3,286.74—"Retained Earnings: Adjustment of provision for federal income taxes of prior years."

THE ANACONDA COMPANY
DR.—$3,149,201—*"Consolidated Surplus*: Adjustment of Chilean taxes on income for prior years."

BARBER OIL CORPORATION
CR.—$3,078,544—"Earned Surplus: Refund with respect to Federal income tax for the year 1946, including interest less related expenses."

THE CURTIS PUBLISHING COMPANY
DR.—$338,443.40—*"Undivided Profits*: Additional 1955 Federal and State Income Taxes (including interest), account profit from sale of Better Farming (less estimated Federal and State Income Tax reduction amounting to $15,700.00)."
CR.—$850,325.59—"Undivided Profits: Refund of 1951 and 1952 Federal Income Taxes including interest (less estimated Federal and State Income Taxes amounting to $61,200.00) and excess 1953 reserve not now required."

FIRST NATIONAL STORES INC.
CR.—$4,065,649—"Earnings Employed in the Business: Refund of prior years' federal taxes on income and interest thereon, related adjustment of inventories, etc. (Note 1)."

Note 1: During the 1957 fiscal year the company received a net refund of federal taxes on income for the years 1942 to 1953, largely attributable to amendments in the method of application of the last-in first-out method of inventory valuation which were accepted by the Internal Revenue Service. The resulting amount of $4,065,649 which has been credited to earnings employed in the business consists of the following:

Refund of federal taxes on income, $4,016,193, less $2,950,000 previously recorded on the books	$1,066,193
Interest on refund, $2,471,024, less $1,368,126 of current federal and state income taxes thereon	1,102,898
Adjustment increasing the carrying value of inventories to the basis agreed upon with the Internal Revenue Service for the application of the last-in first-out method of valuation	1,896,558
	$4,065,649

M. H. FISHMAN CO., INC.
DR.—$4,307—*"Surplus Earned*: Additional federal income taxes—prior years."

PENN FRUIT CO., INC.
DR.—$252,318—*"Earnings Retained and Invested in the Business*: Net provision for possible future federal income taxes for fiscal years 1954 through 1956."

Note 4: Reserve for Possible Future Federal Income Taxes—The Company and a wholly-owned subsidiary company have used, for income tax purposes, the declining-balance method of computing depreciation at 200% of the straight-line rates on fixed asset additions from January 1, 1954 to and including the current fiscal year, as permitted by the Internal Revenue Code of 1954. Depreciation charges included in the consolidated statements of earnings for the current year and the two preceding fiscal years have been computed on the straight-line basis. The declining-balance method was used in the tax return and accounts for the fiscal year 1954.

The Company has made a net charge to "Earnings Retained and Invested in the Business" for years prior to the current fiscal year, and the "Income" account for the current year, and credited "Reserve 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 ($288,000 for the years prior to the current year and $226,000 for the current year) will be restored to income in years when depreciation based on the declining-balance method will be less than that computed on the straight-line method.

The consolidated earnings statement for the fiscal year 1956, as contained herein, has been adjusted for comparative purposes.

Unclassified Surplus

JONES & LAMSON MACHINE COMPANY

DR.—$34,913—"*Surplus*: Prior year adjustments—taxes, etc. (net)."

PRIOR YEAR ADJUSTMENTS—MISCELLANEOUS

Retained Earnings

ALCO PRODUCTS, INCORPORATED

DR.—$300,000—"*Income Retained in the Business*: Adjustment of credit made in 1955 transferring provisions for prior year liabilities no longer considered necessary."

AMERICAN WINDOW GLASS COMPANY

DR.—$96,936—"*Earnings Retained for Use in the Business*: Estimated pension costs relating to years prior to 1957 (Note 2)."

Note 2: Pensions—The Company has in effect pension plans for its employees which provide for payment of monthly pensions after retirement. Amounts payable under the plans have not been funded and are not required to be funded.

The Company makes provision in its accounts for the present worth, actuarially calculated, of contractual pension commitments to employees who have retired. The total charge during the year for contractual pension benefits was $157,098, after giving effect to applicable tax credits. Of this amount, $96,936, representing contractual pension commitments to employees who retired prior to January 1, 1957, was charged to Earnings Retained. The balance, $60,162, was charged as an expense in the current year. Actuarial estimates of past service costs are not available.

Certain pensions for which no contractual liability exists are paid at the discretion of the Board of Directors. These pensions are charged to expense on a pay-as-you-go basis, and amounted to $10,872, after applicable tax credits, during the year 1957.

AMERICAN WRITING PAPER CORPORATION

CR.—$25,105.04—"*Retained Earnings*: Adjustment of accrual for returns and allowances of prior years."

FIRST NATIONAL STORES INC.

CR.—$315,576—"*Earnings Employed in the Business*: Adjustment (to cost) of carrying value of common stock held in treasury."

FORT PITT INDUSTRIES, INCORPORATED

DR.—$104,792—"*Earned Surplus*: Loss on sale of Jeannette, Pa., brewery plant, in addition to amount provided for in prior year."

HUNT FOODS AND INDUSTRIES, INC.

DR.—$3,837—"*Earned Surplus*: Adjustment relating to stock dividend recorded in prior year."

LOEW'S INCORPORATED

DR.—$6,307,151—"*Earned Surplus*: Adjustments applicable to 1956 and prior years (Note 1)."

Note 1: Changes in Accounting Policies—In 1957, the Company adopted certain changes in accounting policies which are considered to be more appropriate to reflect current operating conditions in the industry and also to accomplish a better matching of income and expenses. The changes in accounting policies which have been reflected in the financial statements for the year ended August 31, 1957, relate to the following matters:

a. Completed film productions included in the inventory at August 31, 1957, are valued at the lower of cost (less amortization) or estimated realizable value on an individual picture basis. Prior to 1957, the aggregate realizable value of all completed pictures was compared with the aggregate cost thereof.
b. Unused books and rights are charged to income at the end of five years or as soon as it is determined that satisfactory screen continuities will not be developed. Prior to 1957, unused books and rights were carried in inventory for a five-year period and no write-off was made prior to that time.
c. Down payments received from television stations for the rental of films are taken into income, in general, over the period of usage of the films. Previously such payments were taken into income when received.
d. Certain expenses relating to studio facilities and talent not used in the production of pictures have been charged directly to income. Previously, such expenses not directly applicable to the production of pictures were capitalized as part of the cost of pictures.
e. Certain expenses which were formerly recorded at the time of payment have been reflected in the 1957 financial statements on an accrual basis.

Adjustments due to the above changes in accounting policies and other miscellaneous adjustments, applicable to periods prior to September 1, 1956, in the amount of $6,307,151 (after taxes), have been charged to earned surplus in the 1957 financial statements. Net income for 1957 was reduced approximately $1,200,000 (after taxes) by reason of changes in accounting policies.

Effective in 1957, the assets and liabilities of majority-owned (51% to 99%) domestic subsidiaries have been included in the consolidated balance sheet. Prior to 1957, such subsidiaries were consolidated only in the statement of income.

PITTSBURGH BREWING COMPANY

DR.—$100,000—"*Earned Surplus*: Amortization of Trade Names and Goodwill applicable to the year ended October 31, 1952 (Note 1)."

Note 1: Trade Names and Goodwill—Represents the excess of the par value of Capital Stock issued at organization of the Company in 1899, over the aggregate of net tangible assets received in exchange therefor, $11,408,854.55 less write-downs as follows:

1918-1919	$3,129,357.87	(A)
1934	3,529,502.44	(A)
1949	2,749,994.24	(A)
1950	100,000.00	(B)
1951	100,000.00	(B)
1952	100,000.00	(D)
1953	100,000.00	(C)
1954	100,000.00	(C)
1955	100,000.00	(C)
1956	100,000.00	(C)
1957	100,000.00	(B)
	$10,208,854.55	

(A) Charged to Surplus.
(B) Charged to Current Earnings.
(C) Restated, as a charge against current earnings, originally charged against surplus.
(D) Charged to surplus retroactively in fiscal year ended October 31, 1957, and restated as having been a charge against current earnings for historical comparative purposes; provision originally omitted because of an operating loss in 1952.
(E) Under the terms of the merger the balance at October 31, 1949 was to be amortized against earnings over the next 20 years.

Retained Earnings and Capital Surplus

CHESAPEAKE INDUSTRIES, INC.

DR.—$174,064—"*Retained Earnings*: Write-off of unamortized balance of development and preproduction costs deferred in 1955."

DR.—$493,657—"*Retained Earnings*: Revaluation of investment based on consideration received on disposition originally charged to Capital Surplus in 1955."

DR.—$75,446—"*Retained Earnings*: Write-off of claims for breach of contract less recovery applicable to 1956."

CR.—$493,657—"Capital Surplus: Transfer to earned surplus of charge arising from revaluation of investment based on consideration received on disposition, originally charged to Capital Surplus in 1955."

Capital Surplus

HAMILTON WATCH COMPANY

CR.—$11,000—"Capital Assigned to Common Shares in Excess of Par or Stated Value: Adjustment applicable to prior years."

H. K. PORTER COMPANY, INC.

CR.—$375,000—"Capital Surplus: Adjustment of excess of book value of net assets acquired over par value of preferred stock issued in 1955."

Meredith Publishing Company and Subsidiaries (Consolidated)

Changes in financial position

Working Capital

Net working capital increased by $2,130,220 during the year as follows

Current Assets	At June 30, 1957	At June 30, 1956	Increase (Decrease)
Cash and marketable securities	$18,112,559	$16,473,505	$ 1,639,054
Accounts receivable and accruals	2,368,245	2,442,046	(73,801)
Inventories and prepayments	6,150,407	5,148,548	1,001,859
Total Current Assets	$26,631,211	$24,064,099	$ 2,567,112
Less Current Liabilities	7,569,119	7,132,227	436,892
Working Capital	$19,062,092	$16,931,872	$ 2,130,220

Source and Use of Working Capital

Working capital changes during the past fiscal year are summarized as follows

Working Capital Obtained During the Fiscal Year		
From net earnings	$ 4,644,417	
From provision for depreciation and amortization	1,695,454	
From increase in unearned subscription liability *(excludes prior years adjustment for circulation expense)*	629,334	$ 6,969,205
Working Capital Used During the Fiscal Year		
For additions to plant and equipment	$ 2,057,399	
For payment on notes payable	200,000	
For payment of dividends to stockholders	2,326,388	
For other miscellaneous purposes (net)	255,198	4,838,985
Net Increase in Working Capital		$ 2,130,220

ENDICOTT JOHNSON
CORPORATION
AND SUBSIDIARY COMPANIES

ANALYSIS OF WORKING CAPITAL FOR FIFTY-TWO WEEKS ENDED NOVEMBER 29, 1957

Working Capital, December 1, 1956		$44,274,557
Add:		
Net earnings for the period	$ 2,693,739	
Provision for depreciation	3,501,630	
Amount charged to earnings relating to the normal base stock method of inventory	234,962	
Receipts from sales contracts and proceeds from sales of workers' homes	856,149	
Receipts from miscellaneous other assets (net)	102,175	7,388,655
		$51,663,212
Deduct:		
Dividends paid	$ 1,910,960	
Expenditures for plant and equipment	3,133,950	
Portion of long-term debt due within one year	1,442,000	
Expenditures for construction of workers' homes	508,424	6,995,334
Working Capital, November 29, 1957		$44,667,878

Represented by:	*November 29, 1957*	*November 30, 1956*	*Increase Decrease**
Current assets:			
Cash	$ 3,656,454	$ 3,668,450	$ 11,996*
Accounts receivable	21,006,765	21,347,752	340,987*
Inventories	47,035,643	43,666,114	3,369,529
Prepaid expenses	1,071,332	963,755	107,577
	$72,770,194	$69,646,071	$ 3,124,123
Current liabilities:			
Notes payable	$12,000,000	$ 8,500,000	$ 3,500,000
Accounts payable and accrued expenses	11,753,972	12,281,559	527,587*
Federal income taxes	2,675,772	3,580,005	904,233*
Notes held by workers	230,572	275,950	45,378*
Long-term debt due within one year	1,442,000	734,000	708,000
	$28,102,316	$25,371,514	$ 2,730,802
Working Capital	$44,667,878	$44,274,557	$ 393,321
Current ratio	2.59	2.75	

The Gillette Company and Subsidiary Companies

Source and Application of Funds

The information set forth below indicates for the Company and all of its subsidiaries on a consolidated basis the sources of cash funds and the application of these funds in the years 1957 and 1956. While the statement of income included in the financial statements for each year reflects net income on an aecrued and realized in U.S. dollar basis, the following schedule indicates the flow of cash.

	1957	*1956*
FUNDS BECAME AVAILABLE FROM:		
Operations:		
Net income as reported (realized in U.S. $)	$25,940,570	31,544,304
Reversal of charges (credits) not involving cash outlay:		
Adjustment of foreign earnings to current accrual basis	(858,064)	(837,232)
Depreciation	3,084,485	2,644,367
Amortization of retirement plan prepayments	579,751	554,626
Estimated U.S. and foreign income taxes	26,500,000	30,500,000
	55,246,742	64,406,065
Decrease in accounts receivable	3,408,190	(5,285,257)
Increase in current liabilities	328,972	883,622
Issuance of common stock under stock option plan	298,616	661,503
Other sources	—	410,716
	59,282,520	61,076,649
THESE FUNDS WERE APPLIED TO:		
Pay U.S. and foreign income taxes	31,271,318	31,153,075
Increase inventories	1,383,432	3,964,769
Treasury stock transactions — net	(62,743)	973,531
Add to fixed assets	4,988,212	6,848,496
Acquisition cost of patents, trademarks and goodwill	—	934,944
Pay dividends on common stock	20,873,892	20,865,734
Payments on bank loan	1,500,000	4,500,000
Prepayments under retirement plan	118,673	639,336
Other items	376,177	—
	60,448,961	69,879,885
RESULTING IN:		
A decrease in cash and marketable securities	$ 1,166,441	8,803,236

The above schedule is included in the report with the thought that it would be of interest to the stockholders to see, in condensed form, an analysis of the sources and utilization of world-wide funds during each year shown.

Scott Paper Company

SOURCE AND APPLICATION OF FUNDS

	1957	1956	1955	1954
Source of funds				
From operations				
Income before taxes......	$42,560,126	$ 42,955,721	$41,866,139	$37,740,340
Depreciation and depletion	11,312,667	11,171,859	9,823,868	9,047,463
	$53,872,793	$ 54,127,580	$51,690,007	$46,787,803
3% convertible debentures.....		98,685,100		
Bank loans — term		5,000,000	34,000,000	5,000,000
Other transactions	1,900,931	2,211,646	1,276,397	891,057
	$55,773,724	$160,024,326	$86,966,404	$52,678,860
Application of funds				
Taxes on income.............	$21,000,000	$ 20,600,000	$20,530,000	$18,920,000
Dividend payments	16,190,640	15,006,408	14,580,541	12,779,828
Prepayment of loans..........		44,000,000		2,050,000
Redemption of preferred shares and debentures of former Hollingsworth & Whitney Company			7,125,000	3,724,573
Expenditures for plant assets...	19,958,750	29,796,781	33,410,638	32,674,503
Expenditures for timber resources	6,462,955	4,055,806	2,526,233	3,616,289
Investments in other companies	15,710,768	4,743,401	2,250,348	1,598,248
Debenture issue expense.......		1,508,376		
Other transactions	418,991	278,927	211,575	1,130,178
	$79,742,104	$119,989,699	$80,634,335	$76,493,619
Working capital increase or (decrease)	($23,968,380)	$ 40,034,627	$ 6,332,069	($23,814,759)

INTERNATIONAL PAPER COMPANY

STATUS OF EMPLOYEES' RETIREMENT PLANS

At December 31, 1957 a total of 31,584 employees, representing approximately 88% of those eligible, were enrolled under the retirement plans of the United States and Canadian companies and 2,186 retired employees were receiving benefits. The funds of the plans are not part of the assets of the Companies.

	Year 1957	*Total to December 31, 1957*
Balance of funds — beginning of periods	$ 81,542,031	$ —
Contributed by the Companies:		
For prior service benefits*	$ 110,679	$ 11,466,165
For current service benefits	6,351,078	46,165,333
Total contributions by the Companies	$ 6,461,757	$ 57,631,498
Contributed by employees	4,889,036	30,271,125
Earned by funds (net)	2,892,211	14,975,018
	$ 95,785,035	$102,877,641
Less: Paid for retirement allowances and purchase of annuities	1,310,441	8,403,047
Balance of funds — December 31, 1957	$ 94,474,594	$ 94,474,594

* The Company expects to continue contributions toward the unfunded portion (estimated at $2,061,000 at January 1, 1958) of the cost of past service benefits under the Long-Bell Plan.

Signode Steel Strapping Company

Signode Employees' Savings and Profit Sharing Trust Fund

Financial Data

	1957	1956
Additions to and Disposition of Fund Assets		
Members' Contributions	$ 237,000	$ 219,000
Company Contribution	609,000	781,000
Fund Earnings, less expenses	250,000	215,000
Net Gain on Sale of Securities	42,000	470,000
Payments to Withdrawing Members	(758,000)	(310,000)
Net Addition to Fund	$ 380,000	$1,375,000
Fund Assets at December 31		
Cash and Government Securities	$2,862,000	$2,568,000
Company Contribution Receivable	609,000	781,000
Signode Common and Preferred Stock	1,173,000	829,000
Other Common and Preferred Stocks	613,000	338,000
Other Investments	2,041,000	2,207,000
Less Amounts held for Former Members	(388,000)	(193,000)
Total, at Cost	$6,910,000	$6,530,000
Total, at Market	$8,325,000	$8,569,000
Other Statistics		
Members at December 31	1,050	929
Employees eligible for membership at December 31	1,055	936
Ratio of Company Contribution to Members' Contributions	2.57 to 1	3.57 to 1
Signode Common Stock owned by Fund at December 31:		
Number of Shares	91,724	77,430
Percentage of Total Outstanding	6.8%	6.0%

SONOCO PRODUCTS COMPANY

HIGHLIGHTS AT A GLANCE

	Dec. 31 1957	Dec. 31 1956
Net sales all plants	$25,981,472	$25,640,836
Federal and State income taxes	$ 2,238,410	$ 1,850,310
Net profit after taxes	$ 1,972,772	$ 1,598,212
Earnings per common share (computed on shares outstanding December 31, 1957)	$ 2.19	$ 1.78
Dividends paid	$ 854,215	$ 809,644
Common stock, per share — cash	$ 1.00	$ 1.00
Earnings retained in the business	$ 1,118,557	$ 788,568
Improvements in manufacturing facilities	$ 6,693,123	$ 2,321,149
Total investment in property, plant and equipment	$26,588,168	$20,080,146
Common stockholders' equity	$19,496,757	$16,101,523
Per share, common stock (computed on shares outstanding December 31, 1957)	$ 21.69	$ 17.92
Net working capital	$ 6,330,293	$ 4,394,257
Total assets	$31,689,392	$23,863,231
Wages and salaries paid	$11,118,449	$10,814,122

HOW SALES DOLLAR WAS SPENT

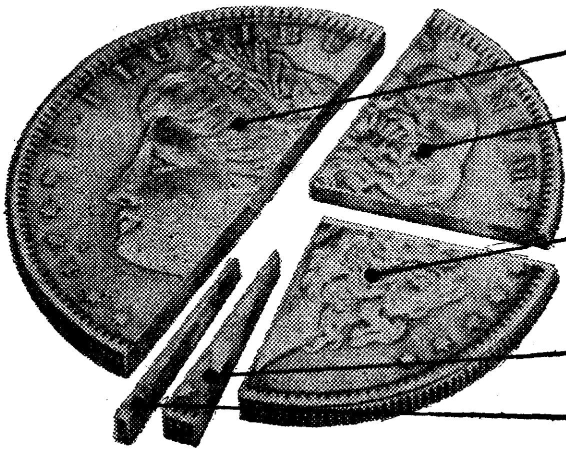
We received from the sale of our products		$25,981,472	$1.00
Out of this amount provision was made for the following, not including salaries and wages:			
Paper, paste and glue, cork, chemicals, dyes, felts and wires, fuel oil, coal, materials, supplies, and other expenses		$ 8,217,627	$ .32
Taxes — Federal and State income, local, and payroll		2,670,059	.10
Depreciation and amortization — mostly wear and tear on equipment		952,580	.04
Selling and administrative expenses		1,049,985	.04
TOTAL		$12,890,251	$ .50
The remaining		$13,091,221	$ .50
was divided as follows:			
Paid out in wages	84.93%	$11,118,449*	$ .43
Paid to stockholders in dividends	6.53%	854,215	.03
Retained in the business	8.54%	1,118,557	.04
	100.00%	$13,091,221	$ .50

*Total payroll was $11,314,573 of which $196,124 was for other than operating purposes.

RCA RADIO CORPORATION OF AMERICA

WHERE EACH 1957 DOLLAR CAME FROM

A Summary of Products and Services Sold During the Year



MANUFACTURING-SERVICE
Includes operations of RCA divisions and domestic subsidiaries other than those shown separately:

Sales to Commercial Customers
$588,628,000 . . . . 50.0%

Sales to U. S. Government
$266,992,000 . . . . 22.7%

BROADCASTING
Television and radio operations of National Broadcasting Company, Inc.
$292,212,000 . . . . 24.9%

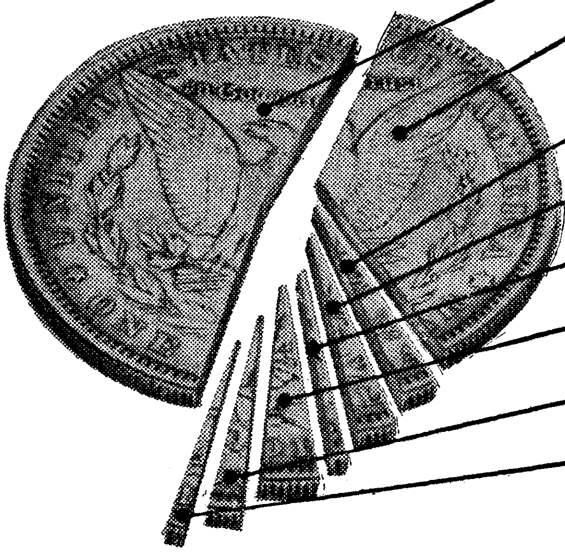
COMMUNICATIONS
Radiotelegraph operations of RCA Communications, Inc.
$26,036,000 . . . . 2.2%

TRAINING RCA Institutes, Inc.
$2,409,000 . . . . .2%

$1,176,277,000 . . . . 100%

WHERE EACH 1957 DOLLAR WENT

How the Sales Dollar was Applied During the Year



Materials and services purchased
$617,093,000 . . . . 52.5%

Wages and salaries
$417,350,000 . . . . 35.5%

Pensions, social security taxes, insurance and other employee benefits
$25,654,000 . . . . 2.2%

Depreciation and patent amortization
$24,324,000 . . . . 2.1%

Interest on long-term debt
$8,334,000 . . . . .7%

Taxes on income and property
$44,973,000 . . . . 3.8%

Preferred and Common stock dividends
$23,909,000 . . . . 2.0%

Reinvested in the business
$14,640,000 . . . . 1.2%

$1,176,277,000 . . . . 100%

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, and that 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 consolidated balance sheet and related consolidated statements of income and surplus present fairly the financial position of *E. I. du Pont de Nemours & Company* and its consolidated subsidiary companies at December 31, 1957 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.

Adoption of Recommended Short-Form

According to the annual reports of the 600 survey companies, 598 (or practically all) contained, as shown in Table 1, the recommended short-form auditor's report or its modified version. The various other forms of reports decreased from 16 in 1950 to 2 in 1957, so that the trend towards uniformity in this respect continues. Of the 598 reports referred to above, 504 used the recommended short-form and 94 used the modified version.

Wording Variations

Table 1 indicates that the auditors' reports appearing in the annual reports of the 600 survey companies are presented with variations in form or wording. Minor wording variations were found in 258 of the 504 reports which used the recommended short-form for the year 1957. Among these variations were the following items, which are summarized as follows:

66 reports refer to "similar examinations for the preceding year" (*Co. Nos. 48, 117, 340, 504, 530, 531, 576).

*Refer to Company Appendix Section.

TABLE 1: SHORT-FORM AUDITOR'S REPORT

Number of Reports With:	1957	1956	1955	1950
"Recommended Short-Form of Report" with *scope* set forth in first paragraph and *opinion* stated in a following paragraph:				
Adopted—				
In full	246	263	234	251
With minor wording variations	258	239	259	265
	504	502	493	516
"Modified Short-Form Report" with *opinion* stated in opening sentence of a single paragraph form	91	87	92	65
"Modified Short-Form Report" with *opinion* stated in first paragraph and *scope* set forth in a following paragraph	3	2	2	3
Various other forms	2	9	13	16
Total	600	600	600	600

43 reports modified the phrase "for the year then ended" in the scope paragraph to read "for the year ended . . . (date shown)" (*Co. Nos. 86, 91, 284, 285, 382, 410).

46 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. 16, 95, 291, 338, 425, 502, 600).

17 reports included in the last clause the words "in all material respects" with regard to the consistency phrase (*Co. Nos. 208, 377, 412, 494, 598).

25 reports shortened the last clause in the opinion paragraph to read "generally accepted principles applied on a consistent basis" (*Co. Nos. 239, 320, 442, 535, 537).

*Refer to Company Appendix Section.

38 reports used the phrase "for the fiscal year" instead of "for the year then ended" (*Co. Nos. 69, 138, 189, 319, 423, 583).

64 reports used in the opening sentence of the report the conjunction "at" or "as at" instead of "as of" (*Co. Nos. 149, 169, 230, 359, 374, 511, 536).

"GENERALLY ACCEPTED AUDITING STANDARDS"

Table 2 indicates that only 3 of the 600 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." In only one report did the auditor state that the examination was made "in accordance with generally accepted auditing standards" with certain exceptions (*Co. No.

TABLE 2: AUDITING STANDARDS

Auditor's Report:	1957	1956	1955	1950
States that the examination was made in accordance with "generally accepted auditing standards"	597	596	591	593
States that the examination was made in accordance with "generally accepted auditing standards" with certain exceptions	1	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	2	3	3
Omits reference to "generally accepted auditing standards"	—	—	2	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
Total	600	600	600	600

28). The remaining two reports included references to a detailed audit of the transactions and the system of internal control (*Co. Nos. 294, 453).

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."

"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.

As will be noted in Table 3, 49 of these reports, for the year 1957, also referred to the omission of certain normal auditing procedures.

Omission of Auditing Procedures

Table 4 discloses that 49 of the auditors' reports of the 1957 survey companies revealed 54 instances of omission of certain normal auditing procedures. Of these, 51 omissions pertained to the confirmation of accounts receivable, including 45 with regard to U. S. Government accounts, in which it was stated that other auditing procedures had been applied (*Co. Nos. 8, 76, 137, 227, 301, 414). It is of interest to note that only four (*Co. Nos. 28, 46, 509, 537) of the 49 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 Institute's committee on auditing procedure in 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

The Board of Directors and Stockholders, Avco Manufacturing Corporation: We have examined the accompanying statement of consolidated financial position of *Avco Manufacturing Corporation* and Subsidiaries at November 30, 1957 and the related statements of consolidated earnings 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. It was not practicable to confirm receivables from the U. S. Government, as to which we have satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the consolidated financial position of *Avco Manufacturing Corporation* and Subsidiaries at November 30, 1957 and the consolidated results of their operations for the

*Refer to Company Appendix Section.

TABLE 3: AUDITING PROCEDURES

Auditor's Report:	1957	1956	1955	1950
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	548	542	534	558
States that the examination "included such other auditing procedures as we considered necessary in the circumstances" and				
A. Refers to the omission of certain normal auditing procedures	—	1	4	5
B. Refers to the omission of certain normal auditing procedures and the employment of *other* procedures	47	52	52	24
C. Refers to the omission of certain normal auditing procedures, the employment of *other* procedures, and *describes* such procedures (*Co. Nos. 28, 46)	2	2	3	3
Total	597	597	593	590
Indicates that the examination *included all procedures which were considered necessary*	—	—	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. Nos. 294, 453)	2	2	2	2
Omits reference to "such other auditing procedures" or phrase similar in meaning thereto (*Co. No. 321)	1	1	1	2
Total	600	600	600	600

*Refer to Company Appendix Section.

year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—January 15, 1958.*

To the Directors and Stockholders of Grumman Aircraft Engineering Corporation: We have examined the consolidated balance sheet of *Grumman Aircraft Engineering Corporation* and subsidiaries as of December 31, 1957, and the related statements of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that it was impracticable to confirm by direct correspondence amounts due from the United States Government, as to which we satisfied ourselves by other auditing procedures.

In our opinion, the accompanying balance sheet and statements of income and earnings retained for use in the business present fairly the consolidated financial position of *Grumman Aircraft Engineering Corporation* and subsidiaries at December 31, 1957, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants Report—February 11, 1958.*

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 consolidated balance sheet of *General Dynamics Corporation* (a Delaware corporation) and subsidiaries as of December 31, 1957, 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, 1957, 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.—*Accountants Report—February 18, 1958.*

Confirmation of Accounts Receivable —Various Other Debtors

Board of Directors Douglas Aircraft Company, Inc.: We have examined the financial statements of *Douglas Aircraft Company, Inc.* for the year ended November 30, 1957. 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 amounts included as receivable from the U. S. Government and certain other customers at November 30, 1957, 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, 1957, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—January 17, 1958.*

Board of Directors The Garrett Corporation: We have examined the consolidated financial statements of *The Garrett Corporation* and its subsidiaries for the year ended June 30, 1957. 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 amounts receivable from the U. S. Government, and certain aircraft companies, we satisfied ourselves as to these accounts by other means.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus present fairly the consolidated financial position of *The Garrett Corporation* and its subsidiaries at June 30, 1957, 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 26, 1957.*

Observation and Test of Inventories

The Board of Directors and Stockholders Alaska Pacific Salmon Company: We have examined the balance sheet of *Alaska Pacific Salmon Company* as at March 31, 1957 and the related statement of income and retained earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that it was not practicable for us to make physical tests of inventories located in Alaska amounting to $335,076 (of which $100,454 is classified as current on the annexed balance sheet) as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the above-described statements present fairly the financial position of *Alaska Pacific Salmon Company* at March 31, 1957 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding fiscal year.—*Accountants' Report—May 3, 1957.*

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, 1957, 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 $7,460,474 at the beginning of the year and $7,258,040 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 $1,851,638 at the beginning of the year and $1,552,951 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, 1957, 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 20, 1958.*

Marchant Calculators, Inc.: We have examined the consolidated balance sheet of *Marchant Calculators, Inc.* and consolidated subsidiaries as of December 31, 1957 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, except that it was not practicable for us to make physical tests of the inventories of calculators and adding machines located at Company field offices throughout the United States and Canada. We satisfied ourselves with respect to such inventories by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the presentation of consolidated financial statements as explained in Note 1 and the change in method of accounting for property taxes as explained in Note 3, on a basis consistent with that of the preceding year.—*Accountants' Certificate—February 4, 1958.*

Explanation of Auditing Procedures

As shown in Table 4, only three companies (*Co. Nos. 60, 177, 475) revealed instances in which the auditor's report provided explanation of certain normal auditing procedures.

The following examples illustrate the methods used in the 1957 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, 1957. 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 any differences in statements mailed to them by us. We were present at major Company warehouses 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 supplies 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, 1957 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, 1957.*

Observation and Test of Inventories

R. J. Reynolds Tobacco Company, Its Directors and Stockholders: We have examined the statement of financial position of *R. J. Reynolds Tobacco Company* as of December 31, 1957, and the related statements of earnings and of earnings retained 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 present when inventories were taken by the Company and checked procedures followed in determining quantities and valuation.

In our opinion, the accompanying statement of financial position and statements of earnings and of earnings retained present fairly the financial position of the Company at December 31, 1957, and the results of its 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, except for the change (in which we concur) to the last-in, first-out method of inventory valuation as explained in Note A. —*Report of Independent Certified Public Accountants—January 31, 1958.*

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.
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

*Refer to Company Appendix Section.

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

Three 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 examples which follow indicate the treatment given to such situations in the auditors' reports:

Principles of Consolidation

Crucible Steel Company of America: We have examined the statement of consolidated financial position of *Crucible Steel Company of America* and consolidated subsidiary companies as of December 31, 1957 and the related statement of consolidated 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

TABLE 4: AUDITING PROCEDURES

Normal Procedures Omitted	1957	1956	1955	1950
Confirmation of Accounts Receivable, with report—				
Stating that other procedures were employed:				
For government accounts (*Co. Nos. 8, 76, 137, 227, 301, 414)	45	50	48	23
For foreign accounts (*Co. No. 253)	1	1	1	3
For other accounts (*Co. Nos. 119, 200, 245, 415)	4	2	2	—
Detailing the other procedures employed for foreign accounts (*Co. No. 28)	1	1	1	1
Confirmation of Accounts Payable, with report—				
Stating that other procedures were employed for government accounts	—	—	1	1
Confirmation of Accrued Salesmen's Commissions, with report—				
Stating that other procedures were employed	—	1	—	—
Observation and Test of Inventories, with report—				
Stating that other procedures were employed (*Co. Nos. 11, 362)	2	2	3	1
Detailing the other procedures employed (*Co. No. 46)	1	1	2	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 (*Co. No. 312)	1	—	1	2
Total	55	58	60	35
Normal Procedures Explained				
Confirmation of Accounts Receivable (*Co. No. 60)	1	1	2	5
Confirmation of Accounts Payable	—	—	—	1
Observation and Test of Inventories (*Co. Nos. 60, 177, 475)	3	2	6	12
Verification of:				
Cash or securities	—	—	—	5
Investment in subsidiaries	—	—	—	1
Property accounts	—	—	—	1
Total	4	3	8	25
Number of Reports				
Containing no reference to the omission of auditing procedures and no explanation regarding auditing procedures employed	546	542	534	554
Containing no reference to the omission of auditing procedures with supplementary explanation of certain normal auditing procedures employed	4	2	6	13
Referring to the omission of certain normal auditing procedures	49	55	59	30
Omitting reference to "auditing procedures"	1	1	1	3
Total	600	600	600	600

*Refer to Company Appendix Section.

and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and the statement of consolidated income and retained earnings, with the supplementary information appearing on pages 12 and 13, present fairly the financial position of the companies at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the non-consolidation of the accounts of a wholly-owned subsidiary, as explained on page 12) on a basis consistent with that of the preceding year.—*Accountants' Report—February 10, 1958.*

Deferred Developmental Costs

The Board of Directors and Stockholders, The W. L. Maxson Corporation: We have examined the accompanying consolidated balance sheet of *The W. L. Maxson Corporation* at September 30, 1957 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. 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 write-off of certain deferred development expenses, amounting to $181,820 after reduction for applicable Federal income tax credit, which has been charged as a special item in the statement of consolidated income and earned surplus should, in our opinion, have been deducted prior to the determination of net income for the 1957 fiscal year under generally accepted accounting principles.

In our opinion, the statements mentioned above present fairly the consolidated financial position of *The W. L. Maxson Corporation* at September 30, 1957 and, except as set forth in the preceding paragraph, 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.—*Accountants' Report—December 3, 1957.*

Accounting Principles Consistently Observed

The number of reports revealing exceptions to the consistent application of generally accepted accounting principles as set forth in Table 5 indicates that there were 42 in 1957.

Examples selected from 1957 reports illustrating the treatment of these exceptions are set forth in this section under the title "Examples of Qualified Opinions—1957."

TABLE 5: STANDARDS OF REPORTING

Auditor's Report	1957	1956	1955	1950
Generally Accepted Principles of Accounting				
States that the financial statements are presented in accordance with generally accepted principles of accounting	597	598	599	599
Sets forth exceptions to the presentation of the financial statements in accordance with generally accepted principles of accounting (*Co. Nos. 141, 180, 367)	3	2	1	1
Total	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	557	565	515	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	42	35	85	92
Omits reference to consistent observation of generally accepted principles of accounting (*Co. No. 119)	1	—	—	1
Total	600	600	600	600
Informative Disclosures				
Contains informative disclosures or explanatory remarks	10	17	25	21
Does not contain informative disclosures or explanatory remarks	590	583	575	579
Total	600	600	600	600
Expression of Opinion				
Contains an unqualified expression of opinion	547	551	503	489
Contains a qualified expression of opinion	53	48	97	111
Contains a partial disclaimer of opinion	—	1	—	—
Total	600	600	600	600

*Refer to Company Appendix Section.

Expression of Opinion

An unqualified expression of opinion was given in 547 of the auditors' reports of the 600 survey companies. The remaining reports contained qualified expressions of opinion. (Refer to Tables 5, 6, and 7.)

Table 6 reveals that there were 63 instances of qualification in the 53 qualified auditors' reports. Changes in accounting for depreciation, depletion and amortization; principles of consolidation, and inventory pricing methods, remain in 1957, as in previous years, the principal reasons for qualifying the auditors' reports.

Thirty-eight of the changes in consistent application of or deviation from generally accepted principles, as shown in Table 7, were made with the approval of the auditor. Of the remaining 11 instances, ten were neither approved nor disapproved, and one was disapproved.

Examples of Qualified Opinions—1957

The examples which follow illustrate the presentation of qualified opinions in the 1957 annual reports.

Changes in Inventory Pricing

Board of Directors, Chrysler Corporation: We have examined the consolidated balance sheet of *Chrysler Corporation* and all wholly-owned subsidiaries as of December 31, 1957, and the related consolidated statements of net earnings, net 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.

In our opinion, the accompanying balance sheet and statements of net earnings, net earnings retained for use in the business, and additional paid-in capital present fairly the consolidated financial position of *Chrysler Corporation* and all wholly-owned subsidiaries at December 31, 1957, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change (which we approve) in the method of stating inventories as outlined in a note on the balance sheet, on a basis consistent with that of the preceding year.—*Accountants' Report—February 13, 1958.*

TABLE 6: AUDITOR'S OPINION QUALIFIED

Reason for Qualification*	1957	1956	1955	1950
Changes in Consistent Application of or Deviations from Generally Accepted Principles of Accounting:				
A: Lifo inventory method—initial adoption or readoption	3	7	5	47
Lifo inventory method—abandonment	1	—	2	—
Lifo inventory method—modification	1	—	1	14
B: Other methods of inventory valuation	4	2	7	3
C: Fixed assets	1	1	1	—
D: Higher plant replacement cost	—	—	—	1
E: Other assets	3	1	2	—
F: Liabilities	1	—	—	1
Income and Expense:				
G: Deferred income	1	2	1	—
H: Estimated expenses—re: Section 462 I.R.C.	—	—	5	—
I: Vacation pay deduction	1	1	7	—
J: Depreciation, depletion, amortization	13	14	42	5
K: Amortization under Certificates of Necessity	—	—	6	—
L: Other income and cost items	9	1	9	21
M: Principles of consolidation	11	14	10	6
Total	49	43	98	98
Various Other Reasons:				
N: Contingencies, litigation, etc.	9	6	8	15
O: Scope of examination	—	—	1	2
P: Miscellaneous	5	4	2	1
Total	14	10	11	18
Number of Auditor's Reports Containing:				
An unqualified expression of opinion	547	551	503	489
A qualified expression of opinion	53	48	97	111
A partial disclaimer of opinion	—	1	—	—
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 144, 273, 475, 505, 512; B: Co. Nos. 276, 339, 353, 577; C: Co. No. 373; E: Co. Nos. 276, 373, 453; F: Co. No. 344; G: Co. No. 353; I: Co. No. 30; J: Co. Nos. 10, 20, 42, 221, 234, 237, 343, 371, 375, 447, 474, 491, 523; L: Co. Nos. 130, 141, 146, 353, 367, 371, 420, 515, 534; M: Co. Nos. 8, 12, 104, 180, 261, 353, 441, 473, 479, 529, 534; N: Co. Nos. 100, 146, 200, 268, 352, 365, 414, 490, 564; P: Co. Nos. 30, 146, 208, 429, 457.

Notes to Financial Statements: At December 31, 1957, the last-in, first-out cost method was used for stating substantially all United States inventories (except defense) which comprise approximately 90% of the consolidated inventories. At December 31, 1956, the first-in, first-out cost method was used. Because of this change, inventories at December 31, 1957, are stated approximately $10,000,000 lower than they would have been under the former method, and net earnings for 1957 are reduced approximately $5,000,000.

To the Board of Directors, W. T. Grant Company: We have examined the financial statements of *W. T. Grant Company* for the year ended January 31, 1957. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and operations present fairly the financial position of *W. T. Grant Company* at January 31, 1957, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, which, except for the change (with which we concur) referred to in Note A of notes to financial statements, have been applied on a basis consistent with that of the preceding year.—*Auditors' Report—March 29, 1957.*

Note A: The financial statements for the six years ended January 31, 1956 have reflected the adoption as of January 31, 1950 of the Lifo method of determining cost of inventories. At January 31, 1957, inventories in stores are stated at the lower of cost or market as determined by the retail inventory method and certain other inventories, principally those in warehouses and in transit, are stated at invoice cost. Consequently, the earnings for the year ended January 31, 1957 reflect the use of opening inventories based on the Lifo method and closing inventories based generally on the retail inventory method. In connection with the discontinuance of the use of the Lifo method, approval of which was obtained from the Treasury Department in May 1956, certain changes in procedures were adopted during the year, which made it impracticable to determine the cost of inventories at the year end under that method. For this reason, only an estimate could be made of the effect of this change on the results for the year. This estimate indicates that the 1956 net earnings as reported would have been approximately $600,000 less if the use of the Lifo method had been continued.

In addition to the aforementioned change, the Company during 1956 abandoned its claim, filed with the Treasury Department, to the right to use Lifo retroactively to 1941. Hence, the reserve of $3,214,118 for reduction in inventory valuation (net of taxes) is no longer required and has been restored to earnings retained for use in the business.

To the Stockholders and Board of Directors of Loew's Incorporated: We have examined the consolidated balance sheet of *Loew's Incorporated* (a Delaware corporation) and its subsidiaries as of August 31, 1957, 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. Financial statements of the domestic and Canadian theatre companies (Note 3) and foreign subsidiaries, whose assets represented 39 per cent and 16 per cent respectively of the total assets included in the consolidated financial statements, were not examined by us, but we were furnished with reports of other public accountants thereon.

As outlined in Note 1 to the financial statements, the Company has made changes in accounting for inventories of film productions and books and rights, income from rental of films to television stations, and certain expenses previously recorded at the time of payment. In addition, majority-owned domestic subsidiaries, previously included only in the statement of consolidated income, have now been included in the consolidated balance sheet. These changes have our approval. Otherwise, the accounting principles followed by the Company and its subsidiaries have been applied, in our opinion, on a basis consistent with that of the preceding year.

In our opinion, based upon our examination and the reports of other public accountants referred to above, the accompanying consolidated balance sheet and related statements of consolidated income and earned surplus present fairly the financial position of *Loew's Incorporated* and its subsidiaries as of August 31, 1957, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles.—*Auditors' Certificate—January 4, 1958.*

Note 1: Changes in Accounting Policies—In 1957, the Company adopted certain changes in accounting policies which are considered to be more appropriate to reflect current operating conditions in the industry and also to accomplish a better matching of income and expenses. The changes in accounting policies which have been reflected in the financial statements for the year ended August 31, 1957, relate to the following matters:

a. Completed film productions included in the inventory at August 31, 1957, are valued at the lower of cost (less amortization) or estimated realizable value on an individual picture basis. Prior to 1957, the aggregate realizable value of all completed pictures was compared with the aggregate cost thereof.
b. Unused books and rights are charged to income at the end of five years or as soon as it is determined that satisfactory screen continuities will not be developed. Prior to 1957, unused books and rights were carried in inventory for a five-year period and no write-off was made prior to that time.
c. Down payments received from television stations for the rental of films are taken into income, in general, over the period of usage of the films. Previously such payments were taken into income when received.
d. Certain expenses relating to studio facilities and talent not used in the production of pictures have been charged directly to income. Previously, such expenses not directly applicable to the production of pictures were capitalized as part of the cost of pictures.
e. Certain expenses which were formerly recorded at the time of payment have been reflected in the 1957 financial statements on an accrual basis.

Adjustments due to the above changes in accounting policies and other miscellaneous adjustments, applicable to periods prior to September 1, 1956, in the amount of $6,307,151 (after taxes), have been charged to earned surplus in the 1957 financial statements. Net income for 1957 was reduced approximately $1,200,000 (after taxes) by reason of changes in accounting policies.

Note 3: Reorganization—The distribution of the stock of Loew's Theatres, Inc. (the recently organized domestic theatre company) to Loew's Incorporated stockholders in accordance with the Plan of Reorganization approved by stockholders in 1952 is subject to further order of the court. Final determination has not been made of the amount of assets and liabilities (particularly funded debt) to be transferred to the new theatre company. The consolidated balance sheet at August 31, 1957, included $8,302,000 net current assets and $65,452,000 net fixed assets presently being administered by the theatre board of directors. In 1957, Domestic and Canadian theatre operations contributed $3,974,838, before interest and taxes, to net income for the year 1957.

To the Board of Directors and Shareholders, Socony Mobil Oil Company, Inc.: We have examined the accompanying consolidated balance sheets of *Socony Mobil Oil Company, Inc.* at December 31, 1957 and 1956 and the related statements of consolidated income and shareholders' equity for each of the years 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.

In our opinion, the above mentioned statements present fairly the financial position of *Socony Mobil Oil Company, Inc.* and its subsidiaries at December 31, 1957 and 1956 and the results of their operations for each of the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the periods, except for the change, which we approve, to the last-in, first-out method of inventory valuation as explained in the Financial Review.—*Accountants' Report—March 25, 1958.*

Financial Review: Lifo Inventory Method—Effective January 1, 1957, Socony Mobil adopted the LIFO (last-in, first-out) method of valuing nearly all domestic inventories of crude oil and refined products.

TABLE 7: AUDITOR'S SPECIFIC APPROVAL OR DISAPPROVAL
of Changes in Consistent Application of or Deviation from Generally Accepted Principles of Accounting

	1957*			1956*			1955*			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	3	—	—	7	—	—	5	—	—	41	—	6
Lifo inventory method —abandonment	1	—	—	—	—	—	2	—	—	—	—	—
Lifo inventory method—modification	1	—	—	—	—	—	1	—	—	13	—	1
Other methods of inventory valuation	3	—	1	2	—	—	7	—	—	3	—	—
Fixed assets	—	—	1	—	—	1	1	—	—	—	—	—
Higher plant replacement cost	—	—	—	—	—	—	—	—	—	1	—	—
Other assets	—	—	3	—	—	1	1	—	1	—	—	—
Liabilities	1	—	—	—	—	—	—	—	—	—	—	1
Income and Expense:												
Deferred income	1	—	—	2	—	—	1	—	—	—	—	—
Estimated expenses—re: Section 462 I.R.C.	—	—	—	—	—	—	2	—	3	—	—	—
Vacation pay deduction	1	—	—	1	—	—	4	—	3	—	—	—
Depreciation, depletion, amortization	11	—	2	11	—	3	33	—	9	4	1	—
Amortization under Certificates of Necessity	—	—	—	—	—	—	4	—	2	—	—	—
Other income and cost items	7	1	1	—	—	1	6	1	2	17	2	2
Principles of consolidation	9	—	2	10	—	4	7	—	3	3	—	3
Total	38	1	10	33	—	10	74	1	23	82	3	13

*Summary of Auditor's Approval or Disapproval	1957	1956	1955	1950
A—Approved	38	33	74	82
D—Disapproved	1	—	1	3
N—Neither approved nor disapproved	10	10	23	13
Total	49	43	98	98

**Refer to Table 6 for reference to company numbers.

The company's inventories of crude oil and refined products outside the United States (representing approximately 30% of such total inventory value) and all materials and supplies continue to be valued generally at average cost, as in previous years.

The aggregate cost of all inventories was substantially less than aggregate replacement market value at December 31, 1957. In valuing inventories, intercompany profits have been eliminated.

As a result of the adoption of LIFO, inventories in the United States at the end of 1957 were stated at $23.5 million less than they would have been under the former average-cost method. U.S. Federal income taxes payable for the year 1957 were decreased by $11.7 million and consolidated net income by $11.8 million.

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, 1957, 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.

The Company discontinued the practice, as of January 1, 1957, of deducting from or adding to income for the year an amount based upon the changes in overhead included in the inventories. As a result, the surplus reserve—based on inventory overhead increase, which amounted to $2,419,929 at December 31, 1956, was transferred to unappropriated income retained for use in the business.

In our opinion, the accompanying statements present fairly the consolidated financial position of the Companies at December 31, 1957, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, referred to in the preceding paragraph.—*Accountants' Report—February 14, 1958.*

Changes in the Accounting for Depreciation, Depletion and Amortization

The Board of Directors and Stockholders, Alan Wood Steel Company: We have examined the statement of consolidated financial position of *Alan Wood Steel Company* and subsidiary at December 31, 1957 and the related statement of consolidated 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 statements mentioned above present fairly the consolidated financial position of *Alan Wood Steel Company* and subsidiary at December 31, 1957 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 referred to in Note 2, which change has our approval.—*Report of Certified Public Accountants—January 28, 1958.*

Note 2: Property, Plant and Equipment—At December 31, 1957, the certified portion of the cost of properties acquired under current certificates of necessity amounted to $10,071,086, which is being amortized for financial accounting and for income tax purposes at the rate of 20% per year. Accumulated amortization thereon at December 31, 1957 amounted to $7,574,018, of which $1,506,152 was provided in 1957.

Effective January 1, 1955 the Company adopted for both financial accounting and income tax purposes the declining balance method of computing depreciation on substantially all other depreciable property, plant and equipment acquired subsequent to that date. Effective January 1, 1957 use of the declining balance method was discontinued for financial accounting purposes and depreciation on these assets was computed on a composite basis at rates varying with tonnage produced, which is the method used for similar assets acquired prior to 1955. The declining balance method was continued for income tax purposes and provision was made for the estimated income taxes deferred to future years (see Note 3) as a result of the excess of current depreciation for income tax purposes over depreciation for financial accounting purposes and other differences between the book and tax bases of property, plant and equipment. This change reduced the 1957 provision for depreciation by approximately $430,000 and increased 1957 net income by approximately $280,000.

The unexpended balance of appropriations for plant improvements and replacements authorized by the Board of Directors aggregated $3,967,000 at December 31, 1957.

Alpha Portland Cement Company: We have examined the balance sheet of *Alpha Portland Cement Company* as of December 31, 1957 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.

In our opinion, with the explanation contained in Note E, the accompanying balance sheet and statement of income and earned surplus present fairly the financial position of the Company at December 31, 1957 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change explained in Note A) on a basis consistent with that of the preceding year.—*Accountants' Certificate—January 22, 1958.*

Note A: To conform to the practice adopted in 1957 of presenting maintenance supplies and repair parts as current assets, inventories and current assets at December 31, 1956 have been increased by $1,952,401 and property correspondingly decreased.

Note E: In October 1957, the Supreme Court of the United States denied review of a decision favorably affecting the method of calculating depletion allowable to cement companies for Federal income tax purposes. For the year ended December 31, 1957 the Company has computed its provision for Federal income taxes using the new method. Had the provision for the preceding year been similarly computed, net income for the year ended December 31, 1956 would have been approximately $1,100,000 more than was reported. The Company has filed claims for refund of Federal income taxes for the years 1951 to 1956, inclusive, which it estimates will result in recovery of approximately $6,000,000, exclusive of interest. However, as the Internal Revenue Service has not yet processed these claims nor made any determination regarding certain matters affecting the calculation of the additional depletion allowance included therein, the claims have not been reflected in the accompanying financial statements.

To the Stockholders and Board of Directors, American Metal Climax, Inc.: We have examined the consolidated balance sheet of *American Metal Climax, Inc.* and its consolidated subsidiaries as of December 31, 1957 and the combined balance sheet of The American Metal Company, Limited and Climax Molybdenum Company and their respective consolidated subsidiaries as of December 31, 1956 and the related combined statements of income and earnings retained for use in the business and capital surplus for the years 1956 and 1957. We have received reports of Messrs. Touche, Niven, Bailey & Smart upon their examinations of the consolidated financial statements of Climax Molybdenum Company and its consolidated subsidiaries for the years 1956 and 1957 and of other public accountants upon their examinations of the financial statements of The South American Metal Company and The Anglo Metal Company Limited for the years 1956 and 1957 and Rhodesian Selection Trust Limited and its subsidiaries for the two years ended June 30, 1957. 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.

In our opinion, based upon the above-outlined examinations and the above-mentioned reports of Messrs. Touche, Niven, Bailey & Smart and other public accountants, the accompanying balance sheets and related statements of income and earnings retained for use in the business and capital surplus (pages 36 to 44) present fairly the consolidated financial position of *American Metal Climax, Inc.* and its consolidated subsidiaries at December 31, 1957, the combined financial position of The American Metal Company, Limited and Climax Molybdenum Company and their respective consolidated subsidiaries at December 31, 1956 and the combined results of their operations for the years 1956 and 1957, in conformity with generally accepted accounting principles applied on a consistent basis except for the change in depreciation methods described in the note on page 41, which change we approve.—*Auditors' Report—March 20, 1958.*

Notes to Financial Statements: Property, Plant and Equipment and Allowances—

Mines	$ 13,339,671
Milling plants and equipment	68,233,523
Smelters and refineries	40,060,559
Plant real estate and farms	2,900,822
Oil and gas ventures	23,365,849
Miscellaneous property and equipment	4,361,867
Construction and mine development in progress	3,984,148
	156,246,439
Less, Allowances for depreciation (1957, $64,389,376) and depletion	76,443,217
	$ 79,803,222
Charges to operations for year:	
Depreciation	$ 6,312,430
Depletion	2,481,928
	$ 8,794,358

Prior to 1957 The American Metal Company, Limited adopted for tax and corporate purposes accelerated depreciation methods with respect to certain assets. Effective January 1, 1957 the unamortized balance of such assets is being depreciated for corporate purposes on the straight-line basis, the tax benefit from accelerated depreciation being deferred to provide for future income taxes when corporate depreciation will exceed that allowable for income tax purposes. This change had no material effect upon net income for the year.

Portions of expenditures for mine exploration by The American Metal Company, Limited estimated to be recoverable by a reduction of income taxes upon subsequent abandonment have been capitalized. When such a venture results in an exploitable property, the portion previously charged off is restored to income and capitalized.

Board of Directors and Stockholders, Endicott Johnson Corporation: We have examined the consolidated balance sheet of *Endicott Johnson Corporation* and its subsidiary companies as of November 29, 1957, and the related statements of earnings and accumulated retained earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and of accumulated retained earnings present fairly the consolidated financial position of *Endicott Johnson Corporation* and its subsidiary companies at November 29, 1957, and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in depreciation method as described in Note 2, with which we concur.—*Accountants' Report—January 9, 1958.*

Note 2: Cost of products sold, selling, general and administrative expenses, and other income include:

(a)	Depreciation	$3,501,630
(b)	Maintenance and repairs	4,499,369
(c)	Retirement plan costs, including past service costs of $2,093,126 in each year	3,861,273
(d)	Rents on real estate, substantially all for retail stores, under approximately 550 leases with original terms principally from three to ten years	2,883,195

In 1957, the Corporation adopted the declining balance method of depreciation for most acquisitions since December 1, 1955. As a result, the depreciation provision for the current period is $462,000 greater than would have been provided under the method previously used. Of this amount, $147,000 is applicable to the prior year.

Remaining unfunded past service liabilities are estimated at approximately $1,500,000.

To the Stockholders of First National Stores Inc.: In our opinion, the accompanying balance sheet and related statements of earnings and earnings employed in the business, with the notes thereto, present fairly the financial position of *First National Stores Inc.* at March 30, 1957 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change in method of computing depreciation referred to in Note 2, which we approve) 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' Opinion—May 17, 1957.*

Note 2: For the year ended March 30, 1957 the company discontinued providing for accelerated depreciation on recent additions to warehouse buildings, store fixtures, machinery and equipment at the rate of 7½% for the year of acquisition and for the following year, and instead adopted the sum of the years-digits method of accelerated depreciation, heretofore used only for federal income tax purposes. For store buildings, the company also adopted the sum of the years-digits method for 1957 but continued to provide for additional accelerated depreciation computed on a basis heretofore used which is related to estimated fair rental values. Such additional accelerated depreciation on store buildings amounted to $676,802 for 1957 and $511,093 for 1956. The over-all effect of these changes on the total amount of depreciation provided and charged to earnings for the 1957 fiscal year, and on reported earnings for the year, is not material.

The Board of Directors and Stockholders, McCall Corporation: We have examined the accompanying balance sheet of *McCall Corporation* at December 31, 1957 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.

In our opinion, the statements mentioned above present fairly the financial position of *McCall Corporation* at December 31, 1957 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 changes in accounting practice described in Note 1, which changes we approve. —*Report of Independent Public Accountants—February 17, 1958.*

Note 1: Changes in Accounting Practice—In 1957 the Company made certain changes in its accounting which resulted in a reduction in net income as compared with the basis used in the preceding year. Depreciation for 1957 was increased $230,527 through use of the double-rate declining-balance method for financial accounting purposes with respect to plant and equipment acquired since January 1, 1954. This method had previously been used for income tax purposes and the provision for deferred income tax made in prior years was transferred as additional accumulated depreciation. A liability of $246,000 was provided for the Ohio personal property tax payable in 1958, in addition to the tax paid and charged to expense in 1957, due to a change in the assessment date for this tax. As a result of the above changes, and other miscellaneous adjustments, net income for 1957 was reduced by $194,450.

To the Stockholders and Board of Directors of Sears, Roebuck and Co.: We have examined the Statement of Financial Position of *Sears, Roebuck and Co.* and consolidated subsidiaries as of January 31, 1957, and the related Statements of Income, Accumulated Income Used in the Business and Capital in Excess of Par Value 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.

In our opinion, the accompanying financial statements present fairly the financial position of *Sears, Roebuck and Co.* and consolidated subsidiaries at January 31, 1957, 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 for the change in the method of computing depreciation as explained on page 19 of the accompanying Annual Report to stockholders. This change, which we approve, did not have a material effect on net income for the year.—*Report of Auditors—March 25, 1957.*

Financial Review: Depreciation—The amount charged against income for depreciation during 1956 was $22,313,789, compared with $25,466,119 in 1955.

For many years, in determining annual profit, the Company has calculated depreciation provisions by an accelerated method for retail store equipment and by the straight-line method for other plant and equipment items based on shorter asset lives than those prescribed for determining Federal taxable income. As a result of an analysis made this year, the estimated service life was extended on certain classes of depreciable assets to conform more closely with experience, which in some cases, still results in a faster write-off than that used for tax purposes. In no case was the asset life extended beyond the life term allowed taxwise. It was decided also that the "sum-of-the-years'-digits" method, with its characteristic accelerated write-off provisions during the early years of an asset's life, was a conservative and satisfactory means of calculating depreciation for Company, as well as tax purposes. Accordingly, the Company calculated the 1956 depreciation provisions on assets acquired in 1954, 1955 and 1956 by using the "sum-of-the-years'-digits" method applied on the revised Company estimated service life of these assets. Original depreciation schedules were retained on the remaining depreciable balances of assets acquired prior to 1954.

No retroactive adjustments were made for depreciation provided on other bases in prior years. Depreciation provisions for the year 1956, as a result of the foregoing changes have been reduced by $5,564,338.

Changes in Basis of Consolidation

To the Shareholders and Board of Directors of Alco Products, Incorporated: We have examined the consolidated statement of financial position of *Alco Products, Incorporated* and subsidiary consolidated as of December 31, 1957, and the related consolidated statements of income and net income retained in the business (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 statement of financial position and consolidated statements of income and net income retained in the business (earned surplus) present fairly the consolidated financial position of *Alco Products, Incorporated* and subsidiary consolidated at December 31, 1957, and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the exclusion, which we approve, of a subsidiary from the consolidation as explained in Note 2) with that of the preceding year.—*Report of Independent Public Accountants—February 11, 1958.*

Note 2: American Locomotive & Equipment Corp., a domestic wholly-owned subsidiary company which was inactive prior to 1957, is excluded from the 1957 consolidated financial statements as it is now being used to finance certain locomotive transactions and the parent company is not liable for any funded debt of the subsidiary. During the year, the subsidiary entered into a loan agreement to borrow funds not to exceed $4,400,000 to purchase locomotives from the Company for use by a railroad; such sales by the Company aggregated $3,988,971 in 1957 and are included in the accompanying Consolidated Statement of Income, together with the profit thereon. The subsidiary's funded debt, which amounted to $3,533,406 at the year end, matures in sixty quarterly installments and is secured by the assignment of the locomotives and payments for the use thereof. Subsequent to December 31, 1957, the subsidiary entered into a second loan agreement, similar and in addition to the one described above, to borrow funds not to exceed $6,000,000, of which $1,366,708 has been availed of.

Accounts Receivable, as shown on the accompanying Statement of Financial Position at December 31, 1957, include $455,565 due from this subsidiary.

The Borden Company: We have examined the consolidated balance sheet of *The Borden Company* and Consolidated Subsidiaries as of December 31, 1957 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, in the basis of consolidation referred to in Note 1 to financial statements) on a basis consistent with that of the preceding year.—*Accountants' Certificate—February 24, 1958.*

Note 1: Basis of Consolidation, etc.—The financial statements for 1957 include all domestic subsidiaries and all Canadian operating subsidiaries, the accounts of the latter being converted at par. The domestic subsidiary heretofore excluded, has been included for the first time in the consolidation for 1957. For this year its net sales were $19,545,723 and the inclusion of its net income had no significant effect on 1957 consolidated net income in comparison with 1956 which year contained a dividend received from the subsidiary. Other Charges for 1957 include an adjustment of $13,495 resulting from the inclusion of this subsidiary in the consolidation.

The Company's equity in the net tangible assets of its unconsolidated foreign subsidiaries at December 31, 1957 is approximately $18,400,000 more than its investment in these subsidiaries and its equity in their net income for 1957 is approximately $2,800,000. Dividends from foreign subsidiaries are subject to U. S. income tax. Dividends received in 1957 from unconsolidated foreign subsidiaries, less applicable U. S. Federal income taxes, are included in 1957 net income in the amount of $720,000.

The unamortized portion of the consideration paid for businesses acquired since January 1, 1955 in excess of the values assigned to net tangible assets, $1,018,728, is included with Deferred Charges.

Crucible Steel Company of America: We have examined the statement of consolidated financial position of *Crucible Steel Company of America* and consolidated subsidiary companies as of December 31, 1957 and the related statement of consolidated 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 statement of consolidated financial position and the statement of consolidated income and retained earnings, with the supplementary information appearing on pages 12 and 13, present fairly the financial position of the companies at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the non-consolidation of the accounts of a wholly-owned subsidiary, as explained on page 12) on a basis consistent with that of the preceding year.—*Auditors' Report—February 10, 1958.*

Supplementary Financial Information: Investments in Affiliated Companies—

Snyder Mining Company	$ 3,287,376
Silicon Steels, Inc.	1,500,000
Crucible Center Company	50,000
Rem-Cru Titanium, Inc.	6,154,465
Total	$10,991,841

Investments are carried at cost except the investment in Snyder Mining Company which is stated at an amount equivalent to 50% of its net assets at December 31, 1956 with subsequent changes at cost. Investments represent 50% of the voting power in each affiliated company except Rem-Cru Titanium, Inc. at December 31, 1957. Full ownership of that company was acquired in December 1957. Consolidation of its assets and liabilities with Crucible has been deferred until management has completed the integration discussed on Page 16.

Philco Corporation: We have examined the financial statements of *Philco Corporation* and consolidated subsidiary companies for the year ended December 29, 1957. Our examination of the parent company and of certain subsidiary companies, representing 90% of consolidated net 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 reviewed reports of other accountants which indicated that they had made similar examinations of the financial statements of all other subsidiary companies included in consolidation.

Canadian subsidiaries have been included in consolidation for 1957 under a changed accounting policy, in which we concur. We reviewed reports of other accountants who examined the statements of the Canadian subsidiaries which have been included in restating the 1956 consolidated balance sheet and consolidated earnings statement for comparative purposes.

In our opinion, the accompanying consolidated balance sheet and related statements of earnings, retained earnings and capital in excess of par value present fairly the consolidated financial position of the companies at December 29, 1957, and the consolidated results of operations for the year then ended. Except as noted in the preceding paragraph the statements conform with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 25, 1958.*

To the Board of Directors of Rexall Drug Company: In our opinion, the accompanying statements present fairly the consolidated financial position of *Rexall Drug Company* and its consolidated subsidiaries at December 31, 1957 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 in the consolidation of Blum's, a ninety-two per cent owned subsidiary, which change we approve. 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.—*Independent Auditors Report—February 24, 1958.*

Notes to Financial Statements: Basis of Consolidation—For 1957 all wholly owned United States and Canadian subsidiaries and Blum's, a 92% owned subsidiary, are consolidated. Blum's, controlling interest of which was acquired late in 1956, was not consolidated prior to 1957. Its net sales for 1957 aggregated $4,708,287 and its net income, after minority interest, was $149,319. The minority interests in income and in ownership are relatively insignificant and are not shown separately.

Vacation Pay

To the Stockholders of American Can Company: We have examined the consolidated statement of financial position of *American Can Company* and subsidiaries as of December 31, 1957 and the related statement 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.

In our opinion, the above-mentioned statements present fairly the consolidated financial position of *American Can Company* and subsidiaries at December 31, 1957, and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the changes indicated in the last paragraph of Note 1, which we approve) with that of the preceding year.—*Report of Auditors—February 14, 1958.*

Note 1: During 1957, American Can Company acquired all of the assets of Dixie Cup Company and Marathon Corporation in exchange for 4,489,504 shares of its common stock and assumed all of the liabilities of these two companies. These combinations were treated as poolings of interests and the accompanying consolidated statement of operations for the year ended December 31, 1957 includes the results of operations of the combined businesses for the entire year. For comparative purposes, the accompanying financial statements include a combined statement of financial position of the three companies as at December 31, 1956 and a combined statement of their operations for the year then ended.

The 1957 financial statements reflect certain changes in accounting principles previously followed by Dixie Cup and Marathon to conform with those of American Can Company. These changes relate principally to translation of Canadian accounts and to accruals for vacation pay and had no material effect on net income for 1957.

Contingencies and Litigation

Board of Directors, Boeing Airplane Company: We have examined the balance sheet of *Boeing Airplane Company* as of December 31, 1957 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, except for the effect of any renegotiation refunds that may be required for years subsequent to 1954, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of *Boeing Airplane Company* at December 31, 1957 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 16, 1957, in setting aside the sum of $3,995,000 for the year 1957 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 3, 1958.*

To the Stockholders of The Scranton Lace Company: We have examined the consolidated financial statements of *The Scranton Lace Company* and subsidiary, Craftspun Yarns, Inc., for the year ended December 31, 1957. 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.

Reference is made to Note A of Notes to Financial Statements for an explanation of the status of an agreement providing for the exchange of 82,197 shares of authorized and unissued stock of the Company, and 544 shares of its treasury stock for common stock of another company. Because of action of the Board of Directors to rescind the agreement and possible court action to restrain its consummation, the transaction is not reflected in the accompanying financial statements.

In our opinion, subject to the ultimate determination of pending actions regarding the agreement referred to above and in Note A of Notes to Financial Statements, the accompanying consolidated balance sheet and statements of consolidated operations and consolidated earnings used in the business present fairly the consolidated financial position of *The Scranton Lace Company* and subsidiary, Craftspun Yarns, Inc., at December 31, 1957, and the consolidated 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.—*Report of Independent Auditors—February 3, 1958.*

Note A: In accordance with an agreement dated January 30, 1957 with Smith-Palmer Machine Corporation, the Company agreed to exchange 82,741 shares of its Common Stock (82,197 authorized and unissued shares plus 544 treasury shares) for 142,093 shares of Southwest International Corporation Common Stock. Such shares of stock in both companies were placed in escrow pending the performance of certain acts specified in the agreement.

Subsequent to January 30, 1957, a group of stockholders of the Company brought court action to restrain the Company from consummating the above stated agreement. The Court on October 18, 1957, sustained the position of the Company, and there is pending a right of appeal in the United States Circuit Court of Appeals for the Third Circuit.

On December 18, 1957, the Board of Directors directed officers of the Company to rescind the aforementioned agreement with Smith-Palmer Machine Corporation, and to effect cancellation of shares of stock of the Company issued thereunder and held in escrow. There is pending arbitration of this rescission as provided in the agreement.

In view of the foregoing, the financial statements at December 31, 1957 do not reflect any investment in Southwest International Corporation or any change in issued or treasury shares of the Company.

Disclaimer of Opinion

The following certificate is an example of a disclaimer of opinion:

The Board of Directors and Stockholders, The Bon Ami Company: We have examined the consolidated balance sheet of *The Bon Ami Company* and subsidiary companies at December 31, 1957 and the related statement of income and earned surplus for the year then ended. Our examination, which included the Company and its domestic and Canadian subsidiaries but did not include the Australian subsidiary, was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The accounts of the Australian subsidiary for the fiscal year ended October 31, 1957 are included in the accompanying financial statements based on the report of independent chartered accountants.

The legal actions referred to in note 9 to the financial statements allege, among other things, that certain material transactions (particularly those relating to purchase of television time and motion picture rights) mentioned in the accompanying notes to financial statements were not negotiated at "arm's length" and that certain present or former officers and directors of the Company were interested, directly or indirectly, in the companies with which such transactions were effected. We are not in a position to pass upon the validity of such allegations, or to determine the fair values of the television time and motion picture rights acquired, or to estimate the probable recovery, if any, under said legal actions. Neither are we in a position to estimate the probable realizable value of that portion of the inventories referred to in note 3 to the financial statements.

The accompanying financial statements are in agreement with the books of the companies and, except for the effect of the matters referred to in the preceding paragraph, in our opinion, have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after revision as explained in note 2. However, having regard to the possible material effect of these matters upon the financial position and results of operations of the Company we are precluded from expressing an opinion with respect to the fairness of the presentation until such matters have been resolved.—*Accountants' Report—April 23, 1958.*

Informative Disclosures

Informative disclosures of explanatory remarks were included in 10 of the auditors' reports of the 600 survey companies. The following annual reports contained informative disclosures: (*Co. Nos. 56, 143, 146, 260, 308, 355, 373, 537, 544, 558). Examples of the types of additional information provided in certain auditors' reports are as follows:

Board of Directors, City Stores Company: We have examined the consolidated statement of financial condition of *City Stores Company* and its consolidated subsidiaries as of February 2, 1957, and the related statements of income and income reinvested in business, and of other capital for the fiscal year (53 weeks) then ended. The financial statements include the accounts of Specialty Stores Company, Inc. and certain of its subsidiaries and the accounts of B. Lowenstein & Bros., Inc. as reported upon by other independent accountants. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records (excepting those reported upon by other accountants) and such other auditing procedures as we considered necessary in the circumstances.

With respect to the financial statements of B. Lowenstein & Bros., Inc., the examining accountants have reported that it is not possible for them to express an opinion as to the fairness of the balance sheet of Lowenstein's taken as a whole and the related statements of income and earned surplus for the year. The balance sheet includes a suspense account in the approximate amount of $866,000, representing the aggregate of differences disclosed during the year in the accounts receivable records but retained as an asset pending completion of an investigation of the nature of such differences and possibility of recovery, but does not include a liability for professional services rendered in connection therewith and billed in the approximate amount of $65,000.

With the foregoing explanation as to the statements of B. Lowenstein & Bros., Inc. and based on the reports of other accountants as to Specialty Stores Company, Inc. and subsidiaries, it is our opinion that the accompanying consolidated statement of financial condition (in which the accounts of Lowenstein's are relatively not significant) presents fairly the financial position of *City Stores Company* and its consolidated subsidiaries at February 2, 1957, and, subject to the result of disposition of the suspense account and unrecorded liability for professional services mentioned in the preceding paragraph, that the accompanying consolidated statement of income and income reinvested in business presents fairly the results of operations for the year ended February 2, 1957, all in conformity with generally accepted accounting principles which principles have been applied on a consistent basis except for the changes (in which we concur) in the income-tax accounting for bad debts as explained in Note F, and the recognition of income of certain unconsolidated subsidiaries as explained in Note C, of notes to financial statements.—*Accountants' Report—April 22, 1957.*

To the Stockholders of Ingersoll-Rand Company: We have examined the balance sheet of *Ingersoll-Rand Company* at December 31, 1957 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 1957 of foreign subsidiary companies not consolidated, as shown by their books, converted at rates of exchange in effect at December 31, 1957 was substantially in excess of the dividends received from those companies and credited to other income in 1957. 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, 1957 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.—*Accountants' Report—March 21, 1958.*

To the Board of Directors, McGraw-Hill Publishing Company, Inc.: We have examined the consolidated balance sheet of *McGraw-Hill Publishing Company, Inc.* and subsidiary companies at December 31, 1957 and the related statement of 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.

No attempt is made in the balance sheet to reflect actual present value of fixed assets, publication titles, copyrights, subscription lists and goodwill.

In our opinion, subject to the above, the accompanying consolidated balance sheet and the related statement of income present fairly the position of *McGraw-Hill Publishing Company, Inc.* and subsidiary companies at December 31, 1957 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.—*Auditor's Certificate—February 14, 1958.*

RELIANCE UPON OTHERS

Table 8 discloses that 67 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.

*Refer to Company Appendix Section.

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

The Board of Directors, Cities Service Company: We have examined the balance sheets of *Cities Service Company* and of *Cities Service Company* and subsidiary companies as of December 31, 1957 and the related statements of income, earnings retained and employed in the business, and capital surplus for the year then ended. Our examination, which did not extend to certain subsidiary companies audited by other independent public accountants, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As regards the subsidiary companies not examined by us whose accounts are incorporated in the accompanying consolidated financial statements and constitute 10% and 15%, respectively, of the consolidated assets and gross operating income, we have been furnished with the reports of other independent public accountants. These reports and the related financial statements have been reviewed by us and accepted for inclusion in the consolidated figures.

In our opinion, based upon our examination and on the reports of other independent public accountants, the accompanying balance sheets and statements of income, earnings retained and employed in the business, and capital surplus present fairly the financial position at December 31, 1957 and the results of operations for the year then ended of *Cities Service Company* and of *Cities Service Company* and subsidiary companies, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 10, 1958.*

TABLE 8: RELIANCE UPON OTHERS

	Scope Paragraph				Scope and Opinion Paragraph			
Reliance*	1957	1956	1955	1950	1957	1956	1955	1950
Upon Other Auditors for Examination of:								
A: Consolidated domestic subsidiary	3	1	1	6	9	15	16	13
B: Consolidated foreign subsidiary	8	7	6	10	26	24	21	17
C: Consolidated domestic and foreign subsidiaries	2	3	2	—	8	3	4	—
D: Unconsolidated domestic subsidiary and affiliated company	—	—	—	1	—	—	—	1
E: Unconsolidated foreign subsidiary and affiliated company	1	2	2	3	3	3	4	5
F: Unconsolidated domestic and foreign subsidiaries and affiliated company	—	—	—	1	1	1	1	1
G: Domestic branch or division	—	—	—	—	1	1	3	—
H: Foreign branch or division	1	1	1	1	2	2	2	2
I: Foreign accounts	—	—	—	—	—	—	1	1
J: Subsidiaries merged or liquidated	—	—	—	—	1	—	—	—
Total	15	14	12	22	51	49	52	40
Upon Client re:								
L: Consolidated domestic subsidiary	1	1	1	—	—	1	—	—
M: Consolidated foreign subsidiary	1	1	1	6	—	1	1	1
N: Unconsolidated domestic or foreign subsidiary and affiliated company	1	1	1	1	—	—	1	—
Total	3	3	3	7	—	2	2	1
O: *Upon Independent Appraiser*	2	2	2	2	—	—	—	—
Total	20	19	17	31	51	51	54	41

Number of Reports Expressing:	1957	1956	1955	1950
Reliance upon other auditors	62	60	58	51
Reliance upon other auditors and client	2	2	4	9
Reliance upon client	1	2	1	3
Reliance upon independent appraiser	2	2	2	2
Total	67	66	65	65
Not expressing reliance upon others	533	534	535	535
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 139, 146, 210, 331, 442, 537; B: Co. Nos. 26, 87, 123, 179, 233, 276, 329, 425, 507; C: Co. Nos. 42, 118, 314, 409, 597; E: Co. Nos. 35, 45, 321, 516; F: Co. No. 261; G: Co. No. 377; H: Co. Nos. 38, 66, 489; J: Co. No. 216; L: Co. No. 66; M: Co. No. 355; N: Co. No. 572; O: Co. Nos. 46, 177.

To the Stockholders of Miller Manufacturing Co.: We have examined, except as mentioned below, the accompanying consolidated statements of *Miller Manufacturing Co.* and its subsidiary companies for the year ended September 30, 1957. Our examination of the statements of *Miller Manufacturing Co.,* The Buckeye Forging Company, Economy Valve Company, Precision Manufacturing Company and Bonney Forge & Tool Works 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 statements of Monroe Steel Castings Company have not been examined by us and are included in the accompanying consolidated statements on the basis of a report thereon furnished by other independent public accountants. The subsidiary not examined by us had approximately 20% of the consolidated sales and 17% of the consolidated total assets.

In our opinion, based upon our examination and upon the report of other independent public accountants, the accompanying consolidated statements present fairly the financial position of *Miller Manufacturing Co.* and its subsidiary companies at September 30, 1957, 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.—*Auditor's Certificate—December 2, 1957.*

Foreign Subsidiaries—Consolidated

To the Stockholders of Beech-Nut Life Savers, Inc.: We have examined the consolidated balance sheet of *Beech-Nut Life Savers, Inc.* and subsidiaries as of December 31, 1957, and the related consolidated statements of income and earned surplus of the corporation and subsidiaries 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 accepted, after review, and assumed responsibility for, the financial statements of foreign subsidiaries as certified to by independent auditors.

In our opinion, the accompanying consolidated financial statements together with the explanatory notes, present fairly the financial position of *Beech-Nut Life Savers, Inc.* and subsidiaries at December 31, 1957 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.—*Report of Accountants—February 17, 1958.*

Pittsburgh Plate Glass Company: We have examined the consolidated balance sheet of *Pittsburgh Plate Glass Company* and subsidiaries as of December 31, 1957 and the related summary of consolidated earnings and of earnings retained for use in the business for the year then ended. As to the companies other than four Canadian subsidiaries our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to the four Canadian subsidiaries, we examined reports of other accountants, and the accounts of those companies have been included in the accompanying statements as shown by such reports.

In our opinion, the accompanying consolidated balance sheet and summary of consolidated earnings and of earnings retained for use in the business present fairly the financial position of the companies at December 31, 1957 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—February 5, 1958.*

Domestic and Foreign Subsidiaries—Consolidated

To the Shareholders of International Paper Company: We have examined the consolidated balance sheet of *International Paper Company*, a New York corporation, and subsidiary companies as of December 31, 1957, 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 of the Company and its domestic consolidated subsidiaries (except two transportation companies) and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended December 31, 1956. In the case of the major foreign subsidiaries and the two domestic subsidiaries whose accounts were not examined by us, we were furnished with financial statements certified to by other auditors.

In our opinion, based upon our examination and upon the certificates of other auditors referred to above, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus, together with the schedules referred to therein, present fairly the consolidated financial position of the companies as of December 31, 1957, 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' Report—March 5, 1958.*

The Torrington Company: We have examined the Consolidated Balance Sheet of *The Torrington Company* and its wholly-owned Domestic and Canadian subsidiary corporations as of June 30, 1957 and the related Consolidated Income Statement and Consolidated Net Earnings Retained in the Business for the fiscal year ended on that date. We also reviewed the certified reports of subsidiaries audited by other independent accountants. All examinations were made in accordance with generally accepted and applicable auditing standards and included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and Consolidated Income and Net Earnings Retained in the Business, with the notes pertaining thereto, present fairly the financial position of *The Torrington Company* and its wholly-owned Domestic and Canadian subsidiary corporations consolidated at June 30, 1957 and the results of their operations for the year, in accordance with generally accepted and applicable accounting principles and practices consistently maintained.—*Independent Auditors' Report—July 26, 1957.*

Foreign Subsidiaries and Affiliates—Unconsolidated

The Board of Directors and Stockholders, American Radiator & Standard Sanitary Corporation: We have examined the accompanying consolidated balance sheet of *American Radiator & Standard Sanitary Corporation* and U. S. subsidiaries at December 31, 1957 and the related consolidated statements of income and earned surplus for the year then ended. We have also examined the accompanying combined condensed financial statements of the Corporation's foreign subsidiaries (not consolidated) for the same period. Of the foreign subsidiaries included therein, we examined the financial statements of the subsidiaries located in Canada and France and accepted reports of examinations made by independent public accountants for the other foreign subsidiaries. All these examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of *American Radiator & Standard Sanitary Corporation* and U. S. subsidiaries at December 31, 1957 and the consolidated results of their operations for the year then ended, and summarize fairly the financial position of the Corporation's foreign subsidiaries at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 28, 1958.*

Reliance Upon Client

To the Shareholders, Art Metal Construction Company: We have examined the consolidated financial statements of *Art Metal Construction Company* and its subsidiaries for the year ended December 31, 1957. Our direct examination, which covered the financial statements of the parent company (exclusive of those of the branch in Great Britain) and the principal subsidiaries, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of the parent company's branch in Great Britain are included herein on the basis of a report of other independent accountants which we have accepted. The accounts (not significant in the consolidated totals) of a minor subsidiary are included as shown by financial statements of that subsidiary.

In our opinion, accepting the report of other accountants as to the accounts of the branch in Great Britain, the accompanying balance sheet presents fairly the consolidated financial position of *Art Metal Construction Company* and its subsidiaries at December 31, 1957, and the accompanying summary of consolidated income and earned surplus presents fairly the information set forth therein relating to their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 28, 1958.*

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, 1957, 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, 1957, 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.—*Report of Auditors—February 4, 1958.*

IDENTIFICATION OF FINANCIAL STATEMENTS

Table 9 discloses that, in general (532 reports in 1957), the auditors' reports identify the financial statements upon which an opinion is expressed by listing separately the title of each such statement. The remaining 68 reports used group references, such as, "accompanying financial statements," "statements 1 through 4," etc. Examples from the 1957 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, the names of such subsidiaries are seldom given. Table 10 indicates the methods of reference to the company as given in the 1957 reports.

Reference to Statements and Company

The following examples from the 1957 reports show the various methods used in identifying the financial statements and referring to the company and its subsidiaries:

American Air Filter Company, Inc.: We have examined the balance sheets of *American Air Filter Company, Inc.* and its wholly-owned subsidiaries, Famco, Inc. and Illinois Engineering Company, as of October 31, 1957, and the related statements of income and retained earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. 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, 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 Subsidiaries at October 31, 1957, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Opinion —January 30, 1958.*

To the Board of Directors of Associated Dry Goods Corporation: We have examined the balance sheets of *Associated Dry Goods Corporation* and its wholly-owned real estate subsidiaries as of February 2, 1957 and the related statements of income and earned surplus for the fiscal 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 financial statements (pages 7 to 11) present fairly:

(a) the financial position of *Associated Dry Goods Corporation* at February 2, 1957 and the results of its operations for the fiscal year (53 weeks) then ended, and

(b) the composite financial position of its wholly-owned real estate subsidiaries at February 2, 1957 and the composite results of their operations for the fiscal year (53 weeks) then ended,

in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—April 4, 1957.*

To the Share Owners, Butler Brothers: We have examined the consolidated balance sheet of *Butler Brothers* (an Illinois corporation) and subsidiaries as of December 31, 1957, and the related statements of income, earned surplus and source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made similar examinations for the past nine years.

In our opinion, the accompanying consolidated balance sheet and statements of income, earned surplus and source and disposition of funds, present fairly the financial position of *Butler Brothers* and subsidiaries as of December 31, 1957, 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.—*Certificate of Independent Public Accountants—February 7, 1958.*

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, 1957 and December 31, 1956 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 consolidated financial statements of Equipment Finance Company and its subsidiaries as of December 31, 1957 and December 31, 1956.

In our opinion, the accompanying statements present fairly (a) the financial position of *Clark Equipment Company* and its consolidated subsidiaries at December 31, 1957 and December 31, 1956 and the consolidated results of their operations for the years then ended, and (b) the consolidated financial position of Equipment Finance Company and its subsidiaries at December 31, 1957 and December 31, 1956, in conformity with generally accepted accounting principles applied on a consistent basis during the two years.—*Accountants' Certificate—February 7, 1958.*

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

Statements Identified In Auditor's Reports By:	1957	1956	1955	1950
Title Listing of Customary Statements	437	448	478	469
Title Listing of Customary Statements and specific mention of accompanying footnotes	73	80	44	66
Title Listing of Customary Statements and specific mention of accompanying footnotes with:				
Title listing of additional statements	6	1	1	—
Group reference to additional statements	1	—	—	1
Title Listing of Customary Statements with:				
Title listing of additional statements	13	5	9	12
Group reference to additional statements	2	6	6	7
Total	532	540	538	555
Group reference to Customary Statements	54	44	48	35
Group reference to Customary Statements and specific mention of accompanying footnotes	11	14	12	3
Group reference to Customary Statements with:				
Title listing of additional statements	2	1	1	1
Group reference to additional statements	1	1	1	6
Total	68	60	62	45
Total	600	600	600	600
Number of Reports Referring:				
To additional statements	25	14	18	27
To accompanying footnotes	91	95	57	70

TABLE 10: NAME OF COMPANY

Reference by Use of*:	1957	1956	1955	1950
Corporate Name of Company supplemented with—				
A: Names of consolidated subsidiaries	19	13	14	29
B: Names of consolidated and unconsolidated subsidiaries	—	—	—	1
C: Consolidated subsidiaries not named	455	440	423	387
Consolidated subsidiaries not named and reference to—				
D: Unconsolidated subsidiaries named	3	3	2	5
E: Unconsolidated subsidiaries not named	5	5	8	12
F: Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	—	—	—	1
G: Affiliates, branches, etc.	2	3	2	3
H: "Corporation"**	—	—	1	1
Total	484	464	450	439
I: Corporate Name of Company	112	131	145	155
Corporate Name of Company and reference to—				
J: Unconsolidated subsidiaries named	3	2	2	2
K: Unconsolidated subsidiaries not named	1	3	3	3
L: "Company"**	—	—	—	1
Total	116	136	150	161
Total	600	600	600	600
Number of Reports				
**Omitting Corporate Name of Company	—	—	1	2
Referring to unconsolidated subsidiaries	12	13	15	24
Referring to affiliates, branches, or divisions, etc.	2	3	2	4
Referring to consolidated subsidiaries	484	464	450	439

*Refer to Company Appendix Section—A: Co. Nos. 26, 111, 124, 297, 382, 422, 577; C: Co. Nos. 12, 18, 120, 184, 229, 272, 305, 330, 422, 454, 514, 580; D: Co. Nos. 196, 393, 562; E: Co. Nos. 45, 404, 516; G: Co. Nos. 66, 572; I: Co. Nos. 20, 71, 109, 164, 200, 230, 308, 339, 427, 481, 505, 519; J: Co. Nos. 35, 130; K: Co. No. 69.

To the Board of Directors and Stockholders of Motorola, Inc.: We have examined the balance sheet of *Motorola, Inc.* and consolidated subsidiaries as of December 31, 1957 and the related statement of income and retained earnings for the year then ended, and the balance sheet of Motorola Finance Corporation as of December 31, 1957.

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 attempt to obtain confirmations of certain receivables from the United States Government, but we satisfied ourselves as to their substantial accuracy by means of other auditing procedures.

In our opinion, the accompanying financial statements present fairly (a) the financial condition of *Motorola, Inc.* and consolidated subsidiaries as of December 31, 1957 and the results of their operations for the year then ended, and (b) the financial condition of Motorola Finance Corporation as of December 31, 1957, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 21, 1958.*

To the Stockholders and Directors of Otis Elevator Company: We have examined the balance sheet of *Otis Elevator Company* as of December 31, 1957, and 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.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of *Otis Elevator Company* at December 31, 1957, 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' Report—March 14, 1958.*

To the Stockholders and Board of Directors of Standard Brands Incorporated: We have examined the consolidated balance sheet as of December 31, 1957, 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, 1957, 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 1956. We have been furnished with financial statements certified by other auditors of several 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, 1957, 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, 1957, 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, 1958.*

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, 1957, 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, 1957, 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, 1957.*

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 20 instances the examination was based on a 52- or 53-week period.

Of the total, 411 companies had fiscal year endings in December (or the week-end date closest to the end of the year) as compared with 416 in the preceding year. Other fiscal closings were as follows:

November—24 companies
October—39 companies
September—32 companies
August—17 companies
July—11 companies
June—20 companies
May—5 companies
April—4 companies
March—13 companies
February—9 companies
January—15 companies

TABLE 11: PERIOD OF EXAMINATION

Auditor Refers To:	1957	1956	1955	1950
One year in *scope and opinion* paragraphs	406	396	411	443
One year in *scope and opinion* paragraphs, with reference to examination of prior year contained in *scope* paragraph	42	50	43	31
One year in *opinion* paragraph—				
No period mentioned in *scope* paragraph	3	5	4	4
Modified short-form of report	82	80	79	60
Modified short-form of report, with additional comment referring to examination of prior year	2	1	2	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	10	13	11	13
Two or three years in *scope and opinion* paragraphs	30	24	20	22
Two or three years in *opinion* paragraph only; in modified short-form of report	4	6	5	3
Six to ten years in *opinion* paragraph	—	—	—	1
Period of 52 or 53 weeks in *scope and opinion* paragraphs	16	19	13	12
Period of 52 or 53 weeks in *opinion* paragraph (modified short-form of report)	4	4	3	3
Period of 52 or 53 weeks with two periods referred to in *scope and opinion* paragraph	—	—	—	1
Period of days stated simply as "period from October 3, 1954 to October 1, 1955" in *scope and opinion* paragraph	—	—	1	—
Changes in Fiscal Years:				
Periods of one year and three months in *scope and opinion* paragraphs	—	1	8	4
Period of eight months in *scope and opinion* paragraphs	1	1		
Total	600	600	600	600

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.") Two of the 600 survey companies (*Co. Nos. 257, 492) presented pro-forma balance sheets reflecting the effect of transactions which occurred subsequent to the balance sheet dates and the auditors' reports included a direct reference thereto. One company (*Co. No. 558) merged into another company, after the balance sheet date, to form a new corporation. The merger is referred to both in the notes to financial statements and in the auditors' report.

Title of the Auditor's Report

The title most frequently given to the report of the independent public accountants, as summarized in Table 12, continues to be "accountants' report" or "auditors' report," as disclosed by the 600 survey companies in their 1957 annual reports. Although there were many variations in the titles assigned, the word *report* was the usual term of reference. It was used in 302 annual reports in 1957, as compared with 287 in 1956, 267 in 1955, and 258 in 1954.

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 (or shareholders) of the company."

*Refer to Company Appendix Section.

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Auditor's Report	1957	1956	1955	1950
Accountant's (or accountants') report	145	146	134	114
Accountant's (or accountants') certificate	53	58	59	64
Auditor's (or auditors') report	77	75	72	49
Auditor's (or auditors') certificate	49	42	45	43
Report of independent public accountants	24	22	21	12
Opinion of independent public accountants	13	13	15	7
Certificate of independent public accountants	5	4	7	12
Report of independent certified public accountants	13	12	13	10
Opinion of independent certified public accountants	2	2	5	4
Report of certified public accountants	10	8	6	5
Independent auditor's (or auditors') report	10	9	10	7
Report of independent auditors	5	5	4	3
Report of auditors	7	9	6	8
Report of independent accountants	11	6	6	5
Opinion of independent accountants	3	3	3	1
Accountant's (or accountants') opinion	14	8	7	3
Various other	25	30	33	29
Total	466	452	446	376
No title shown	134	148	154	224
Total	600	600	600	600

1957 Reference to Auditor	Report	Certificate	Opinion	Other Terms	1957 Total
	1957 Reference to Report				
Accountant's (s')	145	53	14	—	212
Certified public accountant's (s')	10	—	—	—	10
Independent certified public accountant's (s')	13	—	2	—	15
Independent public accountant's (s')	24	5	13	—	42
Independent accountant's (s')	11	—	3	—	14
Auditor's (s')	84	49	—	—	133
Independent auditor's (s')	15	—	—	—	15
Various other	—	—	—	25	25
Total	302	107	32	25	466
No title shown					134
Total					600

TABLE 13: ADDRESSEE OF AUDITOR'S REPORT

Combined Addressee	1957	1956	1955	1950
The Company and Its:				
Directors	247	266	283	309
Directors and President	4	4	7	10
Directors and Stockholders	139	127	111	87
Directors and Shareholders	39	33	28	10
Directors and Shareowners	8	6	8	—
Stockholders	65	69	67	85
Shareholders	34	31	34	22
Shareowners	7	6	4	1
Single Addressee				
The Company	54	56	56	72
No Addressee	3	2	2	4
Total	600	600	600	600
Frequency of Reference to:				
Company—with other addressees	543	542	542	524
Company—with no other addressee	54	56	56	72
Directors	437	436	437	416
President	4	4	7	10
Stockholders	204	196	178	172
Shareholders	73	64	62	32
Shareowners	15	12	12	1

Signature on the Auditor's Report

Table 14 discloses that the use of a handwritten facsimile to indicate the firm's name, which continued to increase from 1950 until 1956, decreased in 1957. The printed form still remains the most frequent in use.

TABLE 14: AUDITOR'S SIGNATURE ON REPORT

Form of Signature	1957	1956	1955	1950
Firm name—printed or typed	371	365	387	452
Firm name—handwritten facsimile	224	229	206	145
Firm name—printed and handwritten facsimile	3	4	4	—
Firm and individual auditor's names—printed or typed	—	—	1	1
Individual auditor's name—printed or typed	2	2	2	2
Total	600	600	600	600

Number of Acounting Firms Represented

There were 68 certified public accounting firms or individual practitioners represented among the 600 companies included in the survey. Changes in the accounting firms engaged during 1957, as compared with 1956, were noted in the reports of 9 companies.

APPENDIX OF 600 COMPANIES

List of 600 Companies on Which Tabulations Are Based

Co. No.		*Month in which fiscal year ends
1.	ACF Industries, Incorporated	4
2.	A-S-R Products Corporation	12
3.	Abbott Laboratories	12
4.	Acme Steel Company	12
5.	Adam Consolidated Industries, Inc.	12
6.	Adams-Millis Corporation	12
7.	Addressograph-Multigraph Corporation	7
8.	Admiral 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.	Aluminum Goods Manufacturing Company (Mirro Aluminum Company)	12
23.	The Amalgamated Sugar Company	9
24.	Amerada Petroleum Corporation	12
25.	The American Agricultural Chemical Company	6
26.	American Air Filter Company, Inc.	10
27.	American Bakeries Company	12
28.	American Bank Note Company	12
29.	American Box Board Company	11
30.	American Can Company	12
31.	American Chain & Cable Company, Inc.	12
32.	American Chicle Company	12
33.	American Cyanamid Company	12
34.	The American Distilling Company, Inc.	9
35.	American Encaustic Tiling Company, Inc.	12
36.	American Enka Corporation	12
37.	The American Hardware Corporation	12
38.	American Home Products Corporation	12
39.	American Machine & Foundry Company	12
40.	American Machine and Metals, Inc.	12
41.	American Maize-Products Company	12
42.	American Metal Climax, Inc.	12
43.	American Metal Products Company	12
44.	American Optical Company	12
45.	American Radiator & Standard Sanitary Corporation	12
46.	American Seating Company	12
47.	The American Ship Building Company	6
48.	American Smelting and Refining Company	12
49.	American Stores Company	3
50.	The American Sugar Refining Company	12
51.	The American Tobacco Company	12
52.	American Viscose Corporation	12
53.	American Window Glass Company	12
54.	American Writing Paper Corporation	12
55.	Ampco Metal, Inc.	12
56.	The Anaconda Company	12
57.	Anchor Hocking Glass Corporation	12
58.	Anderson, Clayton & Co.	7
59.	Anderson-Prichard Oil Corporation	12
60.	Archer-Daniels-Midland Company	6
61.	Arden Farms Co.	12
62.	Argo Oil Corporation	12
63.	Armco Steel Corporation	12
64.	Armour and Company	10
65.	Armstrong Cork Company	12
66.	Art Metal Construction Company	12
67.	Artloom Carpet Co., Inc.	7
68.	The Arundel Corporation	12
69.	Associated Dry Goods Corporation	1
70.	The Atlantic Refining Company	12
71.	Atlas Powder Company	12
72.	Automatic Canteen Company of America	9
73.	Avco Manufacturing Corporation	11
74.	Avon Products, Inc.	12
75.	The Babcock & Wilcox Company	12
76.	Baldwin-Lima-Hamilton Corporation	12
77.	Barber Oil Corporation	12
78.	Barium Steel Corporation	12
79.	Basic Products Corporation	7
80.	Bates Manufacturing Company	12
81.	Bath Iron Works Corporation	12
82.	Bausch & Lomb Optical Company	12
83.	Bayuk Cigars Incorporated	12
84.	Beatrice Foods Co.	2
85.	Beaunit Mills, Inc.	3
86.	Beech Aircraft Corporation	9
87.	Beech-Nut Life Savers, Inc.	12
88.	Belding Heminway Company, Inc.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
89.	Bell Aircraft Corporation	12
90.	Bell & Gossett Company	11
91.	Bell & Howell	12
92.	Bendix Aviation Corporation	9
93.	The Best Foods, Inc.	6
94.	Bethlehem Steel Corporation	12
95.	Bigelow-Sanford Carpet Company, Inc.	12
96.	The Billings & Spencer Company	9
97.	The Black & Decker Manufacturing Company	9
98.	Blaw-Knox Company	12
99.	Bliss & Laughlin, Incorporated	12
100.	Boeing Airplane Company	12
101.	Bohn Aluminum & Brass Corporation	12
102.	Bond Stores, Incorporated	7
103.	Booth Fisheries Corporation	4
104.	The Borden Company	12
105.	Borg-Warner Corporation	12
106.	E. J. Brach & Sons	9
107.	Bridgeport Brass Company	12
108.	Briggs Manufacturing Company	12
109.	Briggs & Stratton Corporation	12
110.	Bristol-Myers Company	12
111.	Brockway Glass Company Inc.	9
112.	Brown & Sharpe Manufacturing Company	12
113.	Brown Shoe Company, Inc.	10
114.	The Brunswick-Balke-Collender Company	12
115.	Bucyrus-Erie Company	12
116.	The Budd Company	12
117.	Buffalo-Eclipse Corporation	7
118.	Burlington Industries, Inc.	9
119.	Burroughs Corporation	12
120.	Butler Brothers	12
121.	The Byrndun Corporation	12
122.	California Packing Corporation	2
123.	Calumet & Hecla, Inc.	12
124.	A. S. Campbell Co., Inc.	12
125.	Canada Dry Ginger Ale, Incorporated	9
126.	Cannon Mills Company	12
127.	Capitol Records, Inc.	6
128.	Carnation Company	12
129.	Carrier Corporation	10
130.	J. I. Case Company	10
131.	Caterpillar Tractor Co.	12
132.	Celanese Corporation of America	12
133.	The Celotex Corporation	10
134.	Central Soya Company, Inc.	8
135.	Century Electric Company	12
136.	Certain-Teed Products Corporation	12
137.	The Cessna Aircraft Company	9
138.	Chain Belt Company	10
139.	The Champion Paper and Fibre Company	3
140.	Cherry-Burrell Corporation	10
141.	Chesapeake Industries, Inc.	12
142.	Chicago Pneumatic Tool Company	12
143.	Chile Copper Company	12
144.	Chrysler Corporation	12
145.	Cities Service Company	12
146.	City Stores Company	1
147.	Clark Equipment Company	12
148.	The Cleveland Builders Supply Company	9
149.	Clevite Corporation	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	12
155.	The Colorado Milling & Elevator Company	5
156.	Columbia Broadcasting System, Inc.	12

Co. No.		*Month in which fiscal year ends
157.	Columbia River Packers Association, Inc.	12
158.	Columbian Carbon Company	12
159.	Combustion Engineering, Inc.	12
160.	Commercial Solvents Corporation	12
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 and Varnish Company	11
172.	Copperweld Steel Company	12
173.	Corn Products Refining Company	12
174.	Craddock-Terry Shoe Corporation	11
175.	Crane Co.	12
176.	The Creamery Package Mfg. Company	11
177.	Crown Central Petroleum Corporation	12
178.	Crown Cork & Seal Company, Inc.	12
179.	Crown Zellerbach Corporation	12
180.	Crucible Steel Company of America	12
181.	The Cuban-American Sugar Company	9
182.	The Cudahy Packing Company	10
183.	Cummins Engine Company, Inc.	12
184.	The Cuneo Press, Inc.	1
185.	The Curtis Publishing Company	12
186.	Curtiss-Wright Corporation	12
187.	Cutler-Hammer, Inc.	12
188.	Daystrom, Incorporated	3
189.	The Dayton Rubber Company	10
190.	Decca Records Inc.	12
191.	Deere & Company	10
192.	Dennison Manufacturing Company	12
193.	Detroit Harvester Company	9
194.	Diamond Gardner Corporation	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.	Douglas Aircraft Company, Inc.	11
201.	The Dow Chemical Company	5
202.	The Drackett Company	9
203.	Dresser Industries, Inc.	10
204.	Drexel Furniture Company	11
205.	Allen B. Du Mont Laboratories, Inc.	12
206.	The Duplan Corporation	9
207.	E. I. du Pont de Nemours & Company	12
208.	The Eagle-Picher Company	11
209.	Eastern Corporation	12
210.	The Eastern Malleable Iron Company	12
211.	Eastern Stainless Steel Corporation	12
212.	Eastman Kodak Company	12
213.	Eaton Manufacturing Company	12
214.	Elastic Stop Nut Corporation of America	11
215.	The Electric Auto-Lite Company	12
216.	The Electric Storage Battery Company	12
217.	Electrolux Corporation	12
218.	Elgin National Watch Company	2
219.	Emerson Electric Manufacturing Company	9
220.	Emerson Radio & Phonograph Corporation	10
221.	Endicott Johnson Corporation	11
222.	Erie Forge & Steel Corporation	4
223.	Evans Products Company	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
224.	Eversharp, Inc.	2
225.	Ex-Cell-O Corporation	11
226.	Fairbanks, Morse & Co.	12
227.	Fairchild Engine and Airplane Corporation	12
228.	Falstaff Brewing Corporation	12
229.	Fansteel Metallurgical Corporation	12
230.	Fedders-Quigan Corporation	8
231.	The Federal Machine and Welder Company	9
232.	Federated Department Stores, Inc.	1
233.	The Firestone Tire & Rubber Company	10
234.	First National Stores Inc.	3
235.	M. H. Fishman Co., Inc.	12
236.	The Flintkote Company	12
237.	Food Machinery and Chemical Corporation	12
238.	Foote Mineral Company	12
239.	Foremost Dairies, Inc.	12
240.	Fort Pitt Industries, Incorporated	10
241.	Freeport Sulphur Company	12
242.	Fruehauf Trailer Company	12
243.	Gar Wood Industries, Inc.	10
244.	The Garlock Packing Company	12
245.	The Garrett Corporation	6
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.	Goebel Brewing Company	12
267.	Goldblatt Bros., Inc.	1
268.	Good Humor Corporation	12
269.	The B. F. Goodrich Company	12
270.	The Goodyear Tire & Rubber Company	12
271.	The Grand Union Company	2
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.	Gruen Industries, Inc.	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.	Harris-Intertype Corporation	6
285.	The Harshaw Chemical Company	9
286.	Hart Schaffner & Marx	11
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

Co. No.		*Month in which fiscal year ends
292.	Heyden Newport Chemical Corporation	12
293.	Heywood-Wakefield Company	12
294.	Higgins, Incorporated	12
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.	Hunt Foods and Industries, Inc.	11
305.	Hygrade Food Products Corporation	10
306.	Indian Head Mills, Inc.	11
307.	Industrial Rayon Corporation	12
308.	Ingersoll-Rand Company	12
309.	Inland Steel Company	12
310.	Interchemical Corporation	12
311.	International Business Machines Corporation	12
312.	International Harvester Company	10
313.	International Minerals & Chemical Corporation	6
314.	International Paper Company	12
315.	International Shoe Company	11
316.	The International Silver Company	12
317.	Interstate Bakeries Corporation	12
318.	Iron Fireman Manufacturing Company	12
319.	Jantzen, Inc.	8
320.	Johns-Manville Corporation	12
321.	Johnson & Johnson	12
322.	Jones & Lamson Machine Company	12
323.	Jones & Laughlin Steel Corporation	12
324.	Joslyn Mfg. and Supply Co.	12
325.	Joy Manufacturing Company	9
326.	The E. Kahn's Sons Company	12
327.	Kellogg Company	12
328.	Kelsey-Hayes Company	8
329.	The Kendall Company	12
330.	Kennecott Copper Corporation	12
331.	Keystone Steel & Wire Company	6
332.	Walter Kidde & Company, Inc.	12
333.	Kimberly-Clark Corporation	4
334.	Koppers Company, Inc.	12
335.	S. S. Kresge Company	12
336.	S. H. Kress & Company	12
337.	The Kroger Co.	12
338.	Kuhlman Electric Company	12
339.	Kuner-Empson Company	3
340.	Landers, Frary & Clark	12
341.	Lear, Incorporated	12
342.	James Lees & Sons Company	12
343.	Lehigh Portland Cement Company	12
344.	Lerner Stores Corporation	1
345.	Leslie Salt Company	12
346.	R. G. LeTourneau, Inc.	12
347.	Libbey-Owens-Ford Glass Company	12
348.	Libby, McNeill & Libby	6
349.	Liggett & Myers Tobacco Co., Inc.	12
350.	Lily-Tulip Cup Corporation	12
351.	Link-Belt Company	12
352.	Lockheed Aircraft Corporation	12
353.	Loew's Incorporated	8
354.	Loft Candy Corporation	12
355.	Lone Star Cement Corporation	12
356.	P. Lorillard Company	12
357.	Lukens Steel Company	12
358.	Macfadden Publications, Inc.	12

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
359. Mack Trucks, Inc.	12
360. R. H. Macy & Co., Inc.	7
361. P. R. Mallory & Co., Inc.	12
362. Marchant Calculators, Inc.	12
363. Marmon-Herrington Company, Inc.	12
364. Marshall Field & Company	1
365. The Martin Company	12
366. Masonite Corporation	8
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
22. Mirro Aluminum Company (Aluminum Goods Manufacturing Company)	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	6
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 and Chemical 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 Oil Company	12
417. The Oliver Corporation	10
418. O'Sullivan Rubber Corporation	12
419. Otis Elevator Company	12
420. Outboard Marine Corporation	9
421. Owens-Illinois Glass Company	12
422. Oxford Paper Company	12
423. Paramount Pictures Corporation	12

Co. No.	*Month in which fiscal year ends
424. Parke, Davis & Company	12
425. The Parker Pen Company	2
426. Parkersburg-Aetna Corporation	12
427. The Patterson-Sargent Company	10
428. Peden Iron & Steel Co.	12
429. Penn Fruit Co., Inc.	8
430. Penn-Texas Corporation	12
431. J. C. Penney Company	12
432. Pennsalt Chemicals Corporation	12
433. Peoples Drug Stores, Incorporated	12
434. Pepsi-Cola Company	12
435. Permanente Cement Company	1
436. Pet Milk Company	12
437. Pfaudler Permutit Inc.	12
438. Pfeiffer Brewing Company	12
439. Chas. Pfizer & Co., Inc.	12
440. Phelps Dodge Corporation	12
441. Philco Corporation	12
442. Philip Morris, Incorporated	12
443. Phillips Petroleum Company	12
444. Pillsbury Mills, Inc.	5
445. Piper Aircraft Corporation	9
446. Pitney-Bowes, Inc.	12
447. Pittsburgh Brewing Company	10
448. Pittsburgh Plate Glass Company	12
449. Pittsburgh Screw and Bolt Corporation	12
450. Pittsburgh Steel Company	12
451. The Pittston Company	12
452. Plymouth Oil Company	12
453. Polaroid Corporation	12
454. H. K. Porter Company, Inc.	12
455. Pratt & Lambert, Inc.	12
456. The Procter & Gamble Company	6
457. Pullman, Incorporated	12
458. The Pure Oil Company	12
459. Purolator Products, Inc.	12
460. The Quaker Oats Company	6
461. Quaker State Oil Refining Corporation	12
462. Radio Corporation of America	12
463. Ralston Purina Company	9
464. The Rath Packing Company	10
465. Raybestos-Manhattan, Inc.	12
466. Rayonier Incorporated	12
467. The Reliance Electric and Engineering Company	10
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. Richfield Oil Corporation	12
478. Ritter Company, Inc.	12
479. H. H. Robertson Company	12
480. Rohm & Haas 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

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
490. The Scranton Lace Company	12
491. Sears, Roebuck and Co.	1
492. Servel, Inc.	10
493. Sharon Steel Corporation	12
494. Frank G. Shattuck Company	12
495. Shell Oil Company	12
496. The Sherwin-Williams Company	8
497. Shoe Corporation of America	12
498. Signode Steel Strapping Company	12
499. Simmons Company	12
500. Simonds Saw and Steel Company	12
501. Sinclair Oil Corporation	12
502. Skelly Oil Company	12
503. A. O. Smith Corporation	7
504. Snap-On Tools Corporation	12
505. Socony Mobil Oil Company, Inc.	12
506. Sonotone Corporation	12
507. A. G. Spalding & Bros. Inc.	10
508. Spencer Kellogg and Sons, Inc.	8
509. Sperry Rand Corporation	3
510. Spiegel, Inc.	12
511. Sprague Electric Company	12
512. Square D Company	12
513. St. Regis Paper 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. Standard Railway Equipment Manufacturing Company	12
523. The L. S. Starrett Company	6
524. J. P. Stevens & Co., Inc.	10
525. Stewart-Warner Corporation	12
526. Stokely-Van Camp, Inc.	5
527. Struthers Wells Corporation	11
528. Studebaker Packard Corporation	12
529. Sun Chemical Corporation	12
530. Sun Oil Company	12
531. Sundstrand Machine Tool Co.	12
532. Sunray Mid-Continent Oil Company	12
533. Sunshine Biscuits, Inc.	12
534. The Superior Oil Company	8
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

Co. No.	*Month in which fiscal year ends
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
550. Union Bag—Camp Paper Corporation	12
551. Union Carbide 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 Whelan 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, Incorporated	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

*Months numbered in sequence, January through December.

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Section 4: Retained Earnings and Capital Surplus

Section 5: Auditor's Report

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