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Accounting trends and techniques, 13th annual survey, 1959 edition

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ACCOUNTING TRENDS AND TECHNIQUES

THIRTEENTH EDITION
1959

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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ACCOUNTING TRENDS AND TECHNIQUES

In Published Corporate Annual Reports • Thirteenth Edition • 1959

Thirteenth 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 1958.

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PREFACE

Accounting Trends and Techniques in Published Corporate Annual Reports—1959 is the Thirteenth 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 1958 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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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Section 3: Income Statement

Section 4: Retained Earnings and Capital Surplus

Page

Section 5: Auditors' Report

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 1958.

Of the 600 survey companies, 598 presented two or more of the customary statements. The remaining two companies (*Co. Nos. 266 and 426) 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. The current increase in this form of presentation emphasises the continuing trend in this classification. Table 1 also summarizes in detail the various other combinations of customary financial statements presented by the survey companies in the 1958 reports and the table shows in comparative form the various combinations for the years 1946, 1950, and 1955 to 1958 inclusive.

*Refer to Company Appendix Section.

Notes to Financial Statements

Notes to financial statements were included by 570 of the 600 survey companies in their 1958 annual reports, an increase of 2 companies as compared with reporting companies included in the previous survey.

The form of presentation varied among the 570 companies. Of this total, 434 companies included notes to the financial statements with direct reference to related balance sheet or income statement captions; 77 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"; 35 companies included notes by placement within the statements or at the foot of the statements; 16 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"; 8 companies provided notes separately to which there was no general reference. (Thirty 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 596 of the 600 survey companies in their 1958 annual reports. Although the separate statement of income is most frequently presented, the trend towards the adoption of the combined statement of income and retained earnings continued in the current year with an increase of 11 companies. Details of the income presentation in the reports are presented in Table 2.

For terminology and content of the income statement refer to Section 3.

RETAINED EARNINGS PRESENTATION IN THE REPORTS

Table 3 discloses the various presentations of retained earnings in the 1958 annual reports. The increased use of the combined statement of retained earnings and income referred to above continued in the curent year, with 255 of the 600 survey companies now presenting this form of statement.

TABLE 1: CUSTOMARY FINANCIAL STATEMENTS

Combination of Statements	1958	1957	1956	1955	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statements (*Co. Nos. 66, 83, 227, 364, 411, 480)	226	215	203	202	168	141
Balance Sheet, Income, and Retained Earnings Statements (*Co. Nos. 9, 90, 115, 201, 311, 465)	166	158	151	169	191	157
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements (*Co. Nos. 5, 41, 103, 200, 383, 440)	136	152	164	149	149	198
Balance Sheet, Income and Combined Capital Surplus & Retained Earnings Statements (*Co. Nos. 56, 99, 140, 174, 340)	5	4	4	4	15	30
Balance Sheet, Income, and Stockholders' Equity Statements (*Co. Nos. 17, 63, 88, 231, 270, 413)	21	19	16	19	15	6
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements (*Co. Nos. 1, 92, 191, 285, 455, 477)	29	31	33	22	20	22
Balance Sheet and Income Statements (*Co. Nos. 24, 55, 138, 360, 494, 545)	11	12	17	19	21	20
Balance Sheet, Income, and Unclassified Surplus Statements (*Co. Nos. 142, 538)	2	4	6	8	14	15
Balance Sheet and Combined Income & Unclassified Surplus Statements (*Co. No. 320)	1	2	2	4	2	2
Balance Sheet—alone or in other combinations of statements not mentioned above (*Co. Nos. 266, 426)	3	3	4	4	5	9
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

Section 4 reviews and classifies the nature of the transactions presented in the retained earnings statement.

CAPITAL SURPLUS PRESENTATION IN THE REPORTS

The term "capital surplus" is used here to classify all surplus accounts exclusive of retained earnings.

Capital surplus was disclosed in the annual reports of 490 of the 600 survey companies. Separate statements of capital surplus either alone or in combination with retained earnings were presented by 170 companies. Capital surplus was shown as an item within the balance sheet by 299 companies, of which 126 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 1958 annual reports is summarized in Table 5. The continuing trend in the use of the term "earnings" as the key word in the title of the income statements of the 600 survey companies is indicated. However, the term "income" continues to be favored by a majority of the companies surveyed, while the use of the term "profit and loss" continues to decline.

Changes in 1958

Some of the principal changes made by the survey companies in the terminology of their income statements for the year 1958 are summarized as follows:

Six companies *adopted* the term "income" as the key word in the title of their 1958 income statements. One company (*Co. No. 583) had formerly used the wording "state-

TABLE 2: INCOME PRESENTATION IN REPORTS

Manner of Presentation*	1958	1957	1956	1955	1950	1946
A: As a separate statement of income	341	349	358	368	407	427
B: As a combined statement of income and retained earnings	255	246	236	224	187	164
C: As a combined statement of income and unclassified surplus	1	2	2	4	2	2
D: As a section within the statement of stockholders' equity	—	—	1	1	1	1
E: As an item within the balance sheet	1	1	1	1	2	5
F: Set forth in supplementary schedule	1	1	1	1	1	1
G: As a combined statement of "income, costs, and changes in capital investment"	1	1	1	1	—	—
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 84, 85, 161, 283, 359, 402; B: Co. Nos. 21, 197, 210, 377, 406, 420; C: Co. No. 320; E: Co. No. 266; F: Co. No. 426; G: Co. No. 514.

ments of operations"; and two companies (*Co. Nos. 243 and 486) had used the wording "profit and loss"; while three companies (*Co. Nos· 242, 334, and 463) changed from "earnings."

The term "earnings" was *adopted* by 9 companies. Of these companies, seven (*Co. Nos. 47, 62, 156, 347, 485, and 488) had formerly used the term "income"; while two companies (*Co. Nos. 25 and 90) had used the wording "operating statement" and "statement of operations," respectively.

TABLE 3: RETAINED EARNINGS PRESENTATION IN REPORTS

Manner of Presentation	1958	1957	1956	1955	1950	1946
As a separate statement of retained earnings (*Co. Nos. 32, 95, 275, 394, 440, 451)	302	310	316	320	341	356
As a combined statement of retained earnings and income (*Co. Nos. 89, 157, 196, 261, 393, 492)	255	246	236	224	187	164
As a combined statement of retained earnings and capital surplus (*Co. Nos. 56, 99, 140, 174, 340)	5	4	4	4	17	30
As a section within the statement of stockholders' equity (See Table 15) (*Co. Nos. 487, 504, 505, 510, 517, 520)	21	19	16	19	14	5
As a section within the balance sheet (*Co. Nos. 55, 109, 266, 422, 494, 545)	11	12	15	12	19	22
As an item within the balance sheet (*Co. Nos. 426, 514)	2	3	4	7	6	4
As a combined statement of income and net worth	—	—	1	2	1	1
Total Retained Earnings	596	594	592	588	585	582
Surplus not classified	4	6	8	12	15	18
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 4: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation	1958	1957	1956	1955	1950	1946
As a separate statement of capital surplus (*Co. Nos. 5, 89, 173, 268, 345, 394, 471)	165	183	197	183	170	224
As a combined statement of capital surplus and retained earnings (*Co. Nos. 56, 99, 140, 174, 340)	5	4	4	4	16	31
Total	170	187	201	187	186	255
As a section within the statement of stockholders' equity (See Table 15) (*Co. Nos. 130, 224, 276, 298, 413)	21	19	16	19	15	6
As an item within the balance sheet and changes set forth:						
Under balance sheet caption (*Co. Nos. 75, 87, 124, 378, 461, 474)	26	24	16	17	28	12
In notes to financial statements (*Co. Nos. 2, 12, 79, 141, 274, 458)	109	92	95	79	17	13
In other statements covered by auditors' reports (*Co. No. 230)	1	5	2	3	1	1
In other statements (*Co. No. 514)	1	—	—	1	—	—
In letter to stockholders (*Co. Nos. 40, 127, 555)	3	4	3	1	2	—
Not set forth in report (*Co. Nos. 22, 184, 267, 316, 396, 446)	33	27	22	32	6	1
As an item within the balance sheet:						
Stated to be "Not changed during the year" (*Co. Nos. 26, 131, 151, 266, 379, 496)	28	25	28	36	54	54
Indicated to be not changed during year (*Co. Nos. 58, 194, 284, 395, 466, 498)	96	94	83	85	119	88
Total	297	271	249	254	227	169
Set forth within statement of capital (showing capital stock and capital surplus)—no details given	—	—	—	1	—	—
Set forth in note to financial statements	—	—	—	—	2	—
Number of Companies						
Presenting capital surplus	488	477	466	461	430	430
Not presenting capital surplus (*Co. Nos. 94, 111, 158, 256, 372, 410)	108	117	126	127	156	156
Not classifying surplus (*Co. Nos. 142, 320, 338, 438)	4	6	8	12	14	14
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

Examples

Examples of the various titles of the income statements contained in the 1958 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.

*Refer to Company Appendix Section.

Income—(362 Companies):

"Consolidated Current and *Retained Income*" (*Co. No. 280)

"Condensed Statement of Income and *Earned Surplus*" (*Co. No. 397)

"Consolidated Income Statement" (*Co. No. 123)

"Consolidated Statement of Income and *Accumulated Net Income Retained for Use in the Business*" (*Co. No. 379)

TABLE 5: INCOME STATEMENT TITLE

Terminology Used	1958	1957	1956	1955	1950	1946
Income	362	366	365	361	329	317
Earnings	157	146	143	135	92	10
Profit and Loss	35	40	45	56	127	236
Operations	29	32	31	30	30	10
Income and Expense	2	3	4	5	8	5
Income and Profit and Loss	1	1	2	2	1	10
Income, Costs	—	1	1	1	1	—
Loss	5	3	1	2	1	—
Operating Results	3	3	3	3	3	3
Profit	3	2	3	3	4	1
Profits and Income	—	—	—	—	—	1
	597	597	598	598	596	593
No income statement	3	3	2	2	4	7
Total	600	600	600	600	600	600

"Consolidated Statement of Income and *Earned Surplus*" (*Co. No. 87)
"Consolidated Statements of Income and *Earnings Retained and Invested in the Business*" (*Co. No. 279)
"Consolidated Statement of Income and *Income Employed in the Business*" (*Co. No. 596)
"Consolidated Statement of Income and *Income Retained for Use in the Business*" (*Co. No. 333)
"Consolidated Statement of Income and *Retained Earnings*" (*Co. Nos. 75, 234, 329)
"Income and *Earned Surplus* Statements" (*Co. No. 371)
"Statement of Consolidated Income" (*Co. Nos. 238, 244)
"Statements of Consolidated Income and *Accumulated Earnings Retained in the Business*" (*Co. No. 357)
"Statement of Consolidated Income and *Earned Surplus*" (*Co. Nos. 192, 364, 472)
"Statements of Consolidated Income and *Earnings Retained in the Business*" (*Co. No. 346)
"Statements of Consolidated Income and *Expense*" (*Co. No. 406)
"Statement of Consolidated Income and *Retained Income*" (*Co. No. 343)
"Statement of Income" (*Co. Nos. 413, 481, 489)
"Statement of Income and *Earned Surplus*" (*Co. Nos. 22, 417)
"Statement of Income and *Earnings Invested in the Business*" (*Co. No. 447)
"Statement of Income and *Earnings Retained*" (*Co. No. 598)
"Statements of Income and *Income Retained in the Business*" (*Co. No. 179)
"Statement of Income and *Retained Earnings*" (*Co. Nos. 210, 213)
"Summary of Consolidated Income and *Earned Surplus*" (*Co. No. 453)

*Refer to Company Appendix Section.

Earnings—(157 Companies):
"Consolidated Earnings" (*Co. Nos. 97, 245)
"Consolidated Statement of Earnings" (*Co. Nos. 25, 161, 220, 319)
"Consolidated Statement of Net Earnings" (*Co. Nos. 101, 222, 433)
"Consolidated Statements of Net Earnings and *Earnings Retained for Use in the Business*" (*Co. No. 176)
"Current Earnings" (*Co. No. 252)
"Earnings" (*Co. Nos. 81, 451)
"Earnings Statement" (*Co. No. 439)
"Statement of Comparative Consolidated Earnings" (*Co. No. 416)
"Statement of Consolidated Earnings" (*Co. Nos. 84, 167, 194, 203, 347, 398)
"Statement of Consolidated Earnings and *Balance of Consolidated Earnings Retained in the Business*" (*Co. No. 374)
"Statement of Earnings" (*Co. Nos. 62, 233, 327)
"Summary of Consolidated Earnings" (*Co. No. 331)

Profit and Loss—(35 Companies):
"Comparative Consolidated Profit and Loss" (*Co. No. 262)
"Comparative Statement of Consolidated Profit and Loss and *Earned Surplus*" (*Co. No. 568)
"Consolidated Profit and Loss" (*Co. Nos. 129, 399)
"Consolidated Profit and Loss Account" (*Co. Nos. 16, 403)
"Consolidated Profit and Loss and *Reinvested Earnings*" (*Co. No. 60)
"Consolidated Profit and Loss Statement" (*Co. Nos. 149, 190)
"Consolidated Statement of Profit and Loss" (*Co. Nos. 24, 133, 249)
"Consolidated *Surplus* and Profit and Loss Account" (*Co. No. 573)
"Profit and Loss" (*Co. Nos. 15, 137, 290)

"Statement of Consolidated Profit and Loss" (*Co. Nos. 152, 177, 408)
"Statements of Consolidated Profit and Loss and *Earned Surplus*" (*Co. No. 208)
"Statement of Profit and Loss" (*Co. Nos. 55, 345, 484)
"Statement of Profit and Loss and *Net Income Retained in the Business*" (*Co. No. 484)

Operations—(29 Companies):
"Consolidated Operations" (*Co. No. 487)
"Consolidated Results of Operations" (*Co. Nos. 130, 148, 189)
"Consolidated Statement of Operations" (*Co. Nos. 29, 41, 206, 270, 289, 344, 392, 594)
"Consolidated Statement of Operations and *Surplus*" (*Co. No. 528)
"Consolidated Statement of Operations and *Income Invested in the Business*" (*Co. No. 119)
"Consolidated Statements of Operations and *Income Retained in the Business*" (*Co. No. 589)
"Consolidated Statement of Operations and *Reinvested Earnings*" (*Co. No. 136)
"Consolidated Statements of Operations and *Retained Earnings*" (*Co. No. 558)
"Results of Operations" (*Co. Nos. 178, 253, 396)
"Statement of Consolidated Operations" (*Co. No. 338)
"Statement of Operations" (*Co. Nos. 13, 271, 330, 387, 390)
"Statement of Operations and Deficit" (*Co. No. 205)
"Statement of Operations and *Retained Earnings*" (*Co. Nos. 98, 164)

Various Other—(14 Companies):
"Consolidated Statement of Income and Expense" (*Co. No. 185)
"Consolidated Statement of Loss" (*Co. No. 491)
"Income, Costs, and Changes in Capital Investment" (*Co. No. 514)
"Statement of Income and Expenses" (*Co. No. 447)
"Statement of Income and Profit and Loss" (*Co. No. 121)
"Statement of Loss" (*Co. No. 337)
"Statement of Profit and Retained Earnings" (*Co. No. 216)
"Summary of Profit" (*Co. No. 109)

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 certified income statements, in that they contained a separate last section in which there were set forth tax items or various non-tax items, or both.

As may be noted from Table 6 the use of the single-step form of income statement now predominates in the 1958 annual reports of the 600 companies surveyed. This is the result of a long-established trend in which the multiple-step form has been steadily losing in favor of the adoption of the single-step form.

Changes During 1958

The survey, this year, reveals that fifteen companies *adopted* the use of the single-step form of the income statement (*Co. Nos. 84, 126, 155, 264, 482, 500, 551, 560).

TITLE OF THE BALANCE SHEET

The term "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity was used by 459 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 135 companies in 1958, 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 1958 reports of the 600 survey companies:

Balance Sheet—(Customary form: 459 Companies)
"Balance Sheet" (*Co. Nos. 19, 22, 109, 156, 168, 295)
"Balance Sheets" (*Co. Nos. 13, 112, 179, 239, 336, 382)
"Comparative Balance Sheet" (*Co. Nos. 246, 355)
"Comparative Balance Sheets" (*Co. Nos. 121, 257)
"Comparative Consolidated Balance Sheet" (*Co. Nos. 30, 88, 95, 103)
"Comparative Consolidated Balance Sheets" (*Co. Nos. 165, 375)
"Condensed Comparative Balance Sheets" (*Co. No. 62)
"Condensed Consolidated Balance Sheet" (*Co. No. 96)
"Consolidated Balance Sheet" (*Co. Nos. 32, 57, 118, 198, 202, 207)
"Consolidated Balance Sheets" (*Co. Nos. 37, 70, 85, 89, 162, 240)

*Refer to Company Appendix Section.

TABLE 6: INCOME STATEMENT FORM

Form of Statement	1958	1957	1956	1955	1950	1946
Multiple-step form	212	234	244	258	302	263
Multiple-step form with a separate last section presenting:						
Nonrecurring tax items	16	11	16	24	41	63
Nonrecurring tax and non-tax items	26	19	15	23	10	57
Nonrecurring non-tax items	35	40	44	25	31	85
Total	289	304	319	330	384	468
Single-step form	251	251	238	218	177	76
Single-step form with a separate last section presenting:						
Nonrecurring tax items	12	17	11	22	13	13
Nonrecurring tax and non-tax items	24	10	8	9	7	20
Nonrecurring non-tax items	21	15	22	19	15	16
Total	308	293	279	268	212	125
No income statement presented	3	3	2	2	4	7
Total	600	600	600	600	600	600
Current year—Federal income tax estimate:						
Listed among operating items	144	144	140	141	159	100
Presented in separate last section	394	416	423	437	422	450
Total	538	560	563	578	581	550
Current estimate not required	59	37	35	20	15	43
No income statement presented	3	3	2	2	4	7
Total	600	600	600	600	600	600

Financial Position—(Customary form: 39 Companies)
- "Comparative Statement of Financial Position" (*Co. No. 570)
- "Condensed Consolidated Statement of Financial Position" (*Co. No. 209)
- "Consolidated Financial Position" (*Co. Nos. 206, 460)
- "Consolidated Statement of Financial Position" (*Co. Nos. 11, 29, 136, 252, 270, 276, 407)
- "Financial Position" (*Co. No. 473)
- "Statement of Consolidated Financial Position" (*Co. Nos. 6, 78, 113, 152, 204, 243, 414)
- "Statement of Financial Position" (*Co. Nos. 91, 172, 199, 267, 271, 341)
- "Statements of Financial Position" (*Co. No. 450)

Financial Position—(Financial position form: 63 Companies)
- "Comparative Statement of Financial Position" (*Co. No. 17)
- "Comparative Consolidated Statement of Financial Position" (*Co. No. 442)
- "Consolidated Financial Position" (*Co. Nos. 53, 130, 434)
- "Consolidated Statement of Financial Position" (*Co. Nos. 28, 39, 64, 80, 93, 122)
- "Financial Position" (*Co. Nos. 81, 253, 395, 396)
- "Statement of Consolidated Financial Position" (*Co. Nos. 317, 343, 437)
- "Statement of Financial Position" (*Co. Nos. 1, 98, 116, 153, 178, 187)

Financial Condition—(Customary form: 20 Companies)
- "Consolidated Statement of Financial Condition" (*Co. Nos. 74, 157, 242, 289, 358)
- "Consolidated Statements of Financial Condition" (*Co. No. 183)
- "Statement of Consolidated Financial Condition" (*Co. Nos. 4, 63, 97, 282)
- "Statement of Financial Condition" (*Co. Nos. 129, 145, 320, 372, 426)

*Refer to Company Appendix Section.

Financial Condition—(Financial Position form: 13 Companies)
"Consolidated Statement of Financial Condition" (*Co. Nos. 34, 75, 119, 195)
"Financial Statement" (*Co. No. 451)
"Statement of Financial Condition" (*Co. Nos. 108, 211, 310)

Assets and Liabilities—(Customary form: 4 Companies)
"Consolidated Statement of Assets and Liabilities" (*Co. No. 185)
"Statement of Consolidated Assets and Liabilities" (*Co. Nos. 105, 181)

Other Captions—(Financial position form: 2 Companies)
"Assets, Liabilities and Capital" (*Co. No. 193)
"Investment" (*Co. No. 318)

*Refer to Company Appendix Section.

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 1958 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 1958 reports, 522 of the survey companies presented the customary form of the balance sheet.

TABLE 7: BALANCE SHEET TITLE

Terminology Applied	1958	1957	1956	1955	1950	1946
Balance Sheet, used with:						
Customary form (*Co. Nos. 258, 268, 283, 394, 440, 492)	459	465	462	467	492	578
Financial position form	—	—	—	—	—	—
	459	465	462	467	492	578
Financial Position, used with:						
Customary form (*Co. Nos. 59, 73, 292, 344, 460, 473)	39	37	34	33	13	3
Financial position form (*Co. Nos. 148, 298, 329, 366, 479, 497)	63	59	60	59	52	9
	102	96	94	92	65	12
Financial Condition, used with:						
Customary form (*Co. Nos· 129, 183, 282, 367, 374, 457)	20	19	22	19	15	1
Financial position form (*Co. No. 34, 75, 119, 195, 211, 468)	13	15	16	16	19	5
	33	34	38	35	34	6
Assets and Liabilities** (*Co. Nos. 105, 181, 185)	4	3	3	3	4	2
"Assets, Liabilities, and Capital Investment"**	—	—	1	1	1	—
"Statement of Ownership"	—	—	—	—	1	—
"Investment"*** (*Co. No. 318)	1	1	1	1	2	1
"Assets, Liabilities, and Capital"*** (*Co. No. 193)	1	1	1	1	1	1
	6	5	6	6	9	4
Total	600	600	600	600	600	600

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

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), or in other variations of the financial position form of presentation as shown in Forms D, E, and F also shown in Table 8.

Changes During 1958

There were no changes in the number of companies presenting the customary form of balance sheet in the 1958 annual reports of the 600 survey companies, as will be noted in Table 8. This form predominates and has remained constant since 1953. Such changes as have occurred were limited to 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 continued 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 approximately one third, or 202 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 1958 annual reports of the survey companies:

*Refer to Company Appendix Section.

"Capital stock and surplus" (*Co. Nos. 102, 111, 227, 389, 478, 496)
"Capital stock, surplus, and reserve" (*Co. No. 340)
"Capital and surplus" (*Co. Nos. 61, 278, 353, 376)
"Capital stock and retained earnings" (*Co. Nos. 146, 170, 277, 466)

*Refer to Company Appendix Section.

TABLE 8: BALANCE SHEET FORM

Customary Form*	1958	1957	1956	1955	1950	1946
A: Assets *equal* liabilities plus stockholders' equity	517	517	517	517	523	584
B: Assets less liabilities *equal* stockholders' equity	5	5	5	5	3	—
Total	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	50	40	49	51	32	7
D: Current assets less current liabilities, plus other assets less other liabilities, *equal* long-term indebtedness plus stockholders' equity	7	13	10	8	6	—
E: Current assets less current liabilities plus other assets less other liabilities *equal* stockholders' equity (long-term indebtedness not shown)	19	23	17	17	34	9
F: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	2	2	2	2	2	—
Total	78	78	78	78	74	16
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 32, 162, 258, 394, 440, 492; B: Co. Nos. 63, 252, 341, 414; C: Co. Nos. 1, 28, 98, 321, 442, 484; D: Co. Nos. 64, 116, 178, 310, 366, 396; E: Co. Nos. 53, 81, 93, 193, 211, 395; F: Co. Nos. 108, 119.

"Capital stock and accumulated earnings" (*Co. No. 536)
"Capital stock and accumulated income retained for use in the business" (*Co. No. 288)
"Capital stock and earnings reinvested" (*Co. Nos. 307, 386)
"Capital and retained earnings" (*Co. Nos. 183, 446, 473, 474)
"Capital and accumulated earnings" (*Co. No. 106)
"Capital" (*Co. Nos. 121, 235, 294, 328, 436, 491)
"Capital structure" (*Co. No. 185)
"Ownership" (*Co. Nos. 145, 442)
"Ownership evidenced by" (*Co. Nos. 252, 329)
"Ownership interest" (*Co. No. 276)
"Ownership of net assets" (*Co. Nos. 18, 211, 451)
"Sources from which capital was obtained" (*Co. Nos. 122, 310, 396)
"Sources from which net assets were obtained" (*Co. No. 405)
"Stockholders' equity" (*Co. Nos. 78, 152, 283, 359, 465, 485)
"Stockholders' investment" (*Co. Nos. 3, 100, 105, 194, 418, 422)
"Stockholders' ownership" (*Co. Nos. 137, 242, 392)
"Stockholders' interest" (*Co. Nos. 200, 299)
"Shareholders' equity" (*Co. Nos. 46, 153, 212, 351, 459, 460)
"Shareholders' investment" (*Co. Nos. 143, 214, 321)
"Shareholders' ownership evidenced by" (*Co. No. 11)
"Shareholders' interest" (*Co. No. 468)
"Shareowners' equity" (*Co. Nos. 2, 251, 383)
"Shareowners' investment" (*Co. Nos. 157, 394)
"Represented by" (*Co. Nos. 75, 216, 343, 395)
"Provided by" (*Co. No. 487)
"Derived from" (*Co. Nos. 116, 558)
"Net worth" (*Co. No. 431)

TABLE 9: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1958	1955	1951
Capital stock and surplus	108	143	164
Capital stock and earned surplus	1	1	4
Capital stock, surplus, and reserve	1	1	—
Capital shares and surplus	—	—	2
Capital and surplus	6	8	12
Capital stock and retained earnings	12	10	10
Capital stock and accumulated earnings	1	1	2
Capital stock and accumulated (earnings, income) [retained, invested]	1	2	3
Capital stock and (earnings, retained profits) [invested, reinvested]	5	3	2
Capital and retained earnings	8	14	9
(Equity, stated) capital and retained earnings	—	2	2
Capital and (accumulated earnings, profit retained and employed)	2	—	2
Capital	53	66	72
Capitalization	—	1	1
Capital (accounts, invested, investment, structure)	4	5	7
Investment represented by	—	—	1
Net worth	1	1	10
Ownership	3	1	2
Ownership evidenced by	3	3	3
Ownership (equities, interest)	1	2	2
Ownership of net assets	3	3	—
Source from which capital was obtained	4	3	6
Sources from which net assets were obtained	1	1	6
Represented by	11	16	13
Derived from	4	3	3
Provided by	1	1	1
Stockholders' equity	181	123	85
Stockholders' investment	44	44	51
Stockholders' ownership	6	7	10
Stockholders' interest	4	2	3
Stockholders' capital	—	1	1
Shareholders' equity	74	55	19
Shareholders' investment	16	10	6
Shareholders' ownership	1	1	2
Shareholders' interest	2	3	4
Shareholders' capital	—	1	—
Derived from shareholders	—	—	1
Shareowners' equity	11	7	1
Shareowners' investment	3	6	2
Investors' equities	—	1	2
	576	552	526
No title set forth	24	48	74
Total	600	600	600

"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 elimination of the term "surplus," with 15 additional companies replacing the term. In 1958, only 245 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 108 this year, as compared with 155 companies in 1948.

*Refer to Company Appendix Section.

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 1958 annual reports of the survey companies, are illustrative of the various phrases used to describe "capital surplus."

Captions Retaining "Surplus"—(245 Companies)

Source Indicated

"Additional capital surplus resulting from issuance of common stock at amounts in excess of par: Upon acquisition of net assets of another company" (*Co. No. 1)
"Capital surplus (arising during 1957 and 1958 from sale of treasury stock under the incentive stock option plan)" (*Co. No. 23)
"Capital surplus from restatement of common shares" (*Co. No. 43)
"Surplus arising through capital transactions" (*Co. No. 56)
"Capital surplus representing excess of underlying net assets over cost of investment in subsidiary acquired in July, 1957" (*Co. No. 60)
"Appreciation surplus" (*Co. No. 66)
"Additional paid-in capital (Capital Surplus), per accompanying statement" (*Co. No. 69)
"Capital surplus arising from the exercise of employee stock options" (*Co. No. 87)
"Capital surplus (increased during year by excess of proceeds received over par value of common stock issued: $217,839 upon exercise of stock options for 21,875 shares plus $5,359,760 in connection with subscription offer to stockholders for 392,611 shares)" (*Co. No. 124)
"Capital surplus—primarily transfers from earnings retained in the business in connection with stock dividends" (*Co. No. 183)
"Surplus: Amounts transferred to capital stock of subsidiaries from earned surplus thereof" (*Co. No. 181)
"Other capital surplus arising from acquisition of subsidiaries" (*Co. No. 191)
"During the year capital surplus increased $1,095 as a consequence of the issuance of 800 shares of capital stock to employees" (*Co. No. 219)
"Paid-in surplus from conversion of convertible preferred stock" (*Co. No. 264)

*Refer to Company Appendix Section.

Source Not Indicated

"Capital surplus" (*Co. Nos. 24, 30, 58, 66, 149, 303)
"Capital (principally paid-in)" (*Co. No. 154)
"Capital (paid-in) surplus" (*Co. No. 20)
"Paid-in surplus" (*Co. Nos. 45, 132, 210, 217)
"Paid-in and capital surplus (no change during 1958)" (*Co. No. 248)
"Paid-in and other capital surplus" (*Co. No. 380)
"Capital surplus (no change during year)" (*Co. No. 48)
"Other capital surplus" (*Co. No. 413)
"Paid-in and other capital surplus (no change during year)" (*Co. No. 491)

Captions Replacing "Surplus"—(247 Companies)

Source Indicated

"Amount paid the company for capital stock in excess of par value (capital surplus) (Note 5)" (*Co. No. 11)
"Additional amounts received for shares issued in excess of $1.00 per share, and discounts on repurchase of preferred stock" (*Co. No. 17)
"Excess of net proceeds from capital stocks issued over par values" (*Co. No. 52)
"Other capital (transferred from accumulated earnings in connection with stock dividends)" (*Co. No. 127)
"Shareholders' investment in excess of par value (paid-in surplus) Note 2" (*Co. No. 165)
"Capital in excess of par value (Note 4-C)" (*Co. No. 188)
"Excess of subscription price over par value of company's capital stock issued under employee stock purchase plan" (*Co. No. 274)
"Additional paid-in capital" (Note 3) (*Co. No. 315)
"Additional capital (in excess of par value of common shares) (Note G)" (*Co. No. 531)
"Additional stated capital in respect of common stock" (*Co. No. 281)
"Other capital (Excess over par value of stock issued) Note F" (*Co. No. 136)
"Other capital—principally excess of net assets of subsidiaries at dates of acquisition over cost of investments" (*Co. No. 329)
"Other contributed capital (Note 7)" (*Co. No. 19)
"Other capital contributed upon issuance of shares" (*Co. No. 447)
"Other capital in excess of par value of shares" (*Co. No. 25)
"Paid-in capital in excess of par value" (*Co. No. 28)
"Capital in excess of par value" (*Co. Nos. 34, 76, 105, 170, 193, 212)
"Capital in excess of par value of common stock (Note 3)" (*Co. No. 50)
"Capital in excess of par value of shares" (*Co. No. 91)
"Capital in excess of stated amount" (*Co. No. 106)
"Capital in excess of par value of capital stock" (*Co. No. 152)

"Capital in excess of par value, the increase represents excess of proceeds over both carrying value of treasury common shares and par value of previously unissued common shares sold (Note 4)" (*Co. No. 280)

"Capital in excess of par value of common stock issued, less financing expenses" (*Co. No. 360)

"Earnings capitalized—stock dividend (Note 4)" (*Co. No. 503)

"Investment in excess of par value of common stock (Note 4)" (*Co. No. 72)

*Refer to Company Appendix Section.

"Excess of stockholders' investment over par value of common stock" (*Co. No. 242)

"Shareholders' investment in excess of par value (paid-in surplus), no change during year" (*Co. No. 375)

"Capitalized stock dividend (prior year)" (*Co. No. 62)

"Conversions, retirements, merger, premiums on stock issues and earnings capitalized for stock dividends" (*Co. No. 213)

"Additional retained earnings transferred to capital" (*Co. No. 211)

TABLE 10: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1958	1957	1955	1950	1948
Including term "surplus"—					
Capital surplus (Note A)	189	188	198	224	257
Paid-in surplus	40	46	52	72	92
Capital surplus—paid-in	8	9	9	4	4
Surplus (classified) (Note B)	4	2	2	4	5
Surplus (unclassified) (Note C)	4	6	10	15	17
Surplus reinvested (unclassified)	—	—	1	—	—
Total retaining term "surplus"	245	251	272	319	375
Total replacing term "surplus"**	247	232	201	126	70
Total presenting accounts	492	483	473	445	445
Not presenting accounts	108	117	127	155	155
Total	600	600	600	600	600
Percentage of Companies					
Retaining term "surplus"	50	52	58	71	84
Replacing term "surplus"	50	48	42	29	16
	100%	100%	100%	100%	100%

Note A: Includes eight instances where "Capital surplus" and "Paid-in surplus" appeared with separate dollar amounts designated for each (*Co. Nos. 162, 191, 221, 230, 377, 413, 450, 542).
Note B: Includes the usage of "Initial Surplus" (*Co. No. 16) each year.
Note C: *Co. Nos. 142, 320, 338, 438.
*Refer to Company Appendix Section.

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

	1958	1957	1955
Additional paid-in capital	67	61	48
Capital paid-in or Paid-in capital	5	4	5
Other paid-in capital	7	6	5
Additional capital	13	12	7
Other capital	14	13	14
Other contributed capital	3	2	1
Capital contributed by owners	—	—	1
Sundry capital credits	1	1	1
Capital in excess of par or stated values	79	73	65
Amount in excess of par value	5	5	2
Investment in excess of (par, stated) value	8	7	6
Capital (contributed, received) in excess of (par, stated, par or stated) values	14	13	11
Capital paid-in in excess of par value	13	10	11
Amount (paid-in, paid-in or assigned, realized, received) in excess of (par, stated, par or stated values)	11	13	8
Excess of (amounts received, amounts contributed, amounts paid-in, capital paid-in, net proceeds) over (par, stated) values	—	1	1
(Paid-in, premium received) in excess of par value	—	—	1
Capital arising from (conversion, retirement, stock dividends)	2	2	—
(Paid-in) capital arising from reduction in par value shares	—	—	1
Capital arising from revision of capital stock structure in prior years	—	—	1
Conversion, retirements, premium on stock issued, and merger	—	—	1
Earnings (segregated, transferred, allocated, capitalized)	2	3	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	3†	2	2
Increase in value . . . . resulting from revaluation . . .	1	1	—
Earnings of subsidiary at acquisition	—	1	1
Retained earnings transferred to capital	—	1	1
Common shareholders' equity	—	—	1
Excess of value assigned to properties acquired over par value of capital stock issued therefor	—	—	1
Common stockholders: capital	—	—	1
Total	249	232	201

†Two companies, Nos. 303 and 389, report capital surplus in addition to "Excess of (net assets, equity in net assets) of subsidiary."

"Earnings capitalized and other additions to capital (Note 6)" (*Co. No. 319)
"Excess of proceeds received from the sale of treasury shares over the cost thereof" (*Co. No. 333)
"Increase in the value of timber and timberlands resulting from March 1, 1913 revaluation ($694,897 realized and transferred to earned surplus in 1958)" (*Co. No. 590)

Source Not Indicated

"Additional capital" (*Co. Nos. 327, 481)
"Additional contributed capital" (*Co. No. 466)
"Additional paid-in capital" (*Co. No. 370)
"Additional paid-in capital (no change during the year)" (*Co. No. 337)
"Other capital" (*Co. No. 448)
"Other paid-in capital" (*Co. No. 13)
"Paid-in capital" (*Co. Nos. 59, 344, 403)
"Sundry capital credits (no change during year)" (*Co. No. 26)

TABLE 11: SOURCE OF CAPITAL SURPLUS

Source Set Forth in Caption	1958	1957	1955
Excess (received, paid-in, contributed) over par value	108	101	100
Excess (received) over par or stated value	14	15	11
Excess received over stated value (stated amounts, value shown)	8	7	10
Earnings capitalized	2	4	7
Revision in capital structure	—	2	3
Retirement of capital stock	—	1	2
Conversion of preferred stock	2	1	3
Sale of treasury stock	1	2	4
Revaluation of capital assets	1	1	1
Subsidiary acquisition or merger	3	4	7
Common shareholders' (stockholders') equity	—	—	2
Total	139	138	150
Number of Companies			
Referring to source of capital surplus	139	138	150
Not referring to source of capital surplus	353	345	323
Not referring to capital or unclassified surplus	108	117	127
Total	600	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 1958 there were only 201 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 399 survey companies which by 1958 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 1958 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):

Earnings—(344 Companies):
"Accumulated earnings" (*Co. Nos. 335, 407, 436, 448, 492)
"Accumulated earnings retained for use in the business" (*Co. Nos. 425, 442, 481)
"Accumulated earnings retained in the business" (*Co. Nos. 127, 357, 365)
"Accumulated earnings employed in the business" (*Co. Nos. 231, 418)
"Accumulated earnings reinvested in the business" (*Co. Nos. 76, 106)
"Accumulated earnings used in the business" (*Co. Nos. 134, 226)
"Accumulated retained earnings" (*Co. Nos. 220, 451)
"Accumulated earnings retained (Earned surplus)" (*Co. No. 69)
"Accumulated earnings retained for reinvestment in the business" (*Co. No. 129)
"Accumulated earnings in use in the business" (*Co. No. 366)
"Earnings employed in the business" (*Co. Nos. 3, 13, 32, 49, 64)
"Earnings invested in the business" (*Co. Nos. 91, 434, 447, 461, 510)
"Earnings reinvested" (*Co. Nos. 193, 197, 318)
"Earnings reinvested in the business" (*Co. Nos. 14, 29, 59, 136, 205)
"Earnings retained" (*Co. No. 139)

*Refer to Company Appendix Section.

"Earnings retained and used in the business" (*Co. No. 97)
"Earnings retained for use in the business" (*Co. Nos. 204, 213, 271, 396, 412)
"Earnings retained in the business" (*Co. Nos. 239, 316, 329, 346, 378)
"Earnings used in the business" (*Co. No. 570)

*Refer to Company Appendix Section.

"Invested earnings—used for plant additions and working capital" (*Co. Nos. 4, 60, 72, 398, 460)
"Reinvested earnings" (*Co. No. 252)
"Retained earnings" (*Co. Nos. 53, 75, 105, 156, 167)

Income—(49 Companies):
"Accumulated income retained for use in the business" (*Co. No. 288)
"Accumulated income used in the business" (*Co. No. 489)

TABLE 12: TERMS REPLACING "EARNED SURPLUS"

Earned Surplus Replaced:	1958	1957	1955	1950	1948
With "source" words—					
Earnings	344	327	301	204	69
Income	49	44	43	35	21
Profit	6	6	6	8	8
Deficit	—	1	1	1	1
Total	399	378	351	248	99
Combined with "status" words—					
Retained	295	279	250	154	60
Accumulated	33	30	37	37	5
Reinvested	33	31	26	24	14
Employed	22	22	20	17	9
Invested	12	12	11	10	6
Undistributed	—	—	2	2	2
Undivided	1	1	1	2	2
Used	1	1	2	2	1
Operations	2	2	2	—	—
	399	378	351	248	99
Earned Surplus Retained As:					
Earned Surplus	185	205	212		
Earned Surplus *combined with—*					
Earnings retained	5	7	10		
Earnings reinvested	—	—	3		
Earnings employed	—	—	1		
Earnings accumulated	1	1	1	335	481
Income retained	2	2	5		
Income reinvested	—	—	1		
Accumulated	1	1	1		
Appropriated for contingent liability	1	—	—		
Deficit	2	—	2		
Surplus*	3	5	11	17	20
Surplus reinvested*	1	1	1	—	—
Deficit	—	—	1	—	—
	201	222	249	352	501
Total	600	600	600	600	600
Number of Companies					
Replacing "earned surplus"	399	378	351	248	99
Retaining "earned surplus"	201	222	249	352	501
Total	600	600	600	600	600

*Surplus not classified.

"Accumulated net income retained for use in the business" (*Co. No. 379)
"Income employed in the business" (*Co. Nos. 282, 596)
"Income invested in the business" (*Co. Nos. 119, 232, 487, 569)
"Income reinvested in business" (*Co. Nos. 145, 355, 599)
"Income reinvested or employed in the business" (*Co. No. 586)
"Income retained and invested in the business" (*Co. Nos. 388, 469)
"Income retained for use in the business" (*Co. Nos. 43, 48, 308, 333, 404)
"Income retained and employed in the business" (*Co. No. 468)
"Income retained in the business" (*Co. Nos. 11, 63, 80, 107, 138)
"Net income employed in the business" (*Co. No. 520)
"Net income invested in the business" (*Co. No. 289)
"Net income retained for use in the business" (*Co. Nos. 70, 310, 381)
"Net income retained in the business" (*Co. No. 484)
"Retained income" (*Co. No. 343)

Profit—(6 Companies):
"Profit employed in the business" (*Co. No. 130)
"Profits reinvested in the business" (*Co. No. 189)
"Profits retained in the business" (*Co. No. 514)
"Reinvestment of profit" (*Co. No. 148)
"Retained profits reinvested" (*Co. No. 545)
"Undivided profits" (*Co. No. 185)

Earned Surplus—(195 Companies):
"Earned surplus" (*Co. Nos. 12, 22, 86, 87, 93, 128, 132, 151, 154, 178, 208, 215, 230, 245, 265, 266, 348, 361, 364)
"Earned surplus (earnings retained in business)" (*Co. No. 518)
"Earned surplus (earnings retained for use in the business)" (*Co. No. 104)
"Earned surplus (accumulated earnings employed in the business)" (*Co. No. 546)
"Earned surplus—representing earnings retained for use in the business" (*Co. No. 565)
"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. No. 165)
"Net income retained for use in the business (earned surplus)" (*Co. No. 254)

Deficit—(2 Companies):
"Deficit" (*Co. Nos. 19, 491)

Surplus—Unclassified—(4 Companies):
"Surplus" (*Co. Nos. 142, 320, 338, 438)

*Refer to Company Appendix Section.

TABLE 13: RETAINED EARNINGS TERMINOLOGY IN 1958

"Status" Words:	"Source" Words: Earnings	Income	Profit	Total
Retained	111	2	—	113
Retained in the business	70	16	1	87
Retained—Invested	1	—	—	1
Retained—Used	73	12	—	85
Retained—Employed	6	1	—	7
Retained—Reinvested	—	—	1	1
Retained—Unappropriated	1	—	—	1
Retained—Not restricted	1	—	—	1
Accumulated	6	—	—	6
Accumulated—Retained	3	—	—	3
Accumulated—Retained—Used	7	3	—	10
Accumulated—Used	3	1	—	4
Accumulated—Employed	3	—	—	3
Accumulated—Reinvested	7	—	—	7
Reinvested	10	—	1	11
Reinvested in the business	14	4	1	19
Reinvested—Employed in the business	1	2	—	3
Employed in the business	18	3	1	22
Invested in the business	7	4	—	11
Invested—additions and working capital	1	—	—	1
Used in the business	1	—	—	1
Operations	—	1	—	1
Undivided	—	—	1	1
	344	49	6	399
"Surplus" Words:				
Earned Surplus	—	—	—	185
Earned Surplus used with:				
Retained	2	1	—	3
Retained in the business	1	—	—	1
Retained—used in the business	2	1	—	3
Accumulated	2	—	—	2
Appropriated for contingent liability	—	—	1	1
Deficit	1	—	1	2
Surplus: Unclassified	—	—	4	4
				201
Total				600

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 14 summarizes the types of data found in stockholders' equity statements for the years 1958, 1957, and 1955 compared with similar tabulations for the years 1950 and 1946.

It will be noted that comparatively few companies among those covered by this survey presented separate statements of stockholders' equity. Most companies made such disclosures as they considered adequate in the stockholders' equity section of the balance sheet and the notes relative thereto.

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 21 survey companies presented stockholders' equity statements in 1958.

Examples

The exact title of each of the 21 stockholders' equity statements presented in the 1958 annual reports is provided below:

"Common Shareholders' Investment and Changes Therein" (*Co. No. 231)
"Comparative Consolidated Statement of Stockholders' Equity" (*Co. No. 88)
"Comparative Statement of Common Stockholders' Equity" (*Co. No. 17)
"Consolidated Statement of Changes in Common Stockholders' Equity" (*Co. No. 270)
"Consolidated Statement of Ownership Interest" (*Co. No. 276)
"Consolidated Statement of Shareholders' Equity" (*Co. Nos. 510, 519)
"Consolidated Statement of Shareholders' Investment" (*Co. No. 544)
"Consolidated Statement of Stockholders' Ownership" (*Co. No. 517)
"Ownership" (*Co. No. 130)
"Shareholders' Consolidated Equity" (*Co. No. 505)
"Shareholders' Investment" (*Co. No. 487)
"Shareowners' Equity" (*Co. No. 553)
"Statement of Changes in Shareholders' Equity" (*Co. No. 224)
"Statement of Shareholders' Equity" (*Co. Nos. 63, 413)
"Statement of Stockholders' Equity" (*Co. Nos. 301, 504)
"Statement of Stockholders' Interest" (*Co. No. 520)
"Statement of Stockholders' Investment" (*Co. Nos. 100, 298)

*Refer to Company Appendix Section.

COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements

The committee on accounting procedure of the American Institute of Certified Public Accountants, in *Restatement and Revision of Accounting Research Bulletins* (Chapter 2 Section A) states among other things that:

> The presentation of comparative financial statements in annual and other reports enhances the usefulness of such reports and brings out more clearly the nature and trends of current changes affecting the

TABLE 14: STOCKHOLDERS' EQUITY STATEMENTS

Including details of:	1958	1957	1955	1950	1946
Capital stock, capital surplus, and retained earnings	19	19	16	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	2	—	1	1	1
Capital stock, retained earnings, income, and (only in 1946) capital surplus	—	—	1	1	1
Capital stock and unclassified surplus	—	—	—	—	2
	21	19	19	19	11
Statement not presented	579	581	581	581	589
Total	600	600	600	600	600

TABLE 15: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1958	1957	1955	1950	1946
Stockholders' equity	5	5	4	6	—
Stockholders' interest	1	1	1	1	1
Stockholders' ownership	—	1	1	—	—
Stockholders' capital	—	1	1	2	—
Stockholders' investment	2	1	—	—	—
Shareholders' equity	6	6	4	1	1
Shareholders' capital	—	—	—	1	—
Shareholders' investment	3	2	3	1	—
Shareholders' ownership	1	—	—	1	—
Shareowners' equity	1	1	1	—	—
Shareowners' investment	—	—	—	1	—
Capital	—	—	2	2	2
Capital stock and surplus	—	—	—	2	5
Ownership interest (net worth)	1	1	1	—	—
Ownership equities	1	—	1	1	1
Net worth	—	—	—	—	1
	21	19	19	19	11
Statement not presented	579	581	581	581	589
Total	600	600	600	600	600

> enterprise. Such presentation emphasizes the fact that statements for a series of periods are far more significant than those for a single period and that the accounts for one period are but an instalment of what is essentially a continuous history.
>
> In any one year it is ordinarily desirable that the balance sheet, the income statement, and the surplus statement be given for one or more preceding years as well as for the current year. . . .

Comparative customary statements in their 1958 annual reports were provided by 503 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 42 of the 600 survey companies included cents in their statements presented in the 1958 annual reports. This is a decrease of 7 companies from 1957, when 49 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 1958 the ratio increased to 93 per cent of the total.

Hundreds Omitted—Dollars in thousands

Of the 600 companies covered in this survey for 1958, nine presented their customary statements with figures rounded off to the nearest thousand dollars (*Co. Nos. 1, 53, 114, 178, 179, 195, 321, 400, 439). One (*Co. No. 167) presented thousands of dollars (000 omitted). This fact is recorded here as the possible start of a trend which may become more significant in future editions.

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 1958 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'

*Refer to Company Appendix Section.

TABLE 16: COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements	1958	1957	1955	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statement	198	181	154	97	51
Balance Sheet, Income, and Retained Earnings Statements	114	116	114	96	53
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	80	88	70	53	43
Balance Sheet and Income Statement	72	70	81	73	53
Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings	1	1	2	2	—
Balance Sheet in Combination with Various Other Statements	1	2	5	4	—
Balance Sheet, Income, and Stockholders' Equity Statements	9	7	10	8	1
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	17	18	13	13	4
Balance Sheet, Income, and Unclassified Surplus Statements	1	2	4	6	4
Balance Sheet	3	3	4	4	7
Income Statement in Combination with Various Other Statements	1	2	4	8	12
Combined Income & Retained Earnings Statement	2	3	2	6	4
Income Statement	4	7	5	13	24
Total	503	500	468	383	256
Number of Companies Presenting					
All statements in comparative form	426	417	379	290	164
Some statements in comparative form	77	83	89	93	92
No statements in comparative form	97	100	132	217	344
Total	600	600	600	600	600

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 1958 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 1958 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 1958, 1957, 1955, and 1950. There were 92 companies that included 135 such additional statements, examples of which are described below.

Reporting Company Statements

Seventy-seven "additional statements" applicable to the reporting company were presented by 61 of the 600 survey companies in their 1958 annual reports. *Electrolux Corporation* presented the customary statements and, in addition, a "Statement of Financial Position" in comparative form for the years 1949 to 1958, inclusive. *Vanadium-Alloys Steel Company* included with the customary statements a "Simplified Operating Report" for the current year. *Hudson Pulp & Paper Corp.* in addition to the customary financial statements, included in their report a "Statement of Stockholders' Equity." *Bell & Gossett* presented a "Summary of Sources and Uses of Funds" in comparative form for the years 1958 and 1957, and in addition a "Condensed Statement of Earnings and Financial Position for Ten Years" in comparative form for the years 1949 to 1958, inclusive. *Bell & Howell Company* included a "Statement of Changes in Working Capital" for the current year. *The Gillette Company* presented the customary statements and, in addition, a statement of "Earnings Retained in Foreign Businesses of Subsidiary Companies" for the current year.

TABLE 17: ADDITIONAL STATEMENTS COVERED BY AUDITORS' REPORTS

Statements Applicable To:	1958	1957	1955	1950
*A: Reporting Company**				
Statement of working capital, source and application of funds	25	26	21	13
Capital surplus statement	12	15	2	—
Balance sheet	8	4	9	7
Income statement	7	5	9	4
Stockholders' equity statement	7	—	1	1
Financial operating data	4	2	11	6
Pro forma statement	3	2	—	—
Employee bonus—retirement or welfare funds	3	3	4	8
Geographical statement	5	5	6	4
Branch store—investment	—	—	—	2
Long-term indebtedness	1	4	1	—
Retained earnings statement	1	—	1	—
Combined income & retained earnings	1	1	—	1
Special letter from accountant (not customary certificate)	—	—	1	—
Financial highlights	—	—	1	—
Reserve for contingencies	—	1	1	—
*B: Parent Company**				
Balance sheet	1	3	2	4
Income statement	1	3	2	3
Retained earnings statement	1	1	1	1
Capital surplus statement	1	1	1	1
Stockholders' equity statement	—	3	1	1
*C: Domestic Subsidiary**				
Balance sheet	21	19	12	13
Combined income and retained earnings	7	7	5	4
Income statement	3	1	2	6
Retained earnings	—	—	—	3
Financial data	1	1	—	—
Shareholders' investment	—	—	1	—
*D: Foreign Subsidiary**				
Balance sheet	8	9	9	10
Assets and liabilities	5	2	1	2
Combined income and retained earnings	3	5	4	3
Income statement	2	2	4	6
Retained earnings statement	—	1	—	1
Financial data	2	1	1	3
Minority interests	1	1	—	1
Long-term indebtedness	1	1	1	1
Net assets	—	2	—	—
E: Affiliated Company				
Balance sheet	—	—	—	1
Income statement	—	—	—	—
Total	135	131	115	110

Year	Number of Companies Presenting Additional Statements: Type A	Type B	Type C	Type D	Type E	Number of Companies With: Additional statements	No additional statements	Total
1958:	61	1	21	15	—	92	508	600
1957:	52	4	17	15	—	84	516	600
1955:	51	2	11	13	—	71	529	600
1950:	38	3	13	14	1	64	536	600

Year	Comparative Presentation of Additional Statements: 2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.	6-7 Yrs.	8-9 Yrs.	10-11 Yrs.	Total	Not comparative	Grand Total
1958:	71	—	5	1	2	1	5	85	50	135
1957:	59	1	5	—	—	1	6	72	59	131
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. 29, 79, 87, 110, 130, 178, 216, 241, 253, 301, 318, 350, 431, 467, 479, 553, 569, 591; B: Co. No. 144; C: Co. Nos. 45, 314, 319, 515, 593; D: Co. Nos. 3, 254, 268, 458, 509, 584.

They also included a "Statement of Geographical Distribution of Consolidated Net Assets." *Loew's Incorporated,* in addition to the customary statements, included a "Pro-Forma Statement of Shareholders' Equity" and a "Geographical Grouping of Income and Assets."

Parent Company Statements

One survey company in 1958, *Cities Service Company,* presented four statements with regard to the accounts of the parent company, in addition to the customary consolidated statements. The statements included were a "Balance Sheet," "Statements of Income Earnings Retained and Capital Surplus."

Domestic Subsidiary Statements

The 1958 survey reports contained thirty-two additional statements applicable to domestic subsidiaries, presented by twenty-one companies. *ACF Industries* included customary financial statements of their wholly-owned unconsolidated subsidiary *S.H.P.X. First Corporation. The May Department Stores Company* and *Associated Dry Goods Corporation* included additional statements of their wholly-owned unconsolidated real estate subsidiaries. *The General Tire & Rubber Company* included a "Summary of Consolidated Balance Sheet" and a "Summary of Statement of Consolidated Income and Earned Surplus" for its wholly-owned unconsolidated subsidiary RKO Teleradio Pictures Inc. *The Curtis Publishing Company,* in addition to the customary financial statements, included in its report the financial statements on a two-year comparative basis of the New York & Pennsylvania Co., Inc., a wholly-owned consolidated subsidiary.

Foreign Subsidiary Statements

Twenty-two additional statements applicable to foreign subsidiaries were presented by fifteen survey companies in their 1958 reports. *Burroughs Corporation* presented a "Condensed Statement of Net Assets" for consolidated subsidiary companies operating outside the U.S. and Canada. *Standard Brands Incorporated* included a "Combined Balance Sheet" and a "Combined Income and Retained Earnings" statement for unconsolidated subsidiaries operating outside the United States and Canada (International Division Subsidiaries). *Sperry Rand Corporation* presented a "Summary of Amounts Included in Consolidations with Respect to Foreign Subsidiaries and Branches" for the current year. The *Goodyear Tire & Rubber Company* included a statement of "Funded Debt of Foreign Subsidiary Companies" and a statement of "Minority Shareholders' Equity in Foreign Subsidiary Companies."

Exhibits—Customary Statements Covered by Auditors' Reports

Examples of various customary statements covered by the auditors' reports have been selected from the 1958 annual reports and reproduced as exhibits. (For page numbers refer to Index to Exhibits following the Index to Tables.)

1. *Consolidated Balance Sheet; Statement of Consolidated Earnings; Statement of Consolidated Retained Earnings; Notes to Financial Statements* (Liggett & Myers Tobacco Company). These statements complete with notes, are examples of the conventional form.
2. *Consolidated Balance Sheets; Statements of Earnings; Statements of Stockholders' Equity; Notes to Financial Statements* (Snap-On Tools Corporation). These statements show in three separate columns the accounts of Company, Subsidiaries, and Consolidated together with the consolidated figures of previous year for comparison, complete with notes to financial statements.
3. *Consolidated Statement of Financial Position; Notes to Financial Statements* (Armour and Company). This statement is presented in the financial position form on a comparative basis. The notes to financial statements are also provided.
4. *Statement of Income* (Baldwin-Lima-Hamilton Corporation). This statement is an example of the single-step form with comparative figures for 1958 and 1957.
5. *Comparative Statement of Earnings* (Western Auto Supply Company). This statement is an example of the multiple-step form.
6. *Consolidated Income and Earnings Retained* (Bausch & Lomb Optical Company). This is an example of the combined Income and Retained Earnings statement in comparative form.
7. *Statement of Retained Earnings* (The Mead Corporation). Retained Earnings statement in comparative 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 219 survey companies that presented 396 supplementary financial schedules in their 1958 annual reports. The schedules most frequently given were concerned with long-term indebtedness, the classification and depreciation of fixed assets, and the composition of inventories, examples of which are described below:

Acme Steel Company presented with its statements schedules of "Inventories" and "Land, Buildings and Equipment."

Allegheny Ludlum Steel Corporation presented schedules of "Notes Payable" and "Capital Surplus" changes.

Allied Chemical Corporation included supplementary schedules of "Marketable Securities," "Inventories," and "Property."

Bausch & Lomb Optical Company presented a schedule of "Notes and Mortgages Payable."

Federated Department Stores, Inc. included additional schedules of "Accounts Receivable," "Property and Equipment," and "Long-Term Debt."

International Paper Company presented schedules of "Inventories," "Plants and Properties," "Woodlands," "Investments," and "Capital Stocks."

TABLE 18: SUPPLEMENTARY SCHEDULES COVERED BY AUDITORS' REPORTS

Nature of Schedule*	1958	1957	1955	1950
A: Long-term indebtedness	88	78	66	30
B: Fixed assets, depreciation	88	76	72	61
C: Inventory composition	72	68	62	47
D: Capital stock	25	24	28	21
E: Various balance sheet items	22	25	12	31
F: Various income and operating items	19	15	10	5
G: Accounts, notes receivable	17	14	15	17
H: Investments—securities, subsidiaries, affiliates	14	6	9	5
I: Investments—subsidiaries	11	18	14	21
J: Special funds, reserves, appropriations	11	9	10	17
K: Foreign investments	10	12	22	24
L: Taxes	9	5	5	4
M: Sales, earnings	6	3	2	5
N: Investments—securities	2	4	4	10
O: Capital	1	8	5	8
P: Minority stockholders' interest in subsidiary	1	1	2	—
Q: Dividends	—	1	3	3
R: Employment costs	—	1	—	2
S: Summary of consolidated foreign subsidiaries' assets	—	1	—	—
Total	396	369	341	311
Number of Companies Presenting				
Supplementary schedules	173	164	148	118
Supplementary schedules and additional statements	46	36	31	25
Additional statements	46	48	40	39
	265	248	219	182
No additional presentations	335	352	381	418
Total	600	600	600	600

Comparative Presentation of Schedules:

Year	2 Yrs.	3-9 Yrs.	10 and over Yrs.	Total	Not Comparative	Grand Total
1958:	258	1	12	271	125	396
1957:	239	7	9	255	114	369
1955:	204	8	7	219	122	341
1950:	194	2	5	201	110	311

*Refer to Company Appendix Section—A: Co. Nos. 43, 140, 162, 222, 342, 410, 542; B: Co. Nos. 19, 75, 108, 360, 494, 568; C: Co. Nos. 65, 116, 367, 398, 451, 497; D: Co. Nos. 15, 84, 121, 228, 359, 532; E: Co. Nos. 5, 129, 237, 369, 402, 445; F: Co. Nos. 15, 123, 216, 318, 426, 553; G: Co. Nos. 12, 122, 231, 396, 492, 538; H: Co. Nos. 63, 121, 240, 331, 438, 563; I: Co. Nos. 88, 192, 317, 423, 437, 545; J: Co. Nos. 40, 63, 318, 460, 469, 541; K: Co. Nos. 110, 175, 346, 510, 550, 597; L: Co. Nos. 33, 70, 169, 494, 516, 519; M: Co. Nos. 265, 312, 351; N: Co. Nos. 14, 252; O: Co. No. 116; P: Co. No. 144.

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 1958 annual reports and reproduced as illustrations of such statements and schedules. (For page numbers see Index to Exhibits following the Index to Tables.)

1. *Comparative Statement of Net Assets of Foreign Subsidiaries* (Wilson & Co., Inc.). This statement provides a geographical distribution of total assets and total liabilities with respect to unconsolidated foreign subsidiaries. The relative *Statement of Income and Undistributed Earnings* together with notes is also provided.
2. *Balance Sheet* (Holland Furnace Company). The balance sheet is of the wholly-owned unconsolidated finance subsidiary (Heating Acceptance Corp.) presented in comparative form.
3. *Balance Sheet* (The May Department Stores Company). The balance sheet is of the unconsolidated wholly-owned real estate subsidiary (The May Stores Realty Company) for the current year.
4. *Statement of Net Assets as of July 31, 1958 and Increase therein for the year then ended* (R. H. Macy & Co., Inc.). A statement of the retirement system for employees.

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORTS

In the annual reports for 1958, there were 1156 statements, summaries, and highlights, not covered by auditors' reports, presented by 518 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 1958, 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 30 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.

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

Type of Presentation*	1958	1957	1955	1950
A: Summary—Financial and operating data	337	324	243	140
Summary—Balance sheet data	8	11	63	29
Summary—Operating data	63	72	102	76
B: Highlights	308	290	320	200
Year in review—results in brief	84	90	35	30
Operations at a glance	20	28	14	13
C: Statement of working capital; changes in working capital and source and application of funds	160	138	103	103
D: Condensed balance sheet	62	60	71	61
Condensed income statement	60	64	69	65
Various other condensed statements	10	8	16	6
E: Simplified balance sheet	9	6	14	26
Simplified income statement	16	9	21	40
F: Employee bonus or retirement funds	8	8	5	2
G: Subsidiary balance sheet	5	7	11	6
Subsidiary income statement	3	3	3	3
H: Cash receipts and disbursements	3	2	2	6
I: Detailed balance sheet	—	3	5	6
Detailed income statement	—	5	3	6
Various other detailed statements	—	5	—	4
Total	1156	1133	1100	822

Year	Total Companies Represented in Statement: Types A-B	Type C	Type D	Type E	Type F	Type G	Type H	Type I	Number of Companies With: Statements, summaries, highlights	No statements, summaries, highlights	Total Companies
1958:	155	8	80	—	20	7	369	407	518	82	600
1957:	130	8	82	9	10	7	377	398	513	87	600
1955:	105	5	82	6	26	12	213	366	495	105	600
1950:	101	2	82	10	51	6	205	249	404	196	600

Year	Comparative Presentation of Statements, Summaries, Highlights: 2 Yrs.	3-4 Yrs.	5 Yrs.	6-9 Yrs.	10 Yrs.	11-15 Yrs.	16-20 Yrs.	21-30 Yrs.	30+ Yrs.	Total	Not Comparative	Grand Total
1958:	433	41	106	33	299	36	19	15	10	992	164	1156
1957:	419	62	112	32	281	39	22	15	9	991	142	1133
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. 15, 49, 56, 116, 157, 171, 205, 221, 279, 328, 361, 399, 423, 466, 477, 508, 593; B: Co. Nos. 47, 52, 92, 112, 149, 153, 217, 233, 264, 307, 329, 386, 413, 434, 474, 555, 579, 594; C: Co. Nos. 28, 40, 89, 100, 165, 196, 224, 261, 264, 310, 341, 362, 409, 450, 476, 517, 548, 588; D: Co. Nos. 1, 44, 69, 105, 120, 132, 210, 235, 326, 348, 437, 481, 501, 560; E: Co. Nos. 36, 137, 232, 260, 318, 467, 523, 578; F: Co. Nos. 75, 112, 207, 369, 419, 497; G: Co. Nos. 88, 254, 381, 399.

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

Listed below are illustrative examples of statements, summaries, and highlights not covered by auditors' reports which have been taken from 1958 annual reports. (For page numbers refer to Index to Exhibits following the Index to Tables.)

1. *Highlights* (Ampco Metal, Inc.) showing dollars per share for employee, etc., in addition to total amount.
2. *Financial Highlights* (ACF Industries, Incorporated) presented in comparative form.
3. *1958 Operations* (Liggett & Myers Tobacco Company, Inc.) a summary of the highlights of the year.
4. *Source and Use of Funds* (Ex-Cell-O Corporation).
5. *Simplified Statements* (Chain Belt Company).
6. *Employees' Retirement Income Trust* (McCormick & Company, Incorporated).
7. *Distribution of Sales Dollar* (Erie Forge & Steel Corporation).

For additional references to various types of statements, summaries, and highlights, not covered by auditors' reports, presented by the 600 survey companies in 1958, refer to the companies noted in Table 19.

SUPPLEMENTARY SCHEDULES

Supplementary financial charts and summaries, not covered by 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. 35, 283, 291, 302, 487, 569).
Distribution of income dollar (*Co. Nos. 10, 14, 302, 492, 535, 555).
Distribution of sales or income dollar (charts) (*Co. Nos. 20, 166, 224, 378, 433, 527).
Earnings and dividends (*Co. Nos. 60, 172, 183, 258, 417, 486).
Taxes (*Co. Nos. 65, 249).
Fixed assets and/or depreciation (*Co. Nos. 58, 262, 559, 599).
Effect of price level changes (*Co. No. 444).
Employment costs (*Co. Nos. 172, 307, 591).

Liggett & Myers Tobacco Company

1958 Operations

A SUMMARY OF THE HIGHLIGHTS OF THE YEAR 1958

	1958	1957
Net sales	$556,045,710	$570,384,860
Earnings before taxes	67,912,008	61,894,607
Income and franchise taxes	36,689,000	33,621,000
Earnings before preferred dividends	31,223,008	28,273,607
Net earnings after preferred dividends	29,761,821	26,812,420
Percentage of net sales	5.35%	4.70%
Net earnings per share of common stock	$7.60	$6.85
Dividends per share of common stock	$5.00	$5.00
Current assets	$369,974,311	416,457,954
Current liabilities	36,920,586	89,040,853
Ratio	10.0 to 1	4.7 to 1
Funded debt	90,000,000	95,750,000
Capital stock	118,820,150	118,693,125
Additional paid-in capital	19,632,691	19,417,405
Retained earnings	143,729,281	133,538,415
Approximate number of stockholders	46,800	46,600

LIGGETT & MYERS TOBACCO COMPANY

Consolidated Balance Sheet

ASSETS	1958	1957
CURRENT ASSETS:		
Cash	$ 4,458,642	$ 11,308,688
Accounts receivable, customers	23,095,451	23,089,890
Accounts receivable, others	1,102,223	1,030,079
Leaf tobacco, at average cost	306,965,046	346,471,691
Manufactured stock and operating supplies, at average cost	34,352,949	34,557,606
TOTAL CURRENT ASSETS	369,974,311	416,457,954
PROPERTY, PLANT AND EQUIPMENT—AT COST:		
Land and buildings	19,658,449	19,421,927
Machinery and equipment	55,461,969	53,355,351
Total	75,120,418	72,777,278
Less accumulated depreciation	39,538,898	36,562,302
NET PROPERTY, PLANT AND EQUIPMENT	35,581,520	36,214,976
OTHER ASSETS:		
Brands, trade-marks and good will	1	1
Investments in unconsolidated subsidiary companies, at cost	863,004	829,004
Investment in foreign tobacco company, at cost	4,000	4,000
Foreign currency deposits subject to withdrawal restrictions	1,040,643	954,265
Prepaid expenses and deferred charges	1,639,229	1,979,598
TOTAL OTHER ASSETS	3,546,877	3,766,868
TOTAL	$409,102,708	$456,439,798

as of December 31

LIABILITIES	1958	1957
CURRENT LIABILITIES:		
Notes payable to banks	$ 3,000,000	$ 53,310,000
Accounts payable	4,575,553	3,808,567
Dividend payable on preferred stock	365,297	365,297
Accrued interest on debentures	759,867	814,844
Funded debt payable within one year (less, for 1958, $1,294,000 of debentures redeemed and held by Trustee)	4,456,000	5,750,000
Taxes payable and accrued	23,763,869	24,992,145
TOTAL CURRENT LIABILITIES	36,920,586	89,040,853
FUNDED DEBT:		
2⅝% Sinking Fund Debentures, $5,750,000 payable annually during the years 1960 through 1964, $23,750,000 payable in 1965, and $37,500,000 payable in 1966	90,000,000	95,750,000
STOCKHOLDERS' EQUITY:		
Preferred stock 7% cumulative, par value $100—authorized, 341,398 shares; issued, 225,141 shares; in treasury, 16,400 shares	20,874,100	20,874,100
Common stock, par value $25—authorized, 5,000,000 shares; issued, 1958, 3,917,842 shares, and 1957, 3,912,761 shares (Note 1)	97,946,050	97,819,025
Paid-in capital in excess of par values of capital stocks (Note 2)	19,632,691	19,417,405
Retained earnings (Note 3)	143,729,281	133,538,415
TOTAL STOCKHOLDERS' EQUITY	282,182,122	271,648,945
TOTAL	$409,102,708	$456,439,798

LIGGETT & MYERS TOBACCO COMPANY

Statement of Consolidated Earnings *(for years ended December 31)*

	1958	1957
NET SALES	$556,045,710	$570,384,860
OTHER EARNINGS:		
Interest and dividends received	275,865	191,715
Profit from sale of land and buildings	—	78,757
Profit from redemption of sinking fund debentures	97,073	—
Miscellaneous	69,998	68,089
TOTAL EARNINGS	556,488,646	570,723,421
COSTS AND EXPENSES:		
Cost of goods sold, selling, administrative and general expenses	480,839,626	499,052,009
Provision for depreciation	3,707,895	3,488,428
Interest and amortization on funded debt	2,641,303	2,801,347
Interest on bank loans	1,371,583	3,462,528
Miscellaneous	16,231	24,502
Provision for Federal income tax	34,100,000	30,855,000
Provision for State income and franchise taxes	2,589,000	2,766,000
TOTAL COSTS AND EXPENSES	525,265,638	542,449,814
NET EARNINGS FOR THE YEAR	31,223,008	28,273,607
DIVIDENDS ON PREFERRED STOCK	1,461,187	1,461,187
NET EARNINGS APPLICABLE TO COMMON STOCK	$ 29,761,821	$ 26,812,420

Statement of Consolidated Retained Earnings *(for years ended December 31)*

	1958	1957
BALANCE AT BEGINNING OF YEAR	$133,538,415	$126,289,800
ADD—Net earnings for the year	31,223,008	28,273,607
TOTAL	164,761,423	154,563,407
DEDUCT:		
Cash dividends of $7 per share on preferred stock	1,461,187	1,461,187
Cash dividends of $5 per share on common stock	19,570,955	19,563,805
TOTAL	21,032,142	21,024,992
BALANCE AT END OF YEAR (Note 3)	$143,729,281	$133,538,415

Notes to Financial Statements—December 31, 1958

1. At January 1, 1958, there were outstanding options granted under the Incentive Stock Option Plan to officers and key employees to purchase, subject to certain limitations, 58,060 shares of the Company's common stock, and 60,700 shares were reserved for the granting of additional options. During 1958 options for 1,500 shares were granted for an aggregate option price of $122,062, options for 5,081 shares were exercised for an aggregate option price of $342,311, and options for 1,500 shares were cancelled. At December 31, 1958, options were outstanding with respect to 52,979 shares having an aggregate option price of $3,588,771, and 60,700 shares were reserved for the granting of additional options on or before March 31, 1961. In accordance with the Plan, option prices represent closing quoted market values of the shares on the dates the options were granted.

2. Paid-in capital in excess of par values of capital stocks increased in 1958 by $215,286, representing the excess of sales price over par value of common stock sold to officers and employees under the Incentive Stock Option Plan.

3. Under the terms of the Indenture covering the 2⅝% Sinking Fund Debentures, $60,282,541 of retained earnings is restricted as to payment of cash dividends on common stock. This limitation does not apply to stock dividends on common stock, nor does it restrict payment of dividends on preferred stock.

CONSOLIDATED BALANCE SHEETS . . .

ASSETS

	December 31, 1958			Consolidated December 31, 1957
CURRENT ASSETS	Company	Subsidiaries	Consolidated	
Cash	1,390,121	$ 569,903	$ 1,960,024	$ 2,271,684
Accounts receivable				
Customers, less allowance for doubtful accounts	1,633,725	259,049	1,892,774	1,316,058
Salesmen, dealers and branch managers	972,577	84,982	1,057,559	1,165,160
Affiliated companies	50,122	95,493*	—*	—*
Others	37,237	16,516	53,753	91,654
Inventories—at the lower of cost or market				
Finished stock	5,290,750	1,373,208*	6,468,596*	6,186,952*
Work in process, raw materials and factory supplies	2,584,882	470,644*	3,044,018*	2,843,987*
Prepaid expenses	330,993	62,399	393,392	350,766
	12,290,407	2,932,194	14,870,116	14,226,261
INVESTMENT IN SUBSIDIARIES				
Capital stock of subsidiaries—at cost				
Snap-on Tools of Canada, Ltd.	10,000	—	—*	—*
Weidenhoff Corporation	500,000	—	—*	—*
Herramientas Snap-on de Mexico, S. A.	102,984	—	—*	—*
	612,984	—	—	—
FIXED ASSETS				
Land, buildings and equipment at cost	5,450,518	1,118,870	6,569,388	6,174,997
Less accumulated depreciation	2,190,136	382,616	2,572,752	2,240,249
	3,260,382	736,254	3,996,636	3,934,748
OTHER ASSETS				
Patents, trade-marks and sundry other assets	36,732	5,373	42,105	44,046
	$16,200,505	$3,673,821	$18,908,857	$18,205,055

The accompanying notes are an integral part of these statements.
*After elimination of intercompany items.

... SNAP-ON TOOLS CORPORATION (Including all Subsidiaries)

LIABILITIES

	December 31, 1958			Consolidated December 31, 1957
CURRENT LIABILITIES	Company	Subsidiaries	Consolidated	
Current maturities of term loan	$ 105,000	$ —	$ 105,000	$ 105,000
Accounts payable				
Trade	667,885	103,354	771,239	644,661
Branch managers	346,219	39,334	385,553	451,689
Affiliated companies	95,493	50,122*	— *	— *
Payroll deductions	126,103	14,354	140,457	176,465
Accrued liabilities				
Compensation	528,395	105,979	634,374	709,462
Taxes (other than income taxes)	99,944	16,169	116,113	136,831
Other	47,145	11,896	59,041	48,935
Income taxes	1,133,144	195,403	1,328,547	1,420,087
Dealer and salesmen deposits on consigned tools—current portion	1,021,557	332,034	1,353,591	336,218
	4,170,885	868,645	4,893,915	4,029,348
NONCURRENT LIABILITIES				
3½% unsecured term loan payable semi-annually to March 31, 1963, less current maturities	382,500	—	382,500	487,500
Dealer and salesmen deposits on consigned tools—noncurrent portion	—	—	—	1,012,535
	382,500	—	382,500	1,500,035
STOCKHOLDER'S EQUITY				
Capital stock				
Common—authorized, 1,250,000 shares of $1 par value; issued and outstanding—1958, 706,570 shares; 1957, 694,110 shares	706,570	—	706,570	694,110
Common stocks of subsidiaries	—	612,984	— *	— *
Additional paid-in capital	1,234,346	—	1,234,346	1,114,179
Retained earnings	9,706,204	2,192,192*	11,691,526*	10,867,383*
	11,647,120	2,805,176	13,632,442	12,675,672
	$16,200,505	$3,673,821	$18,908,857	$18,205,055

STATEMENTS OF FINANCIAL POSITION . . .

STATEMENTS OF EARNINGS
for the years ended December 31, 1958 and 1957

	Year ended December 31,			
	1958			1957
SALES	Company	Subsidiaries	Consolidated	Consolidated
Gross sales, less returns, allowances and dealer discounts	$21,640,230	$4,725,850*	$24,760,676*	$24,272,568*
COST OF GOODS SOLD	11,558,817	2,798,210*	12,768,413*	12,863,873*
Gross profit	10,081,413	1,927,640	11,992,263	11,408,695
OPERATING EXPENSES				
Engineering expenses	124,421	60,534	184,955	175,684
Selling expenses	2,967,927	456,965	3,424,892	3,034,442
Shipping expenses	985,225	153,803	1,139,028	1,060,223
Administrative expenses	2,743,616	555,549	3,299,165	3,197,778
	6,821,189	1,226,851	8,048,040	7,468,127
Operating profit	3,260,224	700,789	3,944,223	3,940,568
OTHER INCOME OR (DEDUCTIONS)—NET	131,812	19,316	6,128*	47,845*
Earnings (before income taxes)	3,392,036	720,105	3,950,351	3,988,413
INCOME TAXES	1,728,436	348,261	2,076,697	2,091,588
NET EARNINGS	$ 1,663,600	$ 371,844*	$ 1,873,654*	1,896,825*

The accompanying notes are an integral part of these statements.
*After elimination of intercompany items.

NOTES TO FINANCIAL STATEMENTS

In consolidation, the accounts of the Canadian subsidiary have been converted to United States dollars at par; the accounts of the Mexican subsidiary have been converted at the official rate of exchange.

The Company is contingently liable for a maximum amount of approximately $100,000 by reason of guarantees in connection with customers' time payment contracts purchased from dealers by finance companies.

At December 31, 1958, 37,912 shares of the Company's common stock were reserved for issuance to officers and key employees under a restricted stock option plan providing for the purchase of shares at prices not less than 85% of the market price on the dates the options are granted. Options for a total of 31,752 shares have been granted but not exercised. These options are exercisable at various dates and expire on or before October 29, 1964.

The entire amount of dealer and salesmen's deposits on consigned tools has been classified as a current liability at December 31, 1958 (only a portion of the corresponding amount was so classified at December 31, 1957) for the reason that a policy was established late in 1958 whereby these amounts will be substantially liquidated in 1959 by means of sales of previously consigned car stock to dealers.

. . . SNAP-ON TOOLS CORPORATION (Including all Subsidiaries)

STATEMENTS OF STOCKHOLDERS' EQUITY
for the years ended December 31, 1958 and 1957

	Year ended December 31, 1958 Company	1958 Subsidiaries	1958 Consolidated	1957 Consolidated
COMMON STOCK				
Amount at the beginning of the year	$ 694,110	$ 512,984	$ 694,110*	$ 343,885*
Acquisition of common stock of Weidenhoff Corporation	—	100,000	— *	— *
Shares issued as a 100% stock distribution	—	—	—	345,435
Shares issued pursuant to stock option plan	12,460	—	12,460	4,790
Amount at the end of the year	706,570	612,984	706,570	694,110
ADDITIONAL PAID-IN CAPITAL—in excess of par value of common stock				
Amount at the beginning of the year	1,114,179	—	1,114,179	1,395,174
Arising from exercise of stock options	120,167	—	120,167	64,440
345,435 shares issued as a 100% stock distribution	—	—	—	(345,435)
Amount at the end of the year	1,234,346	—	1,234,346	1,114,179
RETAINED EARNINGS (earnings reinvested in the business since date of organization)				
Amount at the beginning of the year	9,092,115	1,965,348*	10,867,383*	9,939,100*
Net earnings for the year	1,663,600	371,844*	1,873,654*	1,896,825*
	10,755,715	2,337,192	12,741,037	11,835,925
Dividends paid in cash	1,049,511	145,000	1,049,511*	968,542*
Amount at the end of the year	9,706,204	2,192,192	11,691,526	10,867,383
STOCKHOLDERS' EQUITY	$11,647,120	$2,805,176	$13,632,442	$12,675,672

The accompanying notes are an integral part of these statements.
*After elimination of intercompany items.

Section 2 — BALANCE SHEET

CASH

The balance sheets of the 1958 survey companies indicate the continuing trend of presenting the cash accounts simply as "cash" in the current asset section. The presentation of "cash" alone was used currently by 539 companies as compared with 505 in 1955 and 435 in 1951. On the other hand, the description "cash in banks and on hand" was used by only 35 companies in 1958 as against 102 in 1951. Details provided by the remaining 26 companies are set forth 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	1958	1955	1951
Cash (*Co. Nos. 1, 106, 247, 323)	539	505	435
Cash in banks and on hand (*Co. Nos. 12, 131, 235, 342)	35	57	102
Cash on hand and demand deposits (*Co. Nos. 48, 79, 243, 470)	8	14	26
Cash and demand deposits (*Co. No. 526)	1	2	1
Demand deposits in banks and cash on hand (*Co. Nos. 36, 248, 491)	3	8	19
Cash including time deposits (*Co. Nos. 94, 355)	2	1	1
Cash, including time certificate of deposit and accrued interest (*Co. No. 102)	1	1	1
Cash and marketable securities (*Co. Nos. 128, 515)	2	—	1
Cash in banks and offices (*Co. No. 87)	1	1	1
Cash in banks, on hand, and in transit	—	1	3
Cash on deposit, in transit, and on hand (*Co. Nos. 427, 496)	2	2	—
Cash on hand and on deposit (*Co. No. 353)	1	1	4
Bank balances and cash funds (*Co. No. 259)	1	2	2
Cash and United States Government securities (*Co. Nos. 167, 176, 238, 489)	4	—	—
Various other	—	5	4
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 1958 annual reports:

Fixed Assets

THE CUDAHY PACKING COMPANY

Noncurrent Assets:

U.S. Government Securities and Cash set aside for additions and improvements	$4,414,262

ERIE FORGE & STEEL CORPORATION

Property, Plant, and Equipment:

Land		$ 430,387.89
Land improvements ..	$ 48,514.93	
Building	3,122,864.24	
Equipment	8,773,507.53	
	$11,944,886.70	
Less allowance for depreciation and amortization	7,869,039.69	4,075,847.01
		$4,506,234.90
Plant modernization:		
Cash on deposit	$ 364,001.23	
Less accounts payable for construction in progress	289,842.85	
	$ 74,158.38	
Construction in progress	3,934,841.62	4,009,000.00
		$8,515,234.90

FREUHAUF TRAILER COMPANY

Property, Plant, and Equipment:

Land—at cost	$ 3,772,117
Buildings and building equipment—at cost	19,711,333
Machinery and other equipment—at cost	23,495,572
Funds segregated for expansion program of Canadian subsidiary	217,280
	$47,196,302
Less accumulated depreciation and amortization	18,562,582
	$28,633,720

INTERNATIONAL PAPER COMPANY

Capital Assets:

Plants and properties	$832,098,127
Less: Reserves for depreciation	421,435,329
Net plants and properties	$410,662,798
Woodlands—net	113,565,611
Funds segregated for U.S. capital expenditures	15,379,800
Investments	1,935,485
	$541,543,694

PARKE, DAVIS & COMPANY

Property, Plant, and Equipment—at cost, less accumulated depreciation:

Land	$ 4,144,965
Buildings and improvements	28,825,334
Machinery and equipment	31,506,451
Office furniture and fixtures	5,699,356
Construction in process	9,769,546
Funds appropriated for expansion of research facilities	6,930,000
	$86,875,652
Less accumulated depreciation	28,941,433
Total Property, Plant, and Equipment	$57,934,219

TABLE 2: SEGREGATION OF CASH

Purpose and Balance Sheet Presentation	Current Asset	Noncurrent Asset	1958 Total
Plant expansion, improvement, or replacement funds (*Co. Nos. 128, 179, 182, 221, 240, 312, 320, 345, 355, 422, 472, 558)	—	12	12
Insurance, workmen's compensation or pension funds (*Co. Nos. 24, 51, 174, 181, 252, 309, 353)	—	7	7
Preferred stock retirement or redemption (*Co. Nos. 26, 171, 427, 452)	—	4	4
Restricted to performance under contracts (*Co. Nos. 252, 268)	—	2	2
Cash deposited for payment of dividends (*Co. No. 314) ..	1	—	1
Funds held by trustee (*Co. No. 337)	—	1	1
Customers' funds (*Co. No. 133)	1	—	1
Working or other funds (*Co. No. 356)	1	—	1
Cash received as progress payments on orders (*Co. No. 306)	1	—	1
Cash in bank for account of merchandise consignors (*Co. No. 121)	1	—	1
Total	5	26	31

Number of Companies with:	1958	1957	1955
Cash segregated in noncurrent assets	26	23	38
Cash segregated in current assets	5	6	9
Cash excluded from the balance sheet (*Co. Nos. 83, 275, 351, 485)	4	—	6
Cash offsetting a liability account (*Co. No. 428)	1	1	4
Cash segregated in current and noncurrent assets	—	1	1
Total	36	31	58
No reference to cash segregation or exclusion	564	569	542
Total	600	600	600

*Refer to Company Appendix Section.

UNITED ENGINEERING AND FOUNDRY COMPANY

Noncurrent Assets:

Cash allocated for construction program ..	$2,240,219

Insurance Funds

THE AGRICULTURAL CHEMICAL COMPANY

Noncurrent Assets:

Cash and U.S. Government Securities (at cost which approximates market), segregated against reserves for insurance and retirement payments	$2,304,675.32

THE AMERICAN SUGAR REFINING COMPANY
Noncurrent Assets:

Pension Fund:	
Cash	$ 82,776
U.S. Government, state and municipal bonds, at lower of cost or market	6,397,812
Company's own preferred stock, 20,000 shares, at cost	632,650
	$7,113,238

CRADDOCK-TERRY SHOE CORPORATION
Other Assets:

Customers' notes—deferred maturities		$ 34,754.12
Corporate stock, real estate investments and sundry assets		3,590.12
Cash value of life insurance policies (maturity value $600,000		27,162.00
Pension fund:		
Cash	$ 60,501.94	
U.S. and Virginia bonds	59,590.55	
Corporate securities and real estate mortgages	365,647.52	485,740.01
		$551,246.25

INTERNATIONAL BUSINESS MACHINES CORPORATION
Noncurrent Assets:

Watson Fund for Supplementing IBM Retirement Plan:	
Cash	$ 43,912
U.S. Treasury securities—at cost plus accrued interest	3,305,479
	$3,349,391

Preferred Stock Redemption

AMERICAN BAKERIES COMPANY
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	186,745
Mortgage notes receivable	275,452
	$612,197

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 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.

PENN FRUIT CO., INC.
Investments and Other Assets:

Loans secured by mortgages on leased premises	$ 341,929
Cash surrender value of insurance on life of officer	42,808
Cash balances held in sinking, purchase and conversion funds for Preferred stocks	5,680
Investment in and advances to affiliated and associated companies—at cost	2,835,182
Deposit under purchase agreement	175,000
	$3,400,599

Various Purposes

THE GOODYEAR TIRE & RUBBER COMPANY
Noncurrent Assets:

Cash and expenditures under U.S. Government contracts, per contra	$1,349,681

CENTRAL SOYA COMPANY, INC.
Current Assets:

Cash (includes $274,594 customers' segregated funds in 1958)	$11,386,148
Accounts, drafts and notes receivable	13,006,362
Less—Allowance for possible loss	660,518
Accounts, drafts and notes receivable—net	$12,345,844

INTERNATIONAL SILVER COMPANY

Current Assets:	
Cash deposited for payment of dividends (see contra)	$87,500
Current Liabilities:	
Dividends (payable in January, see contra)	$87,500

KUNER-EMPSON COMPANY
Other Assets:

Insurance deposits	$12,675.48
Cash surrender value of life insurance	2,215.00
Cash on deposit with Trustee under bond indenture	16,845.65
	$31,736.13

INGERSOLL-RAND COMPANY
Current Assets:

Cash	$8,175,438
Cash received as progress payments on orders	3,101,519

MACFADDEN PUBLICATIONS, INC.
Current Assets:

Deposits, working funds, prepaid expenses, etc.	$59,123

BYRNDUN CORPORATION
Current Assets:

Cash		$48,284.59
Cash in bank for account of merchandise consignor	$33,353.80	
Less: Amounts due to consignor for merchandise sold	33,353.80	

PENN-TEXAS CORPORATION
Current Liabilities:

Notes payable, less $400,000 cash collateral	$10,720,000

CASH ADVANCES AND DEPOSITS

Cash Advances

Of the 600 survey companies, 74 disclosed cash advances in their 1958 reports. The captions used in the presentation of cash advances and their related placement in the balance sheet are reflected in Table 3. Advances to subsidiaries and affiliates are not included in this tabulation. For this information see Table 21, this section.

TABLE 3: CASH ADVANCES

Balance Sheet Description*	Current Asset	Noncurrent Asset	1958 Total
A: Advances to outside growers, packers, planters, producers	5	4	9
B: Advances to suppliers and subcontractors	5	2	7
C: Advances on purchase commitments for raw materials	3	—	3
D: Advances on purchase contracts	5	1	6
E: Advances on construction or purchase of fixed assets	1	2	3
F: Advances for leasehold improvements	—	1	1
G: Advances to employees for selling, travel, and other expenses	1	1	2
H: Advances—loans to employees	2	4	6
I: Advances to sales agents or vendors	—	2	2
J: Advances to joint venture or logging operations	3	—	3
K: Advances to customers	—	1	1
L: "Advances"—not identified	10	25	35
Total	35	43	78

Number of Companies showing:	
Advances in current assets	33
Advances in current and noncurrent assets	2
Advances in noncurrent assets	39
Total	74
No reference to advances	526
Total	600

*Refer to Company Appendix Section—A: Co. Nos. 51, 162, 181, 421, 526; B: Co. Nos. 47, 185, 286, 350, 362; C: Co. Nos. 40, 154, 585; D: Co. Nos. 31, 199, 301, 442, 485; E: Co. Nos. 196, 416, 427; F: Co. No. 102; G: Co. Nos. 92, 582; H: Co. Nos. 3, 13, 252, 346, 402; I: Co. Nos. 7, 252; J: Co. Nos. 68, 222, 464; K: Co. No. 371; L: Co. Nos. 20, 84, 110, 161, 208. 263. 320, 476, 533.

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:

Current Assets

THE ARUNDEL CORPORATION

Current Assets:

Cash	$ 1,759,053
U.S. Treasury obligations	2,275,000
Accounts receivable:	
Contracts and trade	2,955,810
Miscellaneous	109,486
Advances to, and amounts due from, joint ventures (a portion of which will be collected after a year)	2,484,392
Repair parts, etc., at cost or market whichever lower	497,864
Prepaid insurance and other expenses	173,051
Total current assets	$10,254,656

GENERAL MILLS, INC.

Current Assets:

Inventories:	
Grain for processing, flour and soybean products, at market, after appropriate adjustment for open cash trades, unfilled orders, etc.	$19,958,231
Formula feeds, ingredients, package foods, sponges, etc., at the lower of cost or market	15,010,618
Containers, supplies, mechanical equipment contracts, etc., at cost	7,169,488
	42,138,337
Advances on grain and other commodities	981,914
	$43,120,251

JONES & LAMSON MACHINE COMPANY

Current Assets:

Notes receivable, advances, etc. $55,739

MASONITE CORPORATION

Current Assets:

Receivables—	
Customers and agents	$7,316,579
Advances to wood contractors—secured by mortgages on wood and equipment	1,452,298
Miscellaneous	216,237
	$8,985,114
Less—Reserves for allowances and doubtful accounts	299,450
	$8,685,664

HAZELTINE CORPORATION

Current Assets:

Cash		$ 4,524,989.75
United States Government securities at cost plus accrued interest		1,517,775.38
Accounts receivable arising from Government and other contracts at final or preliminary prices, royalties receivable and accrued		8,730,468.75
Costs incurred and advances to subcontractors on uncompleted contracts	$14,459,093.81	
Less progress payments for work performed	4,575,562.05	9,883,531.76
Total		$24,656,765.64

RALSTON PURINA COMPANY

Current Assets:

Advances on purchases of materials $800,401

WALWORTH COMPANY
Current Assets:

Receivables:	
Accounts receivable, customers	$6,861,511
Other receivables (including federal income tax recoverable under carry-back provisions)	1,471,608
Travel funds and sundry advances to employees	71,405
	8,404,524
Less reserve for doubtful receivables	260,000
Total receivables less reserve	$8,144,524

Non-Current Assets

ALLEN INDUSTRIES, INC.
Other Assets:

Land contract receivable from sale of plant	$ 69,100
Cash surrender value of life insurance	63,754
Advances to employees	22,492
Deposits and miscellaneous accounts	10,327
Total other assets	$165,673

AMERICAN SEATING COMPANY
Other:

Advances to supplier companies	$ 56,333
Deferred charges and miscellaneous	386,086
Total other assets	$442,419

DIANA STORES CORPORATION
Other Assets:

Investment in capital stock of wholly-owned real estate subsidiary (not consolidated)	$200,000
Rental and service deposits, rents paid in advance and other deferred charges	153,747
Sundry investments and notes receivable	6,900
Advances and deposits on construction in progress	43,540
	$404,187

THE CUBAN-AMERICAN SUGAR COMPANY
Noncurrent Assets:

Materials and supplies and other working assets:	
Materials and supplies, at cost or lower	$3,328,947
Work animals, livestock, etc.	154,163
Advances to cane growers	76,742
Planted and growing cane	14,844
	$3,574,696

Cash Deposits

Deposits of cash or securities for specific purposes were segregated in the balance sheets of 95 of the 600 survey companies. The presentations and descriptions of these deposits are summarized in Table 4. Of the 111 presentations, only 17 appeared as current assets.

The following examples illustrate some of the presentations in the 1958 annual reports:

TABLE 4: DEPOSITS—CASH AND SECURITIES

Balance Sheet Description	Current Asset	Noncurrent Asset	1958 Total
Deposit for "insurance" (*Co. Nos. 177, 208, 404, 449, 488)	1	21	22
Deposit with mutual insurance company (*Co. Nos. 215, 304, 542)	—	5	5
Deposit with insurance company (*Co. No. 249)	—	1	1
Deposit with "public agencies" (*Co. Nos. 26, 163, 220)	1	8	9
Deposit with "escrow agent" (*Co. Nos. 368, 577)	2	1	3
Deposit with surety company (*Co. No. 21)	—	1	1
Deposit for preferred stock or bond retirement (*Co. Nos. 64, 171)	—	4	4
Deposit for dividend payments (*Co. Nos. 154, 314)	2	1	3
Deposit for fixed asset commitment (*Co. Nos. 6, 196)	—	4	4
Deposit for purchase commitment (*Co. Nos. 133, 427)	2	2	4
Deposit with lessors (*Co. Nos. 145, 457)	—	4	4
"Deposits"—not identified (*Co. Nos. 38, 164, 211, 307, 419, 584)	6	36	42
Other types of deposits (*Co. Nos. 60, 124, 184)	3	6	9
Total	17	94	111

Number of Companies with:	
Deposits in current assets	12
Deposits in current and noncurrent assets	1
Deposits in noncurrent assets	82
Total	95
No reference to deposits	505
Total	600

*Refer to Company Appendix Section.

Current Assets

AMERICAN MACHINE AND METALS, INC.
Current Assets:

Deposits and prepaid expenses	$619,193

THE COLORADO MILLING & ELEVATOR COMPANY
Current Assets:

Deposit for payment of dividend June 1—see contra	$193,369

Current Liabilities:

Dividend payable June 1—see contra	$193,369

DRAVO CORPORATION
Current Assets:

Accounts and notes receivable	
Trade, less allowance for doubtful accounts	$13,975,904
Other, including deposits on contract bids, etc.	267,864

Non-Current Assets

AMERICAN CHAIN & CABLE COMPANY, INC.
Other Assets:

Investment in unconsolidated subsidiary in England (Note 2)	$375,627
Insurance deposits, prepaid expenses, etc.	904,609

THE AMERICAN SHIP BUILDING COMPANY
Investment and Other Assets:

United States Government securities on deposit in connection with workmen's compensation guarantees—at cost (quoted market price $183,801)	$ 197,000
Estimated recoverable federal taxes on income	910,000
Miscellaneous securities, accounts receivable, and advances	1,872
	$1,108,872

THE BORDEN COMPANY
Investments and Other Assets:

Unconsolidated subsidiaries	$1,723,147
Securities on deposit (pursuant to Workmen's Compensation Laws, etc.)	1,517,862
Mortgages, receivables, etc.	5,955,059
Total	$9,196,068
Less Reserves	324,477
Net investments and other assets	$8,871,591

THE CUBAN-AMERICAN SUGAR COMPANY
Non-Current Assets:

Funds:	
For compensation and special insurance, including cash deposited for the former with the Cuban government as guaranty (see contra reserve):	
Cash	$157,144
Securities	732,299
	$889,443

Other Liabilities:

Reserve for compensation and special insurance (see contra)	$798,532

PITTSBURGH PLATE GLASS COMPANY
Investments and Other Receivables—At cost or less:

Investments in domestic subsidiaries not consolidated	$ 7,656,377
Investments in foreign subsidiaries not consolidated	5,957,690
Securities deposited with state insurance commissions	938,158
Other investments	3,052,423
Other noncurrent notes and accounts receivable, less estimated losses	2,071,029
Total investments and other receivables	$19,675,677

REVERE COPPER AND BRASS INCORPORATED
Other Assets:

U.S. and state bonds deposited with state insurance departments	$359,000

*Refer to Company Appendix Section.

SACO-LOWELL SHOPS
Other Assets:

Closed plants—at estimated net realizable amounts	$325,000
Insurance deposits	224,128
	$549,128

THE SUPERIOR OIL COMPANY
Deferred Charges:

Lease and other escrow deposits	$ 161,446
Prepaid lease rents	2,776,830
Prepaid taxes, insurance and other expenses	3,270,187
Debenture expense, less amortization	736,091
	$6,944,554

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 1958 and 1957 in Table 5 according to the various bases of valuation.

The use of "cost" basis of valuation for marketable securities predominates, and continues the trend in that direction. Of the companies using the cost basis, 163 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). Nor does it include such marketable securities as are presented among other than current assets. It may be observed in this connection that marketable securities, when shown in the noncurrent asset sections of the balance sheet, are generally referred to as "Investments" (*Co. Nos. 11, 14, 21, 22, 36, 40, 79, 207, 517).

Examples—Marketable Securities

The following examples, taken from the 1958 reports, show the valuation of marketable securities as presented in the current asset section of the balance sheets surveyed:

Cost—Market Value Not Stated

AMERADA PETROLEUM CORPORATION
Current Assets:

United States Government Short-Term Securities, at cost	$10,000,000

Cost—Stated as Approximate Market

HERCULES MOTORS CORPORATION
Current Assets:

United States Treasury securities—at cost (approximate market)	$799,734

TABLE 5: MARKETABLE SECURITIES—Current Assets

Basis of Valuation	A: Govern-ment	B: Non-govern-ment	1958 Total	A: Govern-ment	B: Non-govern-ment	1957 Total
Cost—market value not stated (*Co. Nos. A: 11, 600; B: 157, 593)	72	42	114	73	38	111
Cost—stated as approximate market (*Co. Nos. A: 24, 569; B: 36, 586)	53	49	102	42	33	75
Cost plus accrued interest (*Co. Nos. A: 42, 592; B: 12, 557)	53	29	82	62	28	90
Cost—market value stated below cost (*Co. Nos. A: 80, 353; B: 70, 407)	19	17	36	14	19	33
Cost—market value stated above cost (*Co. Nos. A: 160, 502; B: 127, 548)	7	15	22	9	22	31
Cost less amortization or reserves (*Co. Nos. B: 185, 217)	—	5	5	—	6	6
Amortized cost (*Co. Nos. A: 501, 546; B: 110, 505)	9	8	17	9	6	15
Cost or below cost (*Co. Nos. A: 353; B: 370)	1	1	2	1	—	1
Less than cost (*Co. No. B: 280)	—	1	1	—	1	1
Cost—not in excess of market value (*Co. Nos. B: 309, 573)	1	2	3	1	3	4
Lower of cost or market (*Co. Nos. A: 65, 310; B: 125, 564)	6	10	16	5	6	11
Market value (*Co. Nos. B: 58, 559)	—	2	2	—	5	5
Approximate market value (*Co. Nos. A: 39, 306; B: 9, 224)	8	8	16	7	4	11
Redemption value (*Co. Nos. A: 181; B: 471)	1	1	2	3	1	4
Face value (*Co. No. A: 370)	1	—	1	2	—	2
	231	190	421	228	172	400
Basis of valuation not set forth (*Co. Nos. 78, 130, 238, 375, 451, 514)	34	15	49	36	12	48
Total	265	205	470	264	184	448
Number of Companies presenting:						
Government securities in current assets	153	—	153	172	—	172
Government and nongovernment securities in current assets	90	90	90	80	80	80
Nongovernment securities in current assets	—	91	91	—	83	83
Total	243	181	334	252	163	335
No marketable securities in current assets			266			265
Total			600			600

*Refer to Company Appendix Section.

Cost Plus Accrued Interest

CHERRY-BURRELL CORPORATION
Current Assets:
United States Government securities, at cost plus accrued interest $1,000,829

Cost—Market Value Stated Below Cost

THE GILLETTE COMPANY
Current Assets:
United States Government and other marketable securities at cost (market value $33,857,000) $33,864,837

Cost—Market Value Stated Above Cost

RITTER COMPANY, INC.
Current Assets:
U.S. Treasury Bills (at cost) (market value $204,510) $203,516

Amortized Cost

SUNSHINE BISCUITS, INC.
Current Assets:
United States Government obligations due in 1959, at amortized cost (par value $3,000,000) $2,982,859

Lower of Cost or Market

THE YALE & TOWNE MANUFACTURING COMPANY
Current Assets:

Marketable securities, at lower of cost or quoted market value	$84,083

Approximate Market Value

NATIONAL BISCUIT COMPANY
Current Assets:

U.S. Government securities (approximately market)	$13,175,500
Other government securities (approximately market)	1,057,000

Basis of Valuation Not Set Forth

ATLAS POWDER COMPANY
Current Assets:

Short-term marketable securities	$1,502,027

BARIUM STEEL CORPORATION
Current Assets:

United States Government short term securities	$3,506,040

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 46 survey companies disclosed special features applicable to accounts receivable as follows:

Special Feature	No. of Companies
Assigned receivables (*Co. Nos. 17, 108, 226, 358, 413)	10
Secured (*Co. Nos. 103, 282, 313, 443)	8
Pledged (*Co. Nos. 5, 140, 274, 357)	6
Factored (*Co. Nos. 114, 231)	5
Contingent liability (*Co. Nos. 19, 330)	5
Discounted (*Co. Nos. 133, 281)	4
Hypothecated (*Co. No. 58)	1
Various other (*Co. Nos. 11, 120, 256)	7
Total	46

*Refer to Company Appendix Section.

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1958	1955
Accounts receivable or receivables (*Co. Nos. 78, 104, 237, 302, 554)	438	439
Notes and accounts receivable combined (*Co. Nos. 65, 173, 208, 324, 439)	169	153
Notes receivable (*Co. Nos. 96, 129, 213, 320, 459)	28	18
Installment accounts receivable (*Co. Nos. 69, 197, 216, 358, 403)	23	14
Installment notes receivable (*Co. Nos. 17, 136, 389, 587)	12	4
Trade acceptances—bills—drafts (*Co. Nos. 16, 253, 459)	6	14
Employees—trade receivables (*Co. Nos. 449, 504, 535)	3	2
Deferred receivables (*Co. Nos. 29, 194, 231, 320, 456)	10	5
Foreign receivables (*Co. Nos. 251, 323)	3	2
Contracts receivable (*Co. Nos. 19, 236, 316, 411)	11	11
Trading exchange accounts (*Co. Nos. 58, 60, 514)	3	4
Equity in installment accounts sold (*Co. Nos. 17, 43, 271, 410)	6	5
Joint venture accounts receivable (*Co. No. 68)	1	1
Claims receivable (*Co. Nos. 12, 222, 503)	8	2
Accounts receivable—vendors, suppliers (*Co. Nos. 156, 426, 571, 587)	8	6
Reimbursable expenditures (*Co. Nos. 214, 251, 503)	4	1
Customer balances on layaway merchandise sales (*Co. No. 196)	1	1
Rotating charge accounts (*Co. No. 17)	1	1
Receivable from factor for accounts receivable sold	—	2
Total	735	685
Number of Companies presenting		
Trade receivables in current assets	599	599
No trade receivables in current assets (*Co. No. 445)	1	1
Total	600	600

*Refer to Company Appendix Section.

The following examples selected from the 1958 reports are illustrative of the various types of accounts receivable presentations:

Notes and Accounts Receivable

COLUMBIA BROADCASTING SYSTEM, INC.
Current Assets:

Notes and accounts receivable, less allowance for doubtful accounts, $2,391,300	$74,271,150

THE B. F. GOODRICH COMPANY
Current Assets:

Accounts and notes receivable, less allowance for doubtful accounts—$3,972,297	$132,577,894

HATHAWAY INDUSTRIES, INC.
Current Assets:

Accounts and notes receivable:	
Trade, including accrued storage charges	$2,041,636
Affiliates	819,335
Other	101,074
	$2,962,045
Less allowance for doubtful accounts	75,212
	$2,886,833

REVERE COPPER AND BRASS INCORPORATED
Assets:

Customers' notes and accounts receivable less reserves of $587,095	$13,804,026

Installment Accounts Receivable

ALLIED STORES CORPORATION
Current Assets:

Accounts and notes receivable—customer (Schedule 1)	$65,836,247

Schedule 1: Accounts and Notes Receivable—Customers—

Regular accounts	$50,510,052
Instalment accounts and notes	5,552,206
Equity in instalment accounts ($29,691,211 for 1958) sold	3,562,945
Revolving credit accounts	9,160,060
Equity in revolving credit accounts ($22,354,542 for 1958) sold	2,748,515
	$71,533,778
Less allowances for losses on collection and for deferred carrying charges	5,697,531
	$65,836,247

SEARS, ROEBUCK AND CO.
Current Assets:

Accounts and notes receivable:		
Customers installment accounts	$1,024,222,641	
Less accounts sold	673,505,219	
	350,717,422	
Less allowance for collection expense and losses on installment accounts	99,801,249	
Customers installment accounts (net)	250,916,173	
Other customers accounts (including revolving charge accounts)	122,035,707	
Manufacturers and miscellaneous receivables	22,692,102	
	144,727,809	
Less allowance for losses on other receivables	2,823,945	
Other receivables (net)	141,903,864	
Installment accounts purchased from foreign subsidiaries	12,962,762	
Total accounts and notes receivable (net)	405,782,799	

SYMINGTON WAYNE CORPORATION
Consolidated Financial Position
Current Assets:

Accounts receivable—note 2	$5,795,303

Note 2: Accounts receivable:

Trade	$4,800,131
Installment trade	473,976
U.S. Government contracts	574,629
Other	62,629
Deduct provisions for:	
Uncollectible accounts	(80,004)
Unearned finance charges	(36,058)
	$5,795,303

Installment Notes Receivable

THE BRUNSWICK-BALKE-COLLENDER COMPANY
Current Assets:

Notes and accounts receivable—	
Instalment notes, including amounts due after one year (1958, $143,-003,000) (Note 1)	$184,357,000
Accounts	18,038,000
	$202,395,000
Less—Reserves for losses (1958, $5,678,000; 1957, $2,807,000) and unearned interest	35,996,000
	$166,399,000

Note 1: Instalment Notes Receivable—In 1956, all Company long-term instalment notes receivable were sold for a net amount of $12,511,000, which was substantially book value. Under the agreement of sale, the Company may be required to purchase repossessed equipment. The unpaid principal balance of these notes as of December 31, 1958, was $4,541,000.

In connection with the financing arrangements with C.I.T. Corporation (see Note 3), $91,375,000 (unpaid principal amount) of Automatic Pinsetter instalment notes receivable had been assigned as collateral to the notes payable to C.I.T. Corporation as of December 31, 1958.

Under the terms of the unsecured notes payable to banks, the banks may request the Company to assign instalment notes receivable of the Company as collateral to the bank loans. No such assignments have been requested to date.

MACK TRUCKS, INC.
Current Assets:

Accounts receivable (Note 1)	$ 25,758,518
Customers' instalment obligations, less unearned interest thereon (Notes 1 and 2)	135,874,116
	161,632,634
Less allowance for possible losses	2,200,000
Total receivables—net	$159,432,634

Note 1: The Collateral Trust Notes, Series A, are payable to a group of banks under an agreement which provides the Company a revolving credit of $100,235,000 until July 31, 1960. The Collateral Trust Notes, Series B, are payable to various insurance companies. As required by the agreement under which both series of notes were issued, the Company has pledged with the Trustee "eligible" customers' obligations (certain accounts receivable and instalment obligations and the leases of the motor vehicles 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, 1958, $4,921,000 (representing collections on pledged customers' obligations) was held by the Trustee pending pledge of additional customers' obligations.

Note 2: Customers' instalment obligations are secured by conditional sales contracts or other lien instruments. Of such obligations at December 31, 1958, approximately 47% were due subsequent to 1959.

Contracts Receivable

GENERAL BRONZE CORPORATION

Current Assets:

Accounts and contracts receivable, less allowance of $67,832 for doubtful accounts	$5,011,794

GENERAL RAILWAY SIGNAL COMPANY

Current Assets:

Accounts receivable:	
Contract and trade	$2,447,408
Other accounts, including amounts collectible under conditional sales agreements	115,768
Total accounts receivable	$2,563,176

Deferred Receivables

R. H. MACY & CO., INC.

Current Assets:

Receivables—	
Customers' accounts	
Regular accounts (principally 30-day)	$13,834,758
Deferred payment accounts, a portion of which is due after one year—	
Equity in $57,882,798 of accounts sold to banks	6,336,382
Accounts not sold	8,902,746
	$29,073,886
Less—estimated doubtful amounts	2,277,000
Customers' accounts—net	$26,796,886
Other receivables	4,628,636
Net receivables	$31,425,522

Claims Receivable

REYNOLDS METALS COMPANY

Current Assets:

Receivables:	
Customers—notes and accounts (less allowances for losses)	$40,500,930
United States Government—for contract sales of aluminum	11,192,552
Unconsolidated subsidiaries and other affiliates	7,466,932
Other notes, accounts, and claims	7,906,519
	$67,066,933

Accounts Receivable—Assigned

CITY STORES COMPANY

Current Assets:

Accounts receivable, customers and others, including amounts assigned to banks less amounts received from banks under agreements; less allowances for doubtful accounts of $3,303,275—Note B	$48,050,889

Note B—Accounts Receivable Financing: The Company has agreements with various banks which provide, in effect, for a form of revolving credit under which specific accounts receivable are assigned to the banks, and the banks remit amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances. Under the agreements, the Company accepts reassignment of any accounts in default (as defined) as long as it continues to assign accounts.

Summary of accounts financed:

	This Year	Last Year
Accounts receivable assigned	$14,300,588	$12,221,382
Less amounts remitted by banks	12,870,529	10,999,243
Net amount included in accounts receivable	$ 1,430,059	$ 1,222,139

LEAR, INCORPORATED

Current Assets:

Trade accounts receivable (Note B):	
United States Government	$ 6,819,995
Other, less allowance of $82,000 for doubtful accounts	7,557,045
	$14,377,040

Note B:—V-Loan Agreement—The V-Loan Agreement provides, among other covenants, that the Company may borrow under a revolving credit up to $13,000,000, subject to the availability of the required collateral. At December 31, 1958, all accounts receivable due and to become due were assigned as collateral (certain defense production contracts by specific assignment and all other accounts by general assignment), and all inventories were subject to lien under the Agreement.

The Agreement places certain restrictions on the acquisition of property, plant, and equipment, and also provides that, subsequent to June 10, 1958, the Company will (1) maintain net current assets of not less than $9,500,000, which minimum shall be increased 120 days after the close of each fiscal year by an amount equal to 50% of its net earnings for such fiscal year on a cumulative basis; (2) maintain cash plus accounts receivable, as defined by the Agreement, of not less than 55% of current liabilities; and (3) maintain a net worth which, when added to other indebtedness of the Company which is subordinated to this loan, will not be less than $13,500,000, which minimum shall be increased 120 days after the close of each fiscal year by an amount equal to 50% of its net earnings for such fiscal year on a cumulative basis. At December 31, 1958, net current assets and net worth exceeded the amounts required to be maintained by approximately $2,578,000 and $3,053,000, respectively, and cash plus accounts receivable were approximately 80% of current liabilities.

Accounts Receivable—Secured

ALLEN B. DuMONT LABORATORIES, INC.

Current Assets:

Notes and accounts receivable—trade (notes 1, 2 and 3)	$6,927,191
Less allowance for doubtful accounts	674,985
	$6,252,206

Note 1—Notes and Accounts Receivable—Trade: The receivables of the Company at December 31, 1958 are made up as follows:

	Dec. 31, 1958
Accounts receivable	$5,835,091
Installment notes and accounts secured by conditional sale contracts or chattel mortgages on television broadcast equipment sold (approximately $216,000 in 1958 and $651,000 in 1957 due after one year)	$1,092,100
	$6,927,191
Less allowance for doubtful accounts	674,985
	$6,252,206

Note 2: V-Loan Agreement—Under the terms of a V-loan agreement with certain banks, the Company may borrow up to $3,000,000 at any time or from time to time prior to March 31, 1959, 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, 1958, loans aggregating $2,900,000 were secured by the assignment of accounts receivable and inventories aggregating approximately $3,280,000. On March 27, 1959, the V-loan agreement was amended to provide for the extension thereof to June 30, 1959, with a reduction of the maximum permitted borrowing to a total of $2,000,000.

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, acquire any of its 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. The operations since this date having resulted in a loss, the Company is restricted from paying any cash dividends on its common stock or preferred stock.

Since June 1, 1958 the Company has been in default under its V-loan agreement as the consolidated net current assets at that date had fallen below the $10,000,000 minimum requirement.

Note 3: Revolving Credit Agreement—Under the terms of a secured revolving credit agreement with certain banks, loans aggregating $900,000 at December 31, 1958 were secured by assigned accounts receivable in the amount of $3,305,167. Reference is made to Note 6 hereafter concerning the accounts financing agreement made in 1959, and the payment in full of the loans made under the revolving credit agreement.

Note 6: Accounts Financing Agreement—On February 19, 1959, the Company entered into an agreement with Walter E. Heller & Company, a commercial financing institution, under which the latter made an initial loan to the Company in the amount of $1,584,133 against the assignment of certain receivables, and agreed to make further loans in amounts equal to 90% of additional acceptable receivables.

From the proceeds of the above loan, $750,000 was paid to the banks in full payment of the loans then outstanding under the secured revolving credit agreement. At the same time the receivables, which had been pledged to the banks under the revolving credit agreement, were released from the assignment and pledged under the said accounts financing agreement.

Accounts Receivable—Pledged

SMITH-CORONA MARCHANT INC.

Current Assets:

Accounts and notes receivable	$22,204,671
Less allowance for doubtful accounts	462,412
	$21,742,259

Current Liabilities:

Loans payable to banks (Note 3)	$6,687,014

Note 3: Assets Subject to Lien—Loans payable to banks includes $1,785,000 borrowed under a "V" loan revolving credit agreement for which cash of $9,455, marketable securities of $186,232, accounts receivable of $3,841,795 and inventories of $2,261,644, aggregating $6,299,126, were pledged as collateral at June 30, 1958.

TEXTRON INC.

Current Assets:

Accounts receivable—net of reserves and advances against pledged receivables (Note B)	$25,206,148

Note B: Accounts Receivable—Accounts receivable are stated after deducting related reserves for doubtful accounts, discounts and allowances totaling $1,764,982 and do not include $8,835,144 collected from banks to which accounts receivable aggregating $10,079,654 have been assigned. Of the accounts assigned, the banks have assumed the credit risk to the extent of approximately $8,150,000. Accounts receivable in the amount of $25,726,620 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, restates a recommendation previously made with reference to the use of the term "reserve" "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."

The steady decrease in the use of the term "reserve" to describe uncollectible accounts appears to give recognition of the soundness of this recommendation.

Table 7 is a tabulation in comparative form 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 Table 7 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 1958 and the frequency of their use.

Examples

The following examples, selected from the 1958 survey reports, are illustrative of the balance sheet terminology used in presenting uncollectible accounts:

Allowance—(283 Companies):

"Allowances" (*Co. Nos. 4, 13, 20, 21, 29)
"Allowance for doubtful accounts" (*Co. Nos. 101, 295, 305, 330, 334)
"Allowance for doubtful" (*Co. Nos. 134, 292)
"Allowance for losses" (*Co. Nos. 255, 260, 369)
"Allowance of $XXX" (*Co. Nos. 113, 345)
"Allowance of $XXX for doubtful accounts and discounts" (*Co. No. 303)
"Allowance for doubtful balances" (*Co. No. 307)
"Allowance for cash discounts, and doubtful accounts" (*Co. No. 313)
"Allowance for collection losses" (*Co. Nos. 319, 548)
"Allowances for discounts and doubtful accounts" (*Co. No. 329)
"Allowance for doubtful balances and discounts" (*Co. No. 327)
"Allowance of $XXX for discounts and losses" (*Co. No. 382)
"Allowance for doubtful receivables" (*Co. Nos. 2, 561)
"Allowance for doubtful accounts and collection expenses" (*Co. Nos. 510, 587)
"Allowance of $XXX for losses, adjustments, and discounts" (*Co. No. 512)
"Allowance for bad debts" (*Co. No. 522)
"Allowance of $XXX for possible losses" (*Co. No. 527)
"Allowance for doubtful items and cash discounts" (*Co. No. 537)
"Allowance of $XXX for returns, doubtful accounts, etc." (*Co. No. 546)
"Allowance for possible losses" (*Co. Nos. 253, 559)
"Allowance for doubtful items" (*Co. No. 598)
"Allowance for discounts and uncollectible items" (*Co. No. 250)
"Allowance for doubtful accounts and discounts" (*Co. No. 258)
"Allowance of $XXX for doubtful receivables" (*Co. No. 261)

*Refer to Company Appendix Section.

Reserve—(160 Companies):
"Reserve" (*Co. Nos. 51, 56, 137, 215)
"Reserve for doubtful accounts" (*Co. Nos. 259, 264, 545)
"Reserve for doubtful items" (*Co. Nos. 511, 534)
"Reserve for losses" (*Co. Nos. 8, 79, 310)
"Reserve for losses in collection" (*Co. No. 324)
"Reserve for discounts, losses, and allowances" (*Co. No. 509)
"Reserves for doubtful accounts of $XXX at the end of each year" (*Co. No. 361)
"Reserves of $XXX for doubtful accounts, deferred income taxes on installment sales and unearned carrying charges" (*Co. No. 265)

*Refer to Company Appendix Section.

"Reserve for cash discounts and bad debts" (*Co. No. 67)
"Reserves for doubtful accounts and allowances (*Co. Nos. 111, 170)
"Reserves for losses and unearned interest" (*Co. No. 114)
"Reserve for doubtful accounts and discounts" (*Co. No. 125)
"Reserve for discounts and doubtful accounts" (*Co. Nos. 174, 304)
"Reserve for returns and allowances and doubtful receivables" (*Co. No. 192)
"Reserves for allowances and doubtful accounts" (*Co. No. 363)
"Reserves for doubtful accounts and unearned carrying charge income" (*Co. No. 386)
"Reserve for bad debts" (*Co. No. 403)

TABLE 7: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	**1958	1957	1955	1950
"Allowance"—used alone	43	38	31	169
Allowance, etc.	240	235	217	
"Reserve"—used alone	116	115	122	248
Reserve, etc.	44	49	59	
Provision, etc.	36	35	31	37
Estimated, etc.	23	23	27	36
Deduction, etc.	3	5	4	3
Other terms	6	9	7	4
Total	511	509	498	497
No "uncollectible accounts" indicated	89	91	102	103
	600	600	600	600

*Combined with:	1958	1957	1955
Doubtful accounts	203	197	197
Doubtful notes and accounts	5	6	9
Doubtful amounts	2	2	2
Doubtful balances	3	4	4
Doubtful items	13	13	12
Doubtful receivables	14	16	17
Doubtful	4	5	4
Uncollectible accounts	5	6	5
Uncollectible amounts	2	2	4
Uncollectible items	1	1	1
Uncollectibles	2	2	2
Loss(es)	36	32	28
Collection losses	10	13	14
Carried forward	300	299	299

	1958	1957	1955
Brought forward	300	299	299
Credit losses	2	2	2
Receivable losses	1	1	1
Possible losses	19	18	17
Possible collection losses	6	5	7
Possible credit losses	1	1	1
Possible future losses	1	1	1
Bad debts	13	11	10
Worthless accounts	—	1	—
Realizable value	1	1	1
"Allowance"—used alone	43	38	31
"Reserve"—used alone	116	115	122
Other terms used alone	8	16	6
No "Uncollectible account"	89	91	102
	600	600	600

**1958 Descriptive Terms Combined As:	Primary Descriptive Term Above: Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	175	34	18	11	5	243
Uncollectible	3	—	1	6	—	10
Losses	53	5	12	5	1	76
Bad debts	5	3	4	1	—	13
With other phrases	4	1	1	—	2	8
Used alone	43	117	—	—	1	161
Total	283	160	36	23	9	511

Provision—(36 Companies):
"Provision for doubtful accounts" (*Co. Nos. 262, 332, 586, 588)
"Provision for bad debts" (*Co. Nos. 66, 268, 564)
"Provision for possible losses" (*Co. No. 596)
"Provision for estimated doubtful accounts" (*Co. No. 558)
"Provision for possible losses in collection" (*Co. No. 506)
"Provision against losses" (*Co. No. 44)
"Provision for doubtful accounts and discounts" (*Co. No. 83)
"Provision for losses" (*Co. No. 237, 478)
"Provision for doubtful notes and accounts" (*Co. No. 278)
"Provision for estimated doubtful accounts" (*Co. Nos. 396, 558)
"Provision for uncollectible accounts, unearned finance charges" (*Co. No. 538)

Estimated—(23 Companies):
"Estimated doubtful accounts" (*Co. Nos. 11, 98, 129, 352)
"Estimated uncollectibles" (*Co. Nos. 135, 520)
"Estimated doubtful amounts" (*Co. No. 519)
"Estimated allowances" (*Co. No. 12)
"Estimated doubtful accounts, discounts and allowances" (*Co. No. 551)
"Estimated losses on claims and allowances" (*Co. No. 563)
"Estimated bad debts" (*Co. No. 569)
"Estimated uncollectible accounts" (*Co. No. 584)
"Estimated collection losses" (*Co. No. 414)
"Estimated amounts uncollectible" (*Co. Nos. 434, 449)
"Estimated losses" (*Co. No. 446)
"Estimated losses in collection" (*Co. Nos. 448, 492)

Various Other Terms—(9 Companies):
"Deduction of $XXX for doubtful accounts and allowances" (*Co. No. 578)
"Net after provision for losses" (*Co. No. 476)
"Net of reserves" (*Co. Nos. 340, 356, 565)
"Net of $XXX reserve for doubtful accounts" (*Co. No. 342)
"Net of reserves for doubtful accounts and book returns" (*Co. No. 370)

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 decreased from 278 in 1955 to 243

*Refer to Company Appendix Section.

TABLE 8: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1958	1955
Current Asset Section		
Accounts receivable due from government (*Co. Nos. 73, 86, 199, 226, 415)	46	62
Inventory less billings or progress payment received (*Co. Nos. 8, 89, 350, 396, 509)	41	42
Unbilled costs or fees (*Co. Nos. 199, 226, 413, 468)	15	14
Recoverable costs (*Co. No. 168)	1	5
Reimbursable expenditures (*Co. Nos. 100, 248, 251, 309, 544)	6	10
Fees or costs less progress payments received (*Co. Nos. 81, 100, 391)	3	4
Advances or payments to subcontractors less progress payments received from government (*Co. Nos. 286, 350, 362)	3	2
Deferred general and administrative expenses applicable to contracts (*Co. No. 364)	1	1
Contract termination claims (*Co. Nos. 274, 350, 525)	4	2
Government inventory not further described (*Co. No. 114)	1	7
Advances or progress payments received deducted from current asset sub-total (*Co. Nos. 252, 417)	2	4
Emergency facilities purchased, to be acquired by U.S. Government	—	1
Noncurrent Asset Section		
Advances received with liability account contra thereto (*Co. Nos. 252, 268)	2	1
Recoverable costs (*Co. No. 278)	1	1
Current Liability Section		
Invoices, payrolls, etc., applicable to contracts (*Co. No. 81)	1	1
Estimated price adjustments (*Co. Nos. 243, 286, 528)	3	9
Advances received (*Co. Nos. 92, 350, 472)	3	2
Advance payments received in excess of expenditures (*Co. No. 199)	1	2
Refunds due—U.S. Government (*Co. Nos. 199, 362, 412, 491)	4	4
Unearned billings (*Co. No. 411)	1	—
Estimated costs to be incurred (*Co. Nos. 48, 199)	2	2
Liability under incentive type government contracts	—	2
Noncurrent Liability Section		
Advances received (contra to asset account) (*Co. Nos. 252, 268)	2	1
Refunds due—U.S. Government (*Co. No. 491)	1	—
Notes payable due to government	—	1
Funds for payments under U.S. Government contracts	—	1
Total	144	181

Number of Companies referring to government contracts or defense business		
In balance sheet presentation	70	88
In report, but not including balance sheet presentation	173	190
Not referring to contracts, defense business, etc.	357	322
Total	600	600

*Refer to Company Appendix Section.

during the year under review. There were 70 companies which made specific reference to U.S. Government contracts or defense business within the balance sheet, and 173 companies which included such information elsewhere in their annual reports. Table 8 discloses the various methods used by the survey companies in presenting this information in the balance sheet.

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	415, 430, 443, 506, 539
U.S. Government contracts	21, 48, 68, 330
Cost reimbursement type contracts	100, 350, 362, 468, 478
Prime contracts	2, 81, 289, 391, 460
Sub-contracts	1, 37, 73, 412, 537
Fixed price type or fixed fee contracts	2, 100, 402, 413
Cost-plus-fixed-fee contracts	89, 199, 248, 259, 481
Incentive type contracts	100, 275, 362, 412
Contracts subject to price redetermination	92, 186, 218, 226, 502
Research-development type contracts	86, 89, 100, 355, 552
U.S. Ordnance contracts	1, 65, 143, 186, 506

The amount and nature of the information given in the 1958 reports of the survey companies with respect to their U.S. Government contracts and defense business differed widely. Some gave specific information as to the nature of the contracts while others indicated that contracts existed only by reference to accelerated depreciation of emergency facilities, or by stating that certain sales were subject to renegotiation.

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

Special Feature	*Company Numbers**
Government-owned plant and equipment operated by company	2, 11, 207, 248, 289
Price redetermination or contract adjustment clause	275, 294, 412
Clause covering incentive feature	413
Certain assets pledged as collateral or security for loan or financial aid from government	555
Certain receivables due to company from government pledged to secure loans obtained from non-government sources	205, 339, 506
Contract completed during year	89, 474

*Refer to Company Appendix Section.

The following examples selected from the 1958 annual reports illustrate the methods of disclosure used by the companies regarding their U.S. Government contracts:

Contracts Subject to Price Redetermination

ADMIRAL CORPORATION

Current Assets:

Notes and accounts receivable—	
Due from United States Government	$ 2,394,019
Trade, less reserve for losses (1958, $1,614,214)	28,723,656
	$31,117,675
Inventories, at the lower of cost or market—	
Government contracts, less progress payments (1958, $1,245,204)	3,819,639
Civilian	27,767,285
	$31,586,924

Current Liabilities:

Accrued compensation, cooperative advertising and other expenses, including employees' withholding taxes and other reserves—Note B	$ 5,060,107

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, 1958, that reasonable provision has been made in the accompanying consolidated financial statements for adjustments which may arise out of future price redetermination and renegotiation.

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.

UNITED INDUSTRIAL CORPORATION
Notes to financial statements

Note D: Certain contracts of the Company and its subsidiaries are subject to Government renegotiation and price redetermination for the purpose of limiting profits. It is the opinion of officials of the Company, that any refunds which the companies may be required to make will not be material.

Cost-Plus-Fixed-Fee Contracts

BELL AIRCRAFT CORPORATION

Current Assets:

Receivables—

Defense contracts (including costs and fees under CPFF contracts: 1958—$6,517,329) $16,832,552

Note 1: Renegotiation—A substantial portion of the consolidated sales for the years 1956 through 1958 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.

DOUGLAS AIRCRAFT COMPANY, INC.

Current Assets:

Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts, less allowance (1958—$370,000) for adjustments $140,350,541

Note F: Renegotiation—Renegotiation refunds charged against income for fiscal years 1957 and 1958 represent payments of unilateral net assessments for fiscal years 1953 and 1954, respectively. The Company contends that it has realized no excessive profits in fiscal year 1953, or in any following year, and has filed, or expects to file, a petition in the Tax Court of the United States for recovery of each renegotiation payment. It is believed that any renegotiation refunds that might be required for the fiscal year 1955 and subsequent would not materially affect the accompanying financial statements. Accordingly, no provision for such renegotiation refunds has been made in the accounts.

Cost Reimbursement Type Contracts

Fixed Price Type Contracts

BOEING AIRPLANE COMPANY

Current Assets:

Accounts and estimated balances receivable from the United States—

Cost reimbursement type contracts ..	$183,646,859
Fixed price type contracts	40,513,513
	$224,160,372
Accumulated charges on fixed price type contracts less estimated cost (average total contract basis) of deliveries and the amount necessary to reduce the 707 program to estimated proportionate sales value	$572,047,684
Less advances and progress payments received and accrued	346,625,992
	$225,421,692

Notes to financial statements

Renegotiation—Unilateral determinations of excessive profits have been made by The Renegotiation Board for the years 1952, 1953, and 1954 and a refund has been recommended by the Los Angeles Regional Renegotiation Board for the year 1955. The required or recommended refunds have been paid or provided for in the accounts. Appeals for the years 1952, 1953, and 1954 have been taken to the Tax Court of the United States. If The Renegotiation Board agrees with the findings of the Regional Board for the year 1955, it is expected that the Board's decision will likewise be appealed.

The company does not know and cannot predict what the Board's actions will be for the years 1956, 1957, and 1958. In view of the 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.

Contract Termination Claims

LOCKHEED AIRCRAFT CORPORATION

Current Assets:

United States Government contract termination claims $3,733,064

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:

ALLEN B. DUMONT LABORATORIES, INC.

Current Assets:

Inventories—at cost or less, not in excess of market:

Government contracts and subcontracts, less progress payments (Note 2) $1,180,313

Current Liabilities:

Notes payable to banks:

Under V-loan agreement (Note 2) $2,900,000

Note 2: V-loan Agreement—Under the terms of a V-loan agreement with certain banks, the Company may borrow up to $3,000,000 at any time or from time to time prior to March 31, 1959, 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, 1958, loans aggregating $2,900,000 were secured by the assignment of accounts receivable and inventories aggregating approximately $3,280,000. On March 27, 1959, the V-loan agreement was amended to provide for the extension thereof to June 30, 1959, with a reduction of the maximum permitted borrowing to a total of $2,000,000.

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, acquire any of its 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. The operations since this date having resulted in a loss, the Company is restricted from paying any cash dividends on its common stock or preferred stock.

Since June 1, 1958 the Company has been in default under its V-loan agreement as the consolidated net current assets at that date had fallen below the $10,000,000 minimum requirement.

NORTHROP AIRCRAFT, INC.

Current Assets:

Cash	$10,747,306
Accounts receivable from U.S. Government—Note B	853,398
Other trade accounts receivable—Note B	6,698,370
Unreimbursed costs and fees under cost-plus-fixed-fee contracts (including due from U.S. Government 1958—$28,054,409) less allowances (1958—$605,000) for adjustments—Note B	34,634,755
Inventories—Notes B and C:	
Fixed-price contracts in process, materials, and supplies	21,608,348
Less progress payments received	(1,304,106)
Total current assets	$73,238,071

Current Liabilities:

Notes payable to banks—Note B $18,000,000

Note B: Credit Agreement—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 ($18,000,000 borrowed at July 31, 1958). As collateral to such loans, the Company has assigned amounts due and to become due under all of its sales contracts, with minor exceptions. The agreement requires the Company to maintain an excess of current assets over current liabilities of not less than $16,000,000.

Note C: Inventories—Inventories are priced at the lower of cost or market. Fixed-priced contracts in process are stated on the basis of accumulated costs including 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.

Current Assets:

Cash	$ 5,050,768
Accounts receivable (Note 1)	8,237,619
Unreimbursed costs and fees under United States Government cost-plus-fixed-fee contracts (Note 1)	2,245,267
Inventories (Notes 1 and 2):	
Materials, parts and supplies	5,599,325
Contracts and other work in process	31,052,904
	36,652,229
Less progress payments received on United States Government contracts	5,735,496
	$30,916,733

Current Liabilities:

Notes payable to banks (Note 1)	$25,000,000

Notes to Financial Statements

Note 1: Loans—The Company has an agreement with a group of banks which provides, until April 30, 1960, a line of credit not to exceed $30,000,000 to be evidenced by ninety-day notes. The agreement provides, among other things, that without consent of the banks the Company may not, in any year, declare cash dividends which exceed 50% of net income or purchase any of its own stock. It further provides that the Company obtain a subordinated loan for not less than $3,500,000 prior to April 30, 1959.

The notes payable to banks 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, 1958 are applicable to these contracts.

Note 2: Inventories—Inventories other than major production programs are priced at average cost which is below realizable value. With respect to major production programs such as the DC-8 (a substantial portion of the inventory), KC-135 and the Target Drone program, it is the policy of the Company that, as units are delivered, the estimated profit, if any, for each program is taken into income in proportion to the sales price of the deliveries. Losses are reflected in income when they become evident.

Under the contractual provisions by which the Company receives progress payments on military contracts, title to inventories identified with such contracts is vested in the U.S. Government.

Renegotiation

There were 111 survey companies that referred to renegotiation or to renegotiable sales in their 1958 reports. Of these companies, 11 included in their balance sheets a provision for estimated renegotiation liability, and an additional 12 companies referred to such provision in the notes to the financial statements or in the letter to the stockholders. The remaining 88 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. Other explanations stressed that it was believed that no excessive profits were realized but it was impossible to predict Renegotiation Board's actions, while some companies not accepting the assessed refunds filed petitions with the Tax Court for a redetermination of assessments.

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	1958	1955	1951
Provision for estimated renegotiation liability—			
Set forth under current liabilities:			
Combined with liability for taxes (*Co. Nos. 11, 98, 141, 552)	8	24	18
Combined with non-tax liability (*Co. No. 252)	1	4	3
Separately set forth (*Co. Nos. 100, 413)	2	6	1
Referred to in:			
Notes to financial statements (*Co. Nos. 8, 211, 226, 350)	8	9	16
Letter to stockholders (*Co. Nos. 128, 527)	4	5	5
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales" (*Co. Nos. 92, 183, 364, 412, 439, 544)	88	133	175
Number of Companies Referring To:			
Renegotiation or renegotiable sales	111	181	218
Not referring thereto	489	419	382
Total	600	600	600

*Refer to Company Appendix Section.

Examples—Renegotiation

The following examples, taken from the 1958 reports, illustrate the nature and scope of the information disclosed therein concerning renegotiation and the provision if any made therefor:

Set Forth Under Current Liabilities

AMPHENOL ELECTRONICS CORPORATION

Current Liabilities:

Provision for Federal income taxes and renegotiation, less U.S. Treasury notes of $496,938	$1,664,695

Financial Review

Taxes and Renegotiation—The Company's earnings on Government business continue to be subject to the Renegotiation Act of 1951. Renegotiation proceedings have been completed through 1955 and it is believed that adequate provisions have been made for any liabilities that might arise for the years still subject to review.

CONSOLIDATED DIESEL ELECTRIC COMPANY
Current Liabilities:
United States, Canadian income taxes and renegotiation—estimated (Note 3) $438,502

Note 3: Contingent Liabilities—Substantially all of the Company's business is subject to renegotiation by the United States Government. Clearance has been received from the renegotiation board through the year 1954, without refund. The effect, if any, of renegotiation upon the accompanying consolidated financial statements cannot be determined at this time. The Company's management anticipates no change in an amount which would affect net income materially.

FOOD MACHINERY AND CHEMICAL CORPORATION
Current Liabilities:
Federal and foreign taxes on income and renegotiation (Note 4) $13,013,622

Note 4: Federal and Foreign Taxes on Income and Renegotiation—Certain sales for 1958 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.

NORTHROP AIRCRAFT INC.
Current Liabilities:
Renegotiation refund—net—Note H $1,938,000
Earned Surplus
Provision for renegotiation refund—net—Note H .... ($1,938,000)

Note H: Renegotiation—The Renegotiation Board has determined that the Company realized excessive profits in the gross amount of $5,000,000 on its renegotiable business for the year ended July 31, 1955, which, after adjustment for applicable federal and state income taxes, amounts to a net refund of $1,938,000. As the Company did not concur in the Board's findings, it is expected that a unilateral order will be issued requiring payment. Provision has been made for such payment by a charge against earned surplus.

For years subsequent to July 31, 1955, no determinations of excessive profits are anticipated.

Referred to in Notes to Financial Statements

ACF INDUSTRIES, INCORPORATED
Notes to Financial Statements

Note 4: Renegotiation and Price Redetermination—A portion of the Company's business is subject to possible price redetermination and renegotiation. In the opinion of management adequate provision has been made in the financial statements for any adjustments which may result from final settlement of these matters.

HERCULES POWDER COMPANY
Notes to Financial Statements

Note 3: Renegotiation—U.S. and foreign taxes on income includes provision for estimated liability under the Renegotiation Act of 1951. The amount of this liability is not considered material.

No Provision Made Although Reference Made to Renegotiation Liability or Renegotiable Sales

HALOID ZEROX INC.
Notes to Financial Statements

Note 11: A portion of the net income of the Company for 1958 and prior years was derived from U.S. Government contracts which are generally subject to renegotiation. Necessary reports have been filed and clearance obtained through December 31, 1957. No provision for renegotiation is considered necessary for 1958.

CURTISS WRIGHT CORPORATION
Notes to Financial Statements

Note 7: Renegotiation proceedings have been completed through 1954 and no refunds were required. The Regional Board at New York suggested a refund for 1955 which, after applicable federal and state income taxes would have amounted to approximately $3,300,000. The Corporation has not accepted such recommendation and the matter is now being considered by the Renegotiation Board at Washington. During 1955, negotiated selling price reductions to the Government aggregated in excess of $100,000,000 of which approximately $60,000,000 was applicable to 1955 deliveries.

Since the factors weighed by the Renegotiation Board in New York in determining the amount of the suggested refund for 1955 are not known to the Corporation, it is unable to state what refunds, if any, will be requested for years subsequent to 1955.

The management believes that no excessive profits have been realized and has made no provision for renegotiation refunds for 1955 or any subsequent year.

NORTH AMERICAN AVIATION, INC.
Financial Review

Renegotiation—All of the company's 1958 sales to the Government including sales under Government subcontracts are subject to the Renegotiation Act of 1951, as extended and amended, which provides for recovery by the Government of any profits considered excessive. Renegotiation proceedings have not been completed for the fiscal year ended September 30, 1953, or for subsequent fiscal years. While the company believes that no excessive profits have been realized during any of these years and has made no provision in the accounts for refunds, there is no assurance that refunds will not be claimed by the Government.

With respect to the 1953 and 1954 fiscal years The Renegotiation Board has determined that excessive profits were received or accrued. These determinations, if sustained, would require refunds to the Government of approximately $1,300,000 and $5,500,000, respectively, after adjustments for taxes. The company has not accepted these findings and has filed petitions with the Tax Court of the United States for redeterminations thereof, as provided in the Renegotiation Act.

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 121 companies exclusive of other detail on the balance sheet. An additional 90 companies used the same manner of presentation on the balance sheet but supplied supplementary detail as to the composition of the inventory in the notes to the financial statements or elsewhere in the report. One company* (No. 121) did not present any inventory on the balance sheet. The remaining 388 companies provided inventory details on the balance sheet as follows:

Separate captions and amounts presented for:	*Number of Items*
Finished goods or products	182
Work in process	133
Raw materials	134
Materials	2
Supplies	155
Merchandise	31
Various other separate captions	17

*Refer to Company Appendix Section.

Combined caption with one total amount presented for:	*Number of Items*
Finished goods and work in process	58
Finished goods, work in process, and raw materials	40
Finished goods, work in process, raw materials and supplies	34
Work in process and raw materials	12
Work in process, raw materials and supplies	15
Raw materials and supplies	51
Raw materials, supplies and finished goods	13
Materials and supplies	59
Merchandise and supplies	13
Various other combined factors	19

Pricing Basis

The most commonly used basis of valuation for inventories continues to be "lower of cost or market," as shown in the 1958 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 one of the companies failed to disclose in its 1958 report the basis used in pricing its inventories.

Methods of "Cost" Determination

Table 10 also discloses the methods of "cost" determination for the pricing of inventories as reported by 414 of the 600 survey companies. The remaining 185 companies did not disclose their method of cost determination and of these, one, as mentioned above, did not refer to the basis of pricing its inventories, and one company did not present any inventory. 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 follow and it may be noted that many of the methods disclosed apply to part of the inventory only.

Last-in, First-out "Cost"

HARBISON-WALKER REFRACTORIES COMPANY
Current Assets:

Inventories:	
Refractory brick finished and in process, at last-in first-out cost	$ 6,961,565
Other products, materials and supplies, at lower of average cost or market	15,721,980

UNITED-GREENFIELD CORPORATION
Current Assets:

Inventories, at lower of cost or market, approximately 59% determined on basis of "last-in, first-out":	
Finished goods	$ 8,665,056
Work in process	4,275,729
Raw materials and supplies	2,798,932
	$15,739,717

UNITED STATES STEEL CORPORATION
Current Assets:

Inventories (details on page 38)	$665,294,063

(Page 38): Inventories—

Ore, limestone, coal and coke	$234,309,921
Semi-finished products	192,009,126
Non-ferrous metals	22,486,200
Finished products	160,993,222
Supplies and sundry items	51,463,135
Cost (less billings) of contracts in progress	4,032,459
Total	$665,294,063

The major portion of inventories is carried at cost as determined under the last-in, first-out method, and the remainder is carried at cost or market, whichever is lower.

Average "Cost"

JACOB RUPPERT
Current Assets:

Inventories—at cost, not in excess of market:	
Beer and ale	$507,584
Raw materials	253,632
Supplies	402,366

Note 1: Inventories are stated at cost values which were not in excess of market. Beer and ale inventories are valued at average cost for the year, and raw materials and supplies at cost determined by the first-in, first-out method.

ST. REGIS PAPER COMPANY
Current Assets:

Inventories, at lower of cost (principally average cost) or market:	
Finished products	$16,376,538
Work in process	3,966,471
Raw materials and supplies	34,654,845
Logging operations in progress	4,878,455

SHELL OIL COMPANY
Current Assets:

Inventories (Note 3):	
Crude oil, refined and manufactured products	$187,393,810
Materials and supplies	35,803,956

TABLE 10: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1958	1957	1955	1950
Lower of Cost or Market—				
A: Lower of Cost or Market	370	375	349	342
B: Lower of Cost or Market; and Cost	105	92	82	67
C: Lower of Cost or Market; and one or more other bases	22	19	40	53
D: "Cost not in excess of market"	35	33	54	24
	532	519	525	486
Cost				
E: Cost	46	62	34	63
F: Cost; and one or more other bases	14	10	60	57
G: Cost; and Lower of Cost or Market (See above)	105	92	82	67
	165	164	176	187
Other Bases—				
H: Cost or less than cost	15	18	29	37
I: Cost or less than cost "not in excess of market"	6	6	6	10
J: Cost, less than market	11	15	20	6
K: Lowest of—cost, market, adjusted selling price	1	—	1	1
L: Market	10	10	18	29
M: Market or less than market	4	7	5	8
N: Contract price	5	3	4	11
O: Selling price	—	—	3	4
P: Assigned values	2	3	3	7
Q: Various other bases	3	13	22	11
	57	75	111	124
Total	754	758	812	797

II: Method of Determining "Cost"

Methods:**	1958	1957	1955	1950
A: Last-in, first-out	201	205	202	164
B: Average cost	160	161	146	136
C: First-in, first-out	163	146	138	134
D: Standard costs	33	35	31	32
E: Approximate cost	11	11	11	16
F: Actual cost	10	8	8	7
G: Invoice cost	3	2	1	5
H: Production cost	7	2	4	5
I: Estimated cost	3	5	5	2
J: Replacement cost	6	4	4	2
K: Retail method	15	15	14	6
L: Base stock method	4	3	4	6
M: Job-order method	3	2	1	2
N: Other methods	9	8	8	4
Total	628	607	577	521
Number of Companies:				
Stating inventory pricing basis and cost method	414	400	382	361
Stating inventory pricing basis but omitting cost method	184	197	212	232
Not presenting inventories	1	—	—	—
Not stating inventory pricing basis or cost method	1	3	6	7
Total	600	600	600	600

I. *Refer to Company Appendix Section—A: Co. Nos. 2, 9, 43, 84, 101; B: Co. Nos. 12, 39, 134, 174, 188; C: Co. Nos. 40, 133, 154, 208, 285; D: Co. Nos. 11, 124, 204, 435, 499; E: Co. Nos. 74, 111, 239, 347, 589; F: Co. Nos. 56, 70, 161, 177, 414; G: See "B"; H: Co. Nos. 27, 421, 475, 517, 568; I: Co. Nos. 131, 205, 207, 419, 467; J: Co. Nos. 470, 481, 545; K: Co. No. 562; L: Co. Nos. 442, 450, 534; M: Co. Nos. 60, 64; N: Co. Nos. 48, 568; P: Co. Nos. 173, 450; Q: Co. Nos. 441, 462.

II. **Refer to Company Appendix Section—A: Co. Nos. 17, 21, 45, 91, 95; B: Co. Nos. 478, 494, 508, 519, 533; C: Co. Nos. 429, 433, 442, 456, 529; D: Co. Nos. 34, 35, 82, 97, 283; E: Co. Nos. 90, 137, 191; F: Co. Nos. 275, 413, 449; G: Co. Nos. 19, 59, 102; H: Co. Nos. 142, 174, 487; I: Co. Nos. 147, 543; J: Co. Nos. 321, 441, 572; K: Co. Nos. 102, 231, 269; L: Co. Nos. 208, 220, 405; M: Co. Nos. 86, 119; N: Co. Nos. 198, 391.

Note 3: Inventories—As in prior years, the policy has been followed during the year ended December 31, 1958, of charging monthly to cost of goods sold the highest of inventory carrying value, current cost of production, or purchases. The inventories of crude oil, refined and manufactured products are carried at resulting average cost or market, whichever is lower. Inventories of materials and supplies are carried at average cost or less.

First-in, First-out "Cost"

POLAROID CORPORATION
Current Assets:

Inventories (Note B)	$6,032,851

Note B: Merchandise and Supplies Inventories were valued at cost (first-in, first-out) or market value (not in excess of net realizable value), whichever was lower. Classification of inventories for the respective years was as follows:

	1958	1957
Raw Materials, Supplies and Work in Process	$3,306,329	$2,769,636
Finished Goods	2,726,522	1,866,118
	$6,032,851	$4,635,754

PIPER AIRCRAFT CORPORATION
Current Assets:

Inventories at the lower of cost (first-in, first-out basis) or market:	
Finished airplanes	$1,265,284
Service parts	517,223
Work in process	3,209,234
Raw materials and purchased parts	2,187,812
Manufacturing supplies	72,738
	7,252,291
Less allowance for possible losses	258,774
	$6,993,517

PERMANENTE CEMENT COMPANY
Current Assets:

Inventories—at lower of cost (first-in, first-out method) or market:	
Finished products	$2,024,041
Work in process	845,766
Raw materials	1,264,859
Repair parts and supplies	2,299,538
	$6,434,204

Standard "Cost"

SMITH-CORONA MARCHANT INC.
Assets:

Inventories (note 4)	$26,359,046

Note 4: Inventories—Inventories at June 30, 1958 consist of the following:

Finished products, work in process, raw materials, supplies and deferred costs reimbursable under contracts with U.S. Government (Portion relating to Government contracts is stated at estimated recoverable costs plus applicable profit. All other valued at standard costs with certain items at actual costs, but not in excess of the lower of cost or market.)	$27,760,797
Less partial payment advances by U.S. Government	1,401,751
	$26,359,046

A. G. SPALDING & BROS. INC.
Current Assets:

Inventories—at lower of standard cost or market:	
Finished goods	$ 8,956,405
Work in process	2,389,435
Raw materials	2,354,800
	$13,700,640

JONES & LAMSON MACHINE COMPANY
Current Assets:

Material and supplies, work in process and finished parts and machines—at cost or standard cost	$4,485,934
Less: Reserve for obsolescence	150,000
	$4,335,934

Note 1: Net income is based upon inventories of work in process, finished parts and machines at standard cost.

OTIS ELEVATOR COMPANY
Current Assets:

Inventories—note 1	$41,371,834

Note 1: Inventories—Inventories are priced at the lower of cost or market, cost being mostly standard costs which approximate actual.

Replacement "Cost"

PHILLIPS PETROLEUM COMPANY
Current Assets:

Inventories:	
Crude oil, petroleum products, and merchandise (lower than market)—Note 1	$113,972,557
Materials and supplies (at cost or condition value)	30,039,390

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.

Retail Method

W. T. GRANT COMPANY
Current Assets:

Merchandise inventories (including merchandise in transit)—at the lower of cost or market determined principally by the retail inventory method	$69,762,345

F. W. WOOLWORTH CO.
Current Assets:

Merchandise inventories (Note A)	$151,101,803

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

Base Stock Method

ENDICOTT JOHNSON CORPORATION
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	$27,967,322
Footwear in process	2,284,638
Raw materials	13,289,508
Miscellaneous	1,181,980
	$44,723,448

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 $18,759,172. 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 $9,004,403 and the excess of $9,754,769 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 $909,948. Since the required addition was not deducted in computing the 1958 federal income tax, an amount equivalent to the federal income tax applicable to the addition ($473,200) was charged directly to "Accumulated Retained Earnings," and only the remainder of $436,748 was charged to earnings.

THE NATIONAL SUGAR REFINING COMPANY

Current Assets:

Inventories (Note 1):	
Raw and refined sugar	$17,543,030
Manufacturing supplies	2,024,091

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.

Job-Order Method

BURROUGHS CORPORATION

Assets required to carry on daily transactions:

Inventories of purchased materials and finished products, less progress billings on uncompleted military contracts	$101,587,117
Details of Items in Consolidated Statement of Financial Condition	
Inventories:	
Finished machines, supplies and accessories	$ 44,171,415
Machines and other products in various stages of completion and materials and factory supplies	49,689,060
Cost of uncompleted military contracts, less estimated cost of shipments and progress billings on such contracts	7,726,642
	$101,587,117

Note 2: Inventories—Inventories are valued at the lower of cost or market, less progress billings on uncompleted military contracts. Cost is determined by job order method for 18% of the inventories, by approximate first-in, first-out method for 74% of the inventories and by last-in, first-out method for 8% of the inventories. The effect on net income for 1958 from the use of the last-in, first-out method was not material.

Various Other Methods

BOND STORES, INC.

Current Assets:

Merchandise inventories—Note A:	
Woolens, trimmings, etc.	2,388,596.09
Work in process	981,665.03
Finished goods	17,759,479.27
	$21,129,740.39

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 accessories 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.

PITTSBURGH PLATE GLASS COMPANY

Current Assets:

Inventories (see note 3):	
Finished products	$ 65,270,382
Work in process	6,059,103
Raw materials	17,978,435
Supplies (including repair parts)	21,809,010
Total inventories	$111,116,930

Note 3: Inventories are stated generally at the lower of cost (average or standard excluding certain fixed expenses) or market.

Determination of "Market"

There were 553 of the 600 survey companies that mentioned market value in their presentations of inventory. Of these, 85 companies stated the methods used in the determination of such values as follows:

Current replacement values	57
Net realizable value (recoverable cost)	18
Selling price	11
Purchase price	10
Hedging procedure values	3
Various other	2
Total	101

Current Replacement

COLLINS & AIKMAN CORPORATION

Current Assets:

Inventories (Note 1)	$8,536,474

Note 1: Inventories—Approximately 71% of the inventories are valued at cost on the last-in, first-out (LIFO) method which was adopted by the parent company in the year ended March 3, 1951. Such cost is lower than current replacement market at March 1, 1958. The remaining inventories are valued at cost on the first-in, first-out method or market, whichever is lower.

DAN RIVER MILLS, INCORPORATED

Current Assets:

Inventories (Note 1):	
Finished goods	$20,501,901
Work in process	12,477,581
Raw materials	13,430,804
Supplies	2,778,485
Total inventories	$49,188,771

Note 1: Inventories—Cotton included in the Corporation's inventory, and cotton and related costs of manufacturing (exclusive of finishing charges) included in the inventory of Woodside Mills, are stated on the basis of cost (last-in, first-out) which is below replacement cost. In all other respects the inventories are stated at the lower of cost (principally average cost) or replacement market.

THE GRIESS-PFLEGER TANNING CO.

Current Assets:

Inventories (Note 1):	
Finished goods	$ 518,044
Work in process	749,529
Raw hides, materials, and supplies	244,049
	$1,511,622

Note 1: Raw hides, including raw hide content of leather sides in finished goods and work in process, amounting to $734,511 at December 31, 1958, are valued at cost determined by the last-in, first-out (Lifo) method, which was less than replacement market. 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 replacement market.

Selling Price

ALPAC CORPORATION

Current Assets:

Inventories (Note 4):	
Manufacturing supplies	$46,736
Finished products	37,530
Vending machines	9,992
Other supplies	5,632
	$99,890

Note 4: Inventories—Finished goods inventories are valued at industry standards for raw materials and manufacturing supplies plus labor and overhead at average cost. The values used approximate actual cost and do not exceed market. Market has been determined by comparison to current selling prices.

Manufacturing supplies, vending machines and other supplies are valued at invoice cost which does not exceed current replacement cost.

Purchase Price

WESSON OIL & SNOWDRIFT CO., INC.

Current Assets:

Inventories (for bases of valuation see Note 1)—	
Vegetable oils and their by-products	$10,273,395
Other finished goods	5,437,581
Other raw materials	6,681,179
Packaging materials and supplies	3,090,327
	$25,482,482

Note 1: The vegetable oils and their by-products included in the inventories were valued at cost under the last-in, first-out method, established originally at August 31, 1941. The aggregate value of such inventories on that basis was below market value at August 31, 1958. In preceding years the carrying value of individual oils was reduced to market value if required. In the current year, and in consonance with present day accounting concepts, it was decided that a more realistic comparison for determining whether a provision is required to reduce inventories carried on a "lifo" basis to market value would be to base such comparison on the combined values of all vegetable oil inventories. Under this method, no provision was required at August 31, 1958. Had the company followed the method previously used, a provision of some $500,000 would have been required at August 31, 1958 to reduce one of the oils to its market value. The other finished goods and other raw materials were valued at the lower of cost (computed principally 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 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.

Net Realizable Value

CROWN CORK & SEAL COMPANY, INC.

Current Assets:

Inventories (Note A)	$23,485,000

Note A: Inventories—Inventories are stated at the lower of cost or market. Cost for major 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 cost or net realizable amounts.

Inventories are classified as follows:

Finished goods and work in process	$13,417,000
Raw materials and supplies	10,068,000
	$23,485,000

LOEW'S INCORPORATED

Current Assets:

Inventories, at lower of cost or estimated realizable value—	
Film productions (including $32,537,000 with participating producers)—	
Released, less amortization	$27,808,713
Completed—not released	5,624,022
In process	25,104,030
Books and rights	2,821,804
Television productions	2,469,287
Materials and supplies	2,738,788
	$66,566,644

Hedging Procedure Values

PILLSBURY MILLS, INC.

Current Assets:

Inventories (Note 2)	$29,156,560

Note 2: Inventories—

Hedged commodities—grain and grain products	$16,418,745	$27,375,586
Unhedged commodities:		
Specialties, commercial feed, ingredients, etc.	9,841,942	8,645,330
Sacks, supplies, etc.	2,895,873	2,781,442
	$29,156,560	$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.

Various Other

PENN FRUIT CO., INC.

Current Assets:

Inventories of merchandise and supplies at cost or market, whichever is lower: (Note 2)	
In warehouses	$ 4,492,963
In stores	4,688,789
In transit	504,770
Supplies in warehouse	469,462
	$10,155,984

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

CUDAHY PACKING COMPANY
Current Assets:

Inventories—	
Products where costs were not ascertainable, priced at approximate market prices allowing for estimated selling expenses; other products and ingredients and supplies, priced at the lower of cost or market—	
Products	$20,186,837
Ingredients and supplies	3,151,876
	$23,338,713

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, 1957, and 1958.

Presentation of Lifo

The changes in the number of survey companies adopting or abandoning the use of lifo are summarized, comparatively, in Table 11. One of the survey companies referred to the use of lifo for the first time in its 1958 report and two companies which in prior years referred to lifo made no mention of it this year.

Examples—Lifo Inventory Cost Method

Examples illustrating the disclosures of the use of lifo in the 1958 reports are as follows:

Adoption of Lifo

MOTOR PRODUCTS CORPORATION
Current Assets:

Inventories of finished and in-process products, materials and supplies (Note D)	$2,309,464.35

Note D: Inventories—Inventories are stated at the lower of cost or market prices after an allowance of $150,000.00 applicable to Aermotor Company, a subsidiary. The Corporation has elected to price a substantial portion of the inventories acquired from the Duncan Parking Meter Corporation by use of the last-in, first-out method of cost determination instead of the first-in, first-out method used for the remaining inventories. This election did not have a material effect upon the operating results for the year.

It is estimated that the current cost of replacing the Duncan inventories would be approximately $180,000.00 greater than the carrying amount.

TABLE 11: LIFO INVENTORY COST METHOD

Number of Companies	1958	1957	1955	1950
Using Lifo at beginning of year (See Table 12)	205	200	200	118
Adopting Lifo during year (*Co. No. 389)	1	6	4	42
Subsidiaries acquired with Lifo	—	—	2	—
No reference to Lifo in current year (*Co. Nos. 283, 521)	(2)	—	—	—
Readopting Lifo during 1950	—	—	—	1
Abandoning Lifo during year	—	(1)	(4)	—
Using Lifo at end of year (See Table 12)	204	205	202	161
Not referring to use of Lifo	396	395	398	439
Total	600	600	600	600
Extending Lifo to additional inventory classes during year	—	2	3	16
Partially abandoning Lifo during year (*Co. Nos. 67, 374)	2	1	—	1

*Refer to Company Appendix Section.

Continuing Lifo Adopted in Prior Years

AMERICAN CYANAMID COMPANY
Current Assets:

Inventories (Note 1):	
Finished stock	$38,753,888
Work in process	22,806,638
Raw materials and supplies	25,649,882

Note 1: The inventories are stated on the basis of the lower of cost or market. In general, cost is determined by either the "first-in, first-out" or "average cost" method, apart from certain inventories aggregating approximately $6,800,000 the cost of which is computed in accordance with the "last-in, first-out" method.

CENTURY ELECTRIC COMPANY
Current Assets:

Inventories—Note A:	
Finished products	$1,301,697
Products in process	1,778,625
Raw materials	970,222
Manufacturing supplies	642,434

Note A: The principal items of inventory were priced at cost under the last-in, first-out (LIFO) method. Inventories not priced on the last-in, first-out basis, consisting principally of manufacturing supplies, were priced at the lower of average cost or replacement market.

HOLLY SUGAR CORPORATION
Current Assets:

Inventories (at cost, not in excess of market):	
Sugar (last-in, first-out basis), and by-products	$12,563,306
Beet seed, fertilizer, etc.	706,202
Marketable livestock and feed	3,238,226
Operating supplies	1,817,053

TABLE 12: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers	Lifo Use In: 1958	1957	1955	1950
	Chemicals and Chemical Products:				
30	Chemicals (*Co. Nos. 32, 71, 289, 291, 308, 332, 385, 430, 585)	9	9	8	7
11	Drugs and Medicines	—	—	—	—
7	Paints and Varnish (*Co. Nos. 263, 402)	2	2	2	3
24	Clay, Glass, Building Materials (*Co. Nos. 20, 280, 318, 341, 373, 401)	6	6	9	4
28	Electrical Appliances and Machinery (*Co. Nos. 134, 214, 249, 252, 465, 512, 589)	7	8	6	3
	Food Products:				
8	Bakery (*Co. No. 395)	1	1	1	1
11	Beverage (*Co. Nos. 227, 400)	2	2	2	2
17	Canning and Preserving (*Co. Nos. 39, 122, 346, 369, 508, 514, 526)	7	8	8	6
8	Confectionery (*Co. Nos. 31, 87, 106, 290, 597)	5	5	5	4
9	Dairy (*Co. Nos. 104, 127)	2	2	3	3
10	Grain Milled Products (*Co. Nos. 60, 79)	2	2	2	2
11	Meat Products (*Co. Nos. 64, 366, 388, 462, 536, 593)	6	6	7	6
7	Sugar (*Co. Nos. 296, 575)	2	2	2	2
12	Instruments—Scientific (*Co. Nos. 91, 211, 319)	3	3	3	3
8	Leather and Shoe Products (*Co. Nos. 273, 313, 374)	3	3	3	3
9	Lumber and Wood Products (*Co. Nos. 195, 204, 302, 590)	4	3	5	1
	Machinery:				
7	Agricultural (*Co. Nos. 18, 129, 130, 192, 415)	5	5	5	1
12	Business and Store (*Co. Nos. 119, 278, 396)	3	3	4	3
30	General Industrial (*Co. Nos. 47, 175, 202, 288, 323, 435, 523)	7	9	6	3
8	Household and Service (*Co. Nos. 367, 582)	2	3	3	1
25	Special Industrial (*Co. Nos. 98, 112, 178, 189, 282, 497, 560)	7	5	4	2
25	Metal Products (*Co. Nos. 29, 45, 108, 167, 228, 377, 406, 447, 488, 498)	10	9	8	5
6	Motion Pictures	—	—	—	—
16	Nonferrous Metals (*Co. Nos. 21, 40, 49, 55, 56, 107, 123, 142, 148, 328, 438, 470, 472)	13	13	14	12
20	Paper (*Co. Nos. 138, 193, 312, 331, 372, 420, 487, 551, 586)	9	10	10	9
30	Petroleum (*Co. Nos. 70, 144, 169, 276, 441, 456, 459, 475, 500, 505, 516, 517, 518, 519, 520, 530, 545, 553)	18	18	17	16
8	Printing and Publishing (*Co. No. 546)	1	1	1	1
10	Radio, Records, Television	—	—	—	—
36	Retail Stores (*Co. Nos. 17, 69, 120, 145, 231, 233, 262, 265, 335, 358, 365)	11	11	12	13
9	Rubber Products (*Co. Nos. 232, 259, 267, 268)	4	4	4	4
30	Steel and Iron (*Co. Nos. 4, 10, 12, 63, 94, 153, 170, 180, 210, 307, 321, 355, 404, 469, 492, 527, 569, 572, 576, 591, 599)	21	21	20	15
	Textiles:				
7	Floor Covering (*Co. Nos. 13, 65, 67, 95, 340, 383)	6	6	6	6
6	Synthetic Fibers (*Co. Nos. 53, 557)	2	1	1	1
20	Wool and Cotton (*Co. Nos. 88, 118, 125, 151, 188, 317, 327, 466, 524, 562)	10	11	11	13
11	Tobacco (*Co. Nos. 161, 473)	2	2	1	1
	Transportation Equipment:				
6	Boat and Ship (*Co. No. 241)	1	1	1	1
13	Railway (*Co. Nos. 41, 256, 452, 455, 483)	5	4	4	3
18	Aircraft	—	—	—	—
16	Motor Vehicles (*Co. Nos. 116, 143, 389)	3	2	1	—
21	Miscellaneous (*Co. Nos. 314, 454, 594)	3	4	3	1
600	Total	204	205	202	161

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

REVERE COPPER AND BRASS INCORPORATED

Assets:

Inventories (Note A)	
Prime aluminum	$ 1,703,533
Rolling mills divisions	
Metals	19,656,418
Fabricating costs	9,326,704
Manufacturing divisions	
Raw, in process, and finished stock	8,067,845
Supplies	1,018,555

Note A: Inventories at December 31, 1958 were in the aggregate below market at that date. The costs of metal contents at rolling mill divisions were determined on the last-in, first-out method. The balance of the inventory was stated at the lower of cost or market value, cost being determined on the first-in, first-out method.

VANADIUM-ALLOYS STEEL COMPANY

Current Assets:

Inventories (Note 1)	$8,068,889

Note 1: Inventories—Inventories at June 30, 1958 consisted of work in process and finished goods totaling $5,884,062 and raw materials and supplies totaling $2,184,827. Approximately 69% of the total amount of inventories is stated at cost on the basis of last-in, first-out, and the balance generally at the lower of average cost or market.

Partial Abandonment of Lifo

ARTLOOM CARPET CO., INC.

Current Assets:

Inventories (priced at standard cost) "A"	
Finished goods	$1,902,070.93
Work in process	498,370.34
Raw materials	1,628,346.49
Miscellaneous supplies, etc.	154,490.70
	$4,183,278.46
Less—Adjustment of standard cost to give effect to last-in—first-out value of raw material, wool in inventory	857,159.27
	$3,326,119.19

Note "A": Inventories—During the year ended August 2, 1958, the Company decided to go off "Last-in—First-out" method of "Lifo" covering Cotton and Jute, in raw materials, work in process and finished goods, resulting in an increase in Inventory in the amount of $236,145.02 and a resulting decrease in amount of loss transferred to Earnings Retained in Business from the Statement of Income. This change in Inventory method was approved by the U.S. Treasury Department Commissioner of Internal Revenue.

The net inventories in the Consolidated Balance Sheet and those used in computing cost of sales, are stated as to raw material, wool, included in the Finished Goods, Work in Process and Raw Materials at cost on the basis of Last-in—First-out; other materials, labor and burden are stated at standard costs. The miscellaneous supplies, etc., are stated at cost (on First-in—First-out basis) or market, whichever is lower. The amount at which the inventories are stated at August 2, 1958 is less than current replacement cost.

MELVILLE SHOE CORPORATION

Current Assets:

Inventories (Note 1)	$22,890,260

Note 1: Approximately 30% 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. During 1958, the company changed its method of valuing certain inventories from LIFO to the lower of cost or market under the retail inventory method. The effect of the change on net earnings was not material.

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 reduction is in the use of "reserves for possible future inventory price decline" (49 in 1950; 6 in 1958) and "basic lifo replacement" (18 in 1950; 7 in 1958). During 1958 there was a decrease both in the number of reserves

TABLE 13: INVENTORY RESERVES

Purpose Stated	1958	1957	1955	1950
Possible future inventory price decline (*Co. Nos. 16, 187, 340)	6	9	14	49
Inventory obsolescence (*Co. Nos. 212, 252, 320, 592, 596)	8	11	12	19
Basic Lifo replacement (*Co. Nos. 60, 366, 388, 593)	7	6	6	18
Restatement of Lifo (*Co. No. 4)	1	2	2	—
Reduction to Lifo cost (*Co. Nos. 288, 367)	4	5	6	6
"Base stock" adjustment (*Co. Nos. 173, 402, 525)	4	4	4	5
Reduction to market (*Co. Nos. 13, 217)	4	3	3	2
"Released film" amortization (*Co. 351, 421, 550)	4	5	5	5
Inventory shrinkage (*Co. Nos. 212, 404)	2	2	3	3
Materials and supplies adjustments (*Co. Nos. 40, 305, 456)	3	2	1	4
Purchase commitments (*Co. No. 267)	1	—	—	—
Inventory hazard (*Co. No. 443)	1	—	1	1
Purpose not stated (*Co. Nos. 7, 76, 438, 589)	8	8	16	24
Miscellaneous	—	1	5	11
Total	53	58	78	147
Terminology Used				
"Reserve"	27	25	42	86
"Provision"	6	5	7	11
Various other terms	20	28	29	50
Total	53	58	78	147
Number of Companies with:				
Inventory reserves	50	55	71	124
No inventory reserves	550	545	529	476
Total	600	600	600	600

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

shown and in the number of companies presenting such reserves, which is a continuation of the trend shown in recent years.

Examples of inventory reserves for various purposes follow; additional examples are shown following Balance Sheet Presentation (Table 14, this section).

Inventory Price Decline

ALLIED MILLS, INC.
Capital Stock and Surplus:

Surplus:	
Earned	$31,495,330.34
Initial	662,249.82
	$36,971,875.81
Surplus reserve:	
Possible market decline in inventories	621,000.00
	$37,592,875.81

THE HOBART MANUFACTURING COMPANY
Shareholders' Equity:

Earnings retained in the business (Note 4):	
Domestic companies	$13,364,826
Subsidiaries outside the United States	7,022,310
Total	$20,387,136

Note 4: Earnings retained in the business include approximately $2,900,000 appropriated or capitalized by subsidiaries outside the United States, and $1,000,000 appropriated by the Parent Company for possible future inventory price declines and other contingencies.

Inventory Obsolescence

INDUSTRIAL RAYON CORPORATION
Current Assets:

Inventories—at lower of average cost or market:	
Finished product	$ 5,425,515
In process	2,309,937
Raw materials	2,621,370
Supplies, less allowance ($235,163) for obsolescence	3,211,291
	$13,568,113

JONES & LAMSON MACHINE COMPANY
Current Assets:

Material and supplies, work in process and finished parts and machines—at cost or standard cost	$4,485,934
Less: Reserve for obsolescence	150,000
	$4,335,934

WORTHINGTON CORPORATION
Current Assets:

Inventories (see page 16)	$54,255,788

Page 16: Inventories consist of finished machines and parts, work in process, purchased materials and supplies and are stated at the lower of cost (principally average cost), or market, less a provision of $1,000,000 for possible future obsolescence.

Basic Lifo Replacement and Reduction to Lifo Cost

SWIFT & COMPANY
Current Liabilities:

Provision for replacement of basic "lifo" inventories (net after income taxes)	$2,064,493

Note 1: Inventories—A substantial portion of the product inventories of Swift & Company and its domestic subsidiaries is valued at cost under the "Last-in, First-out" (Lifo) method provided in the Internal Revenue Code. Other product inventories of the company and its domestic subsidiaries are valued at approximate market, less selling expense. The product inventories of the Canadian subsidiaries are valued at cost under a modified form of the "Lifo" method.

THE MAYTAG COMPANY
Current Assets:

Inventories—Note A	$12,756,726

Above Shareowners' Equity:

Reserve	
For valuation of inventories on basis of LIFO method—Note A	$ 1,498,000

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, and a reserve has been established to give effect to the LIFO basis.

The major classes of the inventories were as follows:

Finished products	$ 3,712,006
Work in process and finished parts	6,464,230
Raw materials	1,890,086
Manufacturing supplies	690,404
Total	$12,756,726

Other Inventory Reserves

ENDICOTT JOHNSON CORPORATION
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	$27,967,322
Footwear in process	2,284,638
Raw materials	13,289,508
Miscellaneous	1,181,980

Above Stockholders' Equity:

Provision to give effect to the normal base stock method of inventory (Note 1)	$18,759,172

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 is not recognized for federal income tax purposes and taxes have, therefore, been paid on the entire provision of $18,759,172. 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 $9,004,403 and the excess of $9,754,769 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 $909,948. Since the required addition was not deducted in computing the 1958 federal income tax, an amount equivalent to the federal income tax applicable to the addition ($473,200) was charged directly to "Accumulated Retained Earnings," and only the remainder of $436,748 was charged to earnings.

BIGELOW-SANFORD CARPET COMPANY, INC.
Current Assets:

Inventories (Note 1)—	
Finished goods	$11,206,602
Work in process	5,225,812
Raw materials and supplies	5,287,283
Total inventories	$21,719,697

Note 1: The basis of stating inventories is shown in the following tabulation:

Carpet raw materials and raw material content of in-process and finished goods at cost, determined on the last-in, first-out method	$ 8,938,864
Less—Reserve for unrealized losses based upon market value of certain raw materials	117,236
	$ 8,821,628
Manufacturing costs, etc., at standard cost	8,458,884
Miscellaneous inventories, at lower of cost or market	4,439,185
Total inventories	$21,719,697

NATIONAL STEEL CORPORATION
Current Assets:

Inventories of finished and semi-finished products, raw materials and supplies—Note A	$98,042,495

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:

Finished and semi-finished products	$49,619,276
Raw materials	38,394,285
Supplies	11,733,997
	$99,747,558
Less reserves for shrinkage	1,705,063
	$98,042,495

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 1958); above stockholders' equity section (10 reserves in 1958); or within the stockholders' equity section of the balance sheet (5 reserves in 1958). 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, 1957, and 1958.

Examples of the various balance sheet presentations follow:

With Related Inventories

SYMINGTON WAYNE CORPORATION
Current Assets:

Inventories—Note 3	$9,965,695

TABLE 14: INVENTORY RESERVES

Balance Sheet Presentation	1958	1957	1955	1950
With Inventories for:				
Possible future inventory price decline	—	1	2	9
Inventory obsolescence (*Co. Nos. 252, 306, 415, 592)	8	10	12	15
Reduction to Lifo cost (*Co. No. 288)	3	3	4	5
Materials and supplies adjustments (*Co. Nos. 40, 305, 456)	3	1	1	3
"Base stock" adjustments (*Co. No. 525)	1	1	3	4
Reduction to market (*Co. Nos. 13, 217, 404)	4	2	2	1
"Released film" amortization (*Co. Nos. 198, 550)	4	5	5	5
Inventory shrinkage (*Co. Nos. 212, 404)	2	2	2	3
Inventory hazard (*Co. No. 443)	1	—	—	—
Purpose not stated (*Co. Nos. 76, 342, 370, 438)	6	6	7	11
Miscellaneous	—	—	3	8
Among Current Liabilities for:				
Basic Lifo replacement (*Co. Nos. 60, 346, 536, 593)	6	5	3	7
Miscellaneous	—	—	1	1
Above Stockholders' Equity for:				
Possible future inventory price decline (*Co. No. 253)	2	2	1	15
Inventory obsolescence	—	1	—	4
Reduction to Lifo cost (*Co. No. 367)	1	1	2	1
Basic Lifo replacement (*Co. No. 456)	1	1	2	9
Reduction to market	—	1	1	1
"Base stock" adjustments (*Co. Nos. 173, 402)	3	3	1	1
Restatement of Lifo (*Co. No. 4)	1	2	2	—
Purchase commitments (*Co. No. 267)	1	—	—	—
Purpose not stated (*Co. No. 66)	1	—	4	7
Miscellaneous	—	1	2	2
Within Stockholders' Equity for:				
Possible future inventory price decline (*Co. Nos. 16, 287, 293)	4	8	10	25
Purpose not stated (*Co. No. 589)	1	2	5	7
Miscellaneous	—	—	3	3
Total	53	58	78	147

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

Note 3:

Inventories	1958
At the lower of first-in, first-out cost or market:	
Finished and in process:	
Regular line	$3,730,968
Government contracts	851,777
Service parts	884,290
Materials and supplies	4,613,660
Provision for obsolescence	(115,000)
	$9,965,695

STEWART-WARNER CORPORATION

Current Assets:

Inventories, priced at lower of cost (first-in, first-out) or market—	
Finished goods and work in process	$19,018,222
Raw materials and manufacturing supplies	2,730,418
	$21,748,640
Less: Reserve to reduce basic inventories to 1945 price levels	4,360,000
	$17,388,640

HERCULES MOTORS CORPORATION

Current Assets:

Inventories—at cost (generally on last-in, first-out basis) not in excess of market—Note A $5,066,909

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 except for inventories aggregating $1,048,809 which were purchased from another manufacturer of internal combustion engines with consideration therefor in part payable as the material is used or sold on a first-in, first-out basis. The Corporation elected to use the last-in, first-out method of pricing inventories for federal income tax purposes as of August 1, 1955; the portion of the allowance ($2,901,633) 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.

ELGIN NATIONAL WATCH COMPANY

Current Assets:

Inventories, at lower of cost (first-in, first-out basis) or market:	
Finished merchandise	$4,510,207
Work in process	7,110,532
Raw materials and supplies	1,997,529
Less—Provision for excess inventory	(1,200,000)
	$12,418,268

Among Current Liabilities

ARCHER-DANIELS-MIDLAND COMPANY

Reserve for anticipated replacement of inventories, less related income tax reduction—Note A $651,000

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 of open purchase and sale contracts to market 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.

The current replacement cost of oils priced in the inventory at last-in, first-out cost exceeded the inventory basis thereof by approximately $3,480,000 at June 30, 1958 and $4,650,000 at June 30, 1957. The decrease in this "lifo reserve" results both from decreases in market prices and from decreased quantities in the physical inventories at June 30, 1958. The excess of the cost of anticipated replacement of decreased quantities prior to the end of the income tax reporting year (December 31, 1958) over the lifo basis thereof is reflected in the reserve for anticipated replacement of inventories, after adjustment for allocable income tax effect.

WILSON & CO., INC.

Reserve for replacement of "last-in, first-out" inventories $375,000

Above Stockholders' Equity

NATIONAL LEAD COMPANY

Inventory reserve (Note 2) $11,314,102

Note 2: Inventories are priced at the lower of cost (on various "average," "first-in, first-out" or "last-in, first-out" bases) or market. The inventory reserve has been maintained on the basis of the following quantities and prices of normal stocks:

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

THE PURE OIL COMPANY

Reserves:

For replacement of inventories $2,317,858

CORN PRODUCTS COMPANY

Reserves:

For reduction of normal inventories to fixed prices—Note 2 .... $2,081,011

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, in general, 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 income normal tax and surtax resulted in a decrease in cost of sales of $9,332 in 1958 and $592,736 in 1957.

ACME STEEL COMPANY

Reserves:

For net adjustment of inventories on last-in, first-out cost basis, to first-in, first-out cost basis—Note A $4,900,000

Note A: Inventories—Inventories have been stated at the lower of cost or market. The amounts of the major classes of inventories were as follows:

Finished products	$11,799,813
Work in process	6,852,819
Raw materials	9,970,577
Manufacturing supplies	4,200,315
Total	$32,823,524

Method used in determination of cost:	
Last-in, first-out	$23,603,002
First-in, first-out	9,220,522
Total	$32,823,524

The use of the LIFO method (adopted in prior years) of pricing certain inventory components has resulted in inventory and working capital amounts being less than if the first-in, first-out method had been continued in use. In the statement of financial condition, this difference (amounting to $4,900,000 at December 31, 1958, and $4,100,000 at December 31, 1957, after giving effect to applicable taxes on income at current rates) has been added to current assets and offset by a reserve of like amount.

Within Stockholders' Equity

H. J. HEINZ COMPANY

Earned Surplus:

Reserved for future inventory price decline, possible loss in foreign assets and other contingencies $5,000,000

JAMES LEES AND SONS COMPANY
Surplus and Reserve:

Capital surplus	$ 155,440
Earned surplus	35,772,413
Reserve for inventory losses and contingencies (allocated from income of prior years)	1,000,000
	$36,927,853

CASH SURRENDER VALUE OF LIFE INSURANCE

Of the 72 survey companies that disclosed "cash surrender value of life insurance" in their 1958 reports, one revealed the item as a current asset, two made a comment in the notes to the financial statements. The remaining 69 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.

DAYSTROM, INCORPORATED
Notes to Financial Statements

Note 4: Other Assets and Deferred Charges—Other assets and deferred charges consist of the following:

Debenture issue expenses, less amortization	$ 195,140
Due from officers and employees under Company's stock option incentive plan (secured by 20,070 shares in 1958 and 12,950 shares in 1957 of common stock held in escrow until fully paid for)	298,956
Cash surrender value of life insurance policies	231,083
Miscellaneous	276,824
	$1,002,003

EASTERN STAINLESS STEEL CORPORATION
Noncurrent Assets:

Total current assets	$25,315,257
Cash surrender value of life insurance policies	357,798
Fixed assets:	
Property, plant and equipment—at cost	17,113,957

TOBIN PACKING CO., INC.
Noncurrent Assets:

Mortgages, notes and other investments (at cost)	$255,729
Cash surrender value of life insurance	532,760
Investment in stock of affiliated corporation (at cost) (Note 2)	119,853

TABLE 15: CASH SURRENDER VALUE OF LIFE INSURANCE

Balance Sheet Presentation	1958	1957	1955	1950
As a current asset separately set forth (*Co. No. 370)	1	2	1	3
As a noncurrent asset separately set forth (*Co. Nos. 15, 126, 138, 277, 300, 317, 370, 392, 462, 548)	20	14	36	31
Combined with or shown under heading of other noncurrent assets (*Co. Nos. 2, 13, 118, 136, 265, 292, 339, 384, 490, 502)	49	37	49	79
Not shown on balance sheet but existence thereof discussed in notes (*Co. Nos. 189, 369)	2	1	2	—
Number of Companies:				
Disclosing the above asset	72	54	88	113
Not disclosing the above asset	528	546	512	487
Total	600	600	600	600

*Refer to Company Appendix Section.

JONES AND LAMSON MACHINE COMPANY
Current Assets:

Cash in banks and on hand		$1,071,677
Accounts receivable—trade		1,414,775
Notes receivable, advances, etc.		55,739
Federal income tax refundable		722,495
Cash value of life insurance		154,511
Material and supplies, work in process and finished parts and machines—at cost or standard cost	$4,485,934	
Less: Reserve for obsolescence	150,000	4,335,934
Total current assets		$7,755,131

McCORMICK & COMPANY, INCORPORATED
Notes to Financial Statements

Note D: The net liability at November 30, 1958, under the supplemental pension plan for executive and supervisory employees, is after the deduction of assets which have been designated by the Board of Directors as the source of funds for financing this supplemental plan. The liability is computed as follows:

Liability for past service, less estimated Federal income tax savings in future years when payments are made to participants		$493,000
Less:		
Cash surrender value of individual life insurance contracts on employees	$279,261	
Investments in marketable securities at cost (quoted market value $199,042)	209,188	488,449
Net liability		$ 4,551

UNITED INDUSTRIAL CORPORATION
Investments and Non-Current Receivables:

Capital stock (at cost) of partially-owned subsidiary not consolidated (Note A)	$1,002,600
Mortgage notes receivable (portion due after one year)	341,676
Sundry securities	178,595
Cash surrender value of life insurance policies	107,777
Sundry non-current receivables	31,914
Total investments and non-current receivables	$1,662,562

CUTLER-HAMMER INC.

Other Assets:

Investment in wholly owned foreign subsidiary, at cost (Note 3)	$ 89,552
Long term notes receivable and other investments, at cost	736,773
Insurance deposits and cash value of life insurance	106,939
Property, plant, and equipment, less reserves for depreciation; 1958 — $9,579,277; 1957 — $8,752,498 and $7,813,413 (Note 4)	25,874,087
Patents, at cost, less amortization	128,414
Deferred charges, etc.	191,920
Total working capital and other assets	$46,634,471

CLAIMS FOR REFUND OF INCOME TAXES

Table 16 summarizes the 86 claims for income tax refunds as disclosed by 77 of the survey companies in their 1958 annual reports. As in prior years, the most commonly stated bases of such claims for refund continue to be in connection with operating loss carry-backs. In 40 instances the basis of the claims was not specifically explained.

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:

TABLE 16: TAX REFUND CLAIMS

Nature of Tax Refund Claims	1958	1955
Claims for Refund of Federal Income or Excess Profits Taxes:		
Basis of Claims Explained as—		
A: Operating loss carry-back (*Co. Nos. 67, 78, 177, 292, 320)	29	16
B: Sections 721-722 of Internal Revenue Code	1	3
C: Replacement of basic Lifo inventory	—	7
D: Adoption of Lifo inventory (*Co. Nos. 69, 262, 358, 365)	4	6
E: Excess profits credit—carry-back (*Co. No. 430)	1	2
F: Various other (*Co. Nos. 295, 373, 422)	6	2
Basis of Claims Not Explained—		
G: Income taxes (*Co. Nos. 35, 101, 175, 288, 389)	26	20
H: Excess profits taxes (*Co. Nos. 49, 420, 460)	8	9
I: Taxes (*Co. Nos. 110, 143, 337, 590)	6	4
Claims for Refund of—		
J: State taxes (*Co. Nos. 445)	2	1
K: Foreign taxes (*Co. Nos. 8, 35, 58)	3	2
Total	86	72

Presentation in 1958	A	B	C-D	E	F	G-H	I	J	K	1958 Total
Current assets	23	—	—	—	2	13	3	1	2	44
Noncurrent assets	2	—	4	—	—	6	3	—	1	16
Tax liability offset	1	—	—	—	—	1	—	—	—	2
Notes to statements	2	1	—	1	4	11	—	1	—	20
Letter to stockholders	1	—	—	—	—	3	—	—	—	4
Total	29	1	4	1	6	34	6	2	3	86

Number of Companies	1958	1955
Referring to tax refund claims	77	62
Not referring to tax refund claims	523	538
Total	600	600

*Refer to Company Appendix Section.

Operating Loss Carry-Back

CONSOLIDATED PAPER COMPANY

Current Assets:

Cash	$1,347,796.87
U.S. Government Savings Bonds (at cost plus accrued interest)	—
Accounts receivable—trade (less allowances for discounts and doubtful accounts of $30,000.00)	1,613,233.62
Refundable federal income taxes incident to 1958 operating loss carryback (less application of $192,866.09 for balance due on 1957 taxes)	569,982.74

SACO-LOWELL SHOPS

Current Assets:

Cash	$ 3,150,121
Notes and accounts receivable less allowance of $215,208 for doubtful accounts	2,953,677
Refundable federal taxes on income—estimated, less reserves applicable to open years (Note B)	2,727,682
Inventories—at the lower of approximate cost or market	7,338,443
Investment in The Elliott Addressing Machine Company—at cost (sold in December 1958)	850,954
Prepaid expenses	120,923
Total current assets	$17,141,800

Note B: Federal Income Taxes—After application of the Company's current operating loss against the available taxable income of prior years, there remains an effective loss carry-forward of approximately $2,200,000, which is available for offset against otherwise taxable income of subsequent years.

Sections 721-722 of Internal Revenue Code

CELANESE CORPORATION OF AMERICA
Notes to Financial Statements

Note 4: Federal Taxes on Income—The net accrued liability for Federal taxes on income at December 31, 1958 is as follows:

Provision for Federal income taxes	$12,707,112
Deduct U.S. Treasury Notes and Certificates and accrued interest	12,707,112
Net	$ —

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

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 required and the net amount recovered after providing for related income taxes and expenses, was added to the income of 1957.

Applications for relief from 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. Petitions for redetermination have been filed with the Tax Court and conferences are being held with representatives of the Treasury Department. No credit has been taken in the financial statements for any possible recovery pending final settlement or adjudication.

ASSOCIATED DRY GOODS CORPORATION
Non-current Assets:

Excess of income taxes under retail inventory method over such taxes on the Lifo basis since adoption of that basis (Note A)	$2,864,839

Note A: Merchandise Inventories—Merchandise inventories are generally stated on the basis of cost or market, whichever is lower, as determined by the retail inventory method using, as to certain inventories, the last-in, first-out (Lifo) method based on published indices of price changes since the dates on which the method was adopted. Inventories are stated at $4,360,158 less than if the last-in first-out principal had not been followed.

As explained in prior reports, the Lifo method was adopted retroactively to January 31, 1942 in one instance and to January 31, 1943 in others. A reduction of $2,864,839 in income taxes for all subsequent years has resulted. As has been noted, the United States Treasury Department has rejected the Company's adoption of the Lifo method. Such action as is available to the Company to contest the disallowances has been deferred pending the outcome of a Government appeal of a United States District Court decision favorable to the retroactive adoption of the Lifo method by another large department store organization.

R. H. MACY & CO., INC.
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 3)	$ 9,018,699
Investment in Macy's Bank—at cost (equity therein $870,365)	794,000
Miscellaneous, including investments in and advances to affiliated shopping centers at cost	7,021,416
Total other assets	$16,834,115

Note 3: The inventories are stated at August 2, 1958, at $13,607,289 and at August 3, 1957, at $13,277,806 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 follow the 1951 determination and the District Director disallowed the use of Lifo. On advice of counsel, the Corporation instituted action in the United States District Court, Southern District of New York, to contest the disallowance. The District Court decided in favor of the Corporation. That decision was reversed by the United States Court of Appeals for the Second Circuit. The Corporation has petitioned the United States Supreme Court for a writ of certiorari.

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 been protested. The proposed capitalization (less estimated amortization of $1,920,000 to date) would involve approximately $1,580,000 of Federal income taxes, including interest, in excess of the amounts paid and provided. Audits by the Internal Revenue Service of the Corporation's tax returns for the years through July 31, 1955, have been substantially completed. Assuming allowance of the Lifo method and the Newark store loss, it is believed that adequate provision has been made to cover possible additional assessments.

Various Other

ALPHA PORTLAND CEMENT COMPANY
Notes to Financial Statements

Note E: The method prescribed by the Internal Revenue Service for computing the percentage depletion deduction allowed to cement companies for Federal income tax purposes has been successfully challenged in certain court cases during 1957 and 1958. For the years ended December 31, 1957 and 1958 the Company has computed its provision for Federal income taxes using the method that these court cases indicate will be allowed. Based on the additional depletion allowance computed under this method, claims and amendments thereto for refund of Federal income taxes aggregating approximately $6,500,000, exclusive of interest, have been filed by the Company for the years 1951 to 1956, inclusive. In order to protect certain of these claims, the Company has brought suits in the appropriate District Court for recovery of approximately $2,000,000 of the above income taxes. As the percentage depletion computation used in the claims has not yet been agreed to by the Internal Revenue Service, the Company has not reflected the claims in the accompanying financial statements.

LEHIGH PORTLAND CEMENT COMPANY
Notes to Financial Statements

Note 2: Federal Income Taxes in Controversy—As explained on page 6 of this report the Company has filed claims with the Treasury Department for a portion of Federal income taxes, aggregating approximately $13,000,000 (excluding interest), paid for the years 1951 to 1955. The amount claimed has been determined by computing the deduction for depletion on a basis upheld in the Federal courts for other cement companies. Suits have been instituted for the recovery of taxes claimed, but it is impossible to estimate the amount of such recovery and, therefore, the claims have not been reflected in the statement of financial position.

In 1956, 1957 and 1958 the Company charged earnings with provisions for Federal income taxes based on the more favorable depletion allowance. Returns have been filed and taxes paid for 1956 and 1957 and will be filed for 1958 on the same basis. The Company also made precautionary special charges in these years, for the tax on the depletion in controversy, of $2,400,000, $1,800,000 and $1,900,000, respectively, a total of $6,100,000.

Federal Income and Excess Profits Taxes

AMERICAN SMELTING AND REFINING COMPANY
Current Assets:

Cash	$ 14,587,175
U.S. Government and other marketable securities	—
Accounts receivable—less reserve	28,567,456
U.S. excess profits tax recoverable	1,922,382
Inventories (Note 2)	116,696,598
Materials and supplies	17,959,900
Prepaid expenses	832,401
Total current assets	$180,565,912

CITY STORES COMPANY
Investments and Other Assets:

Investments in and net receivables from unconsolidated subsidiaries	$2,323,583
U.S. Government securities deposited as security under leases	118,720
Mortgages receivable, sundry investments and other items	883,268
Refundable income and excess profits taxes of prior years	180,367
Suspense	933,725
	$4,439,663

FIXED ASSETS—Basis of Valuation

Of the 600 survey companies, 556 disclosed the basis used in the valuation of fixed assets or properties 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 properties, plant and equipment 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 1958 reports are as follows:

At Cost

BOND STORES, INCORPORATED

Fixed Assets—at Cost—Note B:

Land and buildings	$9,505,861.96	
Less: Reserves for depreciation	1,786,784.09	7,719,077.87
Machinery, furniture, fixtures and equipment	7,468,530.64	
Less: Reserves for depreciation	4,124,744.89	3,343,785.75
Alterations, improvements and leaseholds	6,489,110.32	
Less: Reserves for amortization	3,468,313.30	3,020,797.02
		$14,083,660.64

Note B: Land in the amount of $5,549,393.34 and buildings in the amount of $3,956,468.62, totaling $9,505,861.96, consist principally of property located at 45th Street and Broadway, New York City, owned by Adda, Inc., a wholly-owned subsidiary; properties in Rochester, New York, including the factory owned by Bond Martin St. Corp., a wholly-owned subsidiary; property located in Chicago, Illinois, owned by Stajac, Inc., a wholly-owned subsidiary; a factory in New Brunswick, New Jersey; and a shirt factory located in Meridian, Mississippi, owned by Burnley Shirt Corporation, a wholly-owned subsidiary.

The property owned by Adda, Inc., a wholly-owned subsidiary, is subject to a first mortgage in the amount of $2,451,871.93, payable in quarterly installments to December 13, 1959. The property located in Chicago, Illinois, owned by Stajac, Inc., a wholly-owned subsidiary, is subject to a first mortgage in the amount of $2,545,000.00, payable in quarterly installments to December 17, 1967. At each of the said dates the unamortized balance of the respective mortgages becomes due and payable. The Corporation is not liable under any of such mortgages, being in each case a lessee of the property, or a substantial part thereof, under long term leases; such leases are assigned as collateral under the mortgages, respectively.

BOOTH FISHERIES CORPORATION

Plant and Equipment:	Cost	Reserves
Land	$ 336,269	$ —
Buildings and leasehold improvements	3,415,397	1,825,643
Machinery and equipment	2,783,832	1,292,622
Automotive equipment	516,961	361,323
Floating equipment	1,672,122	865,135
	$8,724,581	$4,344,723

THE B. F. GOODRICH COMPANY

Property:

Land, buildings, machinery, equipment and leasehold improvements, at cost	$347,385,014
Accumulated depreciation and amortization	180,040,696
	$167,344,318

TABLE 17: PROPERTY—FIXED ASSETS

Basis of Valuation	1958	1957	1955	1950
Cost (*Co. Nos. 91, 271, 360, 412, 553, 586)	488	493	457	396
Cost plus appraisal value (*Co. Nos. 62, 265, 383, 420, 546, 562)	10	12	11	22
Cost plus assigned, estimated, or revised values (*Co. Nos. 80, 151, 226, 436)	4	2	6	5
Cost plus cost in cash or securities	—	—	—	1
Cost plus various other bases (*Co. Nos. 48, 147, 177, 438, 542)	14	15	10	9
Cost in cash or securities (*Co. Nos. 56, 142, 165, 510)	4	3	3	8
Cost in cash or securities plus subsequent additions at cost (*Co. Nos. 54, 470)	2	2	2	2
Cost in cash or securities plus estimated and nominal values or assigned values	—	—	—	2
Cost or below cost (*Co. Nos. 64, 292, 314, 431, 571)	5	5	10	17
Approximate cost (*Co. Nos. 122, 162, 207, 285, 467)	6	5	12	11
Approximate cost plus appraisal or revised values	—	—	1	2
Appraisal value with subsequent additions at cost (*Co. Nos. 156, 249, 313, 402, 536, 563)	10	9	13	24
Appraisal value with subsequent additions at cost plus various other bases	—	1	1	6
Assigned value with subsequent additions at cost (*Co. Nos. 273, 327)	2	2	8	9
Revised value with subsequent additions at cost (*Co. Nos. 354, 494)	2	1	2	5
Revised value with subsequent additions at cost plus various other bases	—	—	—	3
Acquisition value with subsequent additions at cost	—	—	—	4
Basis of predecessor plus additions at cost (*Co. Nos. 96, 221, 253, 575, 593)	6	4	3	2
Book value (*Co. No. 230)	1	2	2	1
Book value with subsequent additions at cost (*Co. No. 445)	1	1	2	4
Reproductive value with subsequent additions at cost (*Co. No. 67)	1	1	4	2
Number of Companies				
Stating valuation basis for fixed assets	556	558	547	535
Not stating valuation basis for fixed assets	44	42	53	65
Total	600	600	600	600

*Refer to Company Appendix Section.

GENERAL BAKING COMPANY

Property and Plant (at Cost):

Land	$ 3,253,814
Buildings, machinery and equipment	61,456,342
Less: Depreciation	32,718,407
	$28,737,935
Total property and plant	$31,991,749

GOOD HUMOR CORPORATION

Fixed Assets, at Cost:

Buildings	$1,014,600
Machinery and equipment	2,430,343
Automobiles and trucks	3,317,692
	6,762,635
Less: Allowance for depreciation	3,799,264
	2,963,371
Land	386,038
	$3,349,409

HUDSON PULP & PAPER CORP.

Fixed Assets, at Cost—Notes C and H:

Land, buildings, equipment, woodlands and timber and water rights	$70,306,607
Less: Reserves for depreciation, amortization and depletion	25,059,934
	45,246,673
Construction in progress	1,733,398
	$46,980,071

Note C: Depreciation, amortization and depletion charged to income for the year ended August 31, 1958, amounted to $3,680,048.

Note H: Commitments for woodlands, plant, machinery and equipment aggregated approximately $2,000,000 as at August 31, 1958.

KUHLMAN ELECTRIC COMPANY

Property, Plant and Equipment, at Cost Less Reserves for Depreciation:

Land	$ 47,135
Leasehold improvements	149,057
Buildings and building equipment	620,955
Machinery, equipment, furniture and fixtures	1,569,547
	$2,386,694
Less: Reserves for depreciation	1,212,233
	$1,174,461

SHOE CORPORATION OF AMERICA

Fixed Assets—at Cost:

Land	$ 56,693.50
Buildings, less depreciation $409,003.87	461,421.35
Leaseholds and leasehold improvements, less amortization $2,283,098.82	2,605,828.75
Machinery, furniture and fixtures, less depreciation $2,175,884.55	1,956,332.40
Fixtures and improvements in progress	51,820.49
	$5,132,096.49

Cost Plus Various Other Bases

DIAMOND GARDNER CORPORATION

Other Assets:

Investment in unconsolidated English subsidiary, at cost	$ 3,863,000
Other investments and long-term notes receivable	4,143,000
Standing timber and cutting rights, at cost	4,756,000
Property, plant and equipment (Note 4)	67,525,000
Prepaid expenses and other assets	2,437,000

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

	December 31, 1958	December 31, 1957
Land, at cost or less	$ 1,537,000	$ 1,567,000
Buildings and equipment at cost (including construction in progress, 1958 — $3,246,000; 1957 — $20,277,000)	108,648,000	95,481,000
	110,185,000	97,048,000
Depreciation allowance	42,660,000	36,037,000
	$ 67,525,000	$61,011,000

WEYERHAEUSER TIMBER COMPANY

Timber and timberlands, etc., at March 1, 1913 values, plus subsequent additions at cost	$114,587,563

Cost in Cash or Securities

CHILE COPPER COMPANY

Property, Plant and Equipment:

Mines and mining claims, water rights and lands for metal producing plants—see Note D		$ 99,689,518
Buildings and machinery at mines, reduction works, power plants, railroads and scows—see Note D	$234,216,736	
Less depreciation, obsolescence and amortization	115,467,421	118,749,315
		$218,438,833

Note D: Property, Plant and Equipment—Basis of Valuation

(a) Property, plant and equipment are included in the Consolidated Balance Sheet on the basis of cost to the consolidated group either in cash or in stock of the parent company at par value.

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

(b) As required by the United States Treasury Department, valuations of mining properties, determined for depletion purposes in connection with Federal income taxes, have been recorded on the books but these values have not been reflected in the published accounts of the Company.

The Company has consistently followed the practice of publishing its accounts without deduction for depletion of metal mines, and no such deduction is included in these financial statements.

CONTAINER CORPORATION OF AMERICA

Plant and Equipment, at Cost (Including Properties Acquired for Capital Stock):

	Gross	Reserves	
Land and timberland, less depletion	$ 9,081,826	—	$ 9,081,826
Buildings	36,216,666	11,848,025	24,368,641
Machinery, equipment, etc.	124,651,369	50,775,361	73,876,008
Leasehold and leasehold improvements	8,589,479	6,194,666	2,394,813
Plants under construction	—	—	—
	$178,539,340	$68,818,052	$109,721,288

Fixed Assets:

Land		$ 470,666.50
Water-power rights		437,350.00
Buildings, machinery and equipment	$7,854,615.60	
Less reserve for depreciation	3,946,467.69	3,908,147.91
Total fixed assets (Note 1)		$4,816,164.41

Note 1: Fixed assets are stated at cost of acquisition in 1937 from a predecessor company on the basis of cash paid and securities issued therefor, plus subsequent additions at cost, less retirements and sales.

Appraisal Value with Subsequent Additions at Cost

THE AMERICAN DISTILLING COMPANY

Property, Plant and Equipment:

Stated at values, including allowance for depreciation determined by independent appraisers at December 31, 1934, plus subsequent additions at cost, less retirements:	
Buildings, machinery and equipment	$8,400,180
Less: Allowance for depreciation and amortization	4,734,500
	$3,665,680
Land	128,053
	$3,793,733

AMERICAN OPTICAL COMPANY

Plant and equipment, at 1921 appraised values, plus subsequent additions at cost, less accumulated depreciation and amortization of $21,822,189	$16,880,060

THE CUDAHY PACKING CO.

Plant and Equipment:

Land, at appraised value at October 30, 1915, plus subsequent additions at cost		$ 1,161,017
Buildings, machinery and equipment, at cost—partially as determined by a cost appraisal as of October 30, 1939, by independent engineers	$43,985,230	
Less—Reserves for depreciation	18,754,429	25,230,801
		$26,391,818

NATIONAL-U.S. RADIATOR CORPORATION

Property, Plant and Equipment (Note 1):

Buildings	$ 4,494,083
Machinery and equipment, etc.	12,094,854
	16,588,937
Less, accumulated depreciation	8,907,949
	7,680,988
Land	653,091
	$ 8,334,079

Note 1: Property, plant and equipment is stated at cost except for certain items acquired prior to 1938 which are carried at utilization values established by an independent appraisal.

Basis of Predecessor Company with Subsequent Additions at Cost

THE BILLINGS & SPENCER CO.

Plant Assets (Note 2)	$3,493,545.15
Less: accumulated depreciation and amortization	2,480,677.25
Plant assets—net recorded value	$1,012,867.90

Note 2: The property, plant and equipment of The Billings & Spencer Company, acquired in part from the Company's predecessor pursuant to reorganization proceedings, is stated at the transferor's basis at November 19, 1928, plus additions at cost, less retirements and accumulated depreciation and amortization subsequent to November 19, 1928. Dies, tools, jigs and fixtures are stated at the transferor's basis at November 19, 1928 and, in accordance with the established practice of the Company, are not subject to annual depreciation charges but current replacements are charged to manufacturing costs and expenses. Plant assets of subsidiary corporations are stated at cost.

GENERAL MILLS, INC.

Other Assets:

Sundry costs chargeable to future periods	$ 4,923,978
Land, buildings, and equipment (Note 3)	95,573,735
Miscellaneous assets	1,134,622
Goodwill, trade-marks, trade names, and other intangibles	2,429,891
Total other assets	$104,062,226

Note 3: Land, Buildings, and Equipment—

Buildings and equipment	$146,847,344
Less accumulated depreciation	54,589,034
Depreciated cost of buildings and equipment	92,258,310
Land	3,315,425
	$ 95,573,735

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

Net expenditures for physical facilities in the year ended May 31, 1958, totaled $15,858,711. Gross book value of property sold or retired totaled $3,915,008. Authorized but unexpended appropriations for additions and improvements aggregated $9,780,838 at May 31, 1958.

TERMINOLOGY FOR "ACCUMULATED DEPRECIATION"

The committee on terminology of the American Institute of Certified Public Accountants recommended that 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 134 companies in 1958. The term "accumulated" has gained wide acceptance, increasing in usage from 98 companies in 1950 to 249 companies in 1958. The term "allowance" was used in 1958 by 118 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 for the year 1958 the frequency of their combination with the primary terms.

Examples

Selected from the 1958 survey reports are the following examples of the types of balance sheet terminology for accumulated depreciation:

Reserve—(134 Companies):

"Reserves" (*Co. Nos. 103, 165, 192, 217, 322, 524)
"Reserve(s) for depreciation" (*Co. Nos. 8, 16, 31, 55, 61, 245)
"Reserve(s) for depreciation and amortization" (*Co. Nos. 48, 304, 411, 451, 490)
"Reserve(s) for depreciation and depletion" (*Co. Nos. 363, 475)
"Reserve(s) for depreciation, depletion and amortization" (*Co. Nos. 14, 70, 157, 402)
"Reserve for depreciation, depletion, etc." (*Co. No. 23)
"Reserve(s) for depreciation and obsolescence" (*Co. No. 125)
"Reserve(s) for depreciation, obsolescence and amortization" (*Co. No. 51)
"Reserve(s) for depreciation, amortization, and depletion (*Co. Nos. 79, 301)
"Reserve(s) for depletion and depreciation (*Co. Nos. 501, 565)
"Reserves for depreciation, depletion and intangible development costs (*Co. No. 169)
"Reserves for depreciation and depletion and other property reserves" (*Co. No. 353)
"Reserves for depreciation, amortization and retirement" (*Co. No. 555)

*Refer to Company Appendix Section.

TABLE 18: ACCUMULATED DEPRECIATION

Primary Descriptive Term	*1958	1957	1955	1950
A: Reserve—used alone	12	14	9	275
Reserve, etc.	122	133	157	
B: Accumulated, etc.	249	230	190	98
C: Allowance, etc.	118	120	127	108
D: Depreciation—used alone	35	38	41	80
Depreciation, etc.	43	39	44	
E: Provision, etc.	8	10	13	17
F: Accrued, etc.	2	2	3	4
G: Estimated, etc.	3	3	3	2
H: Wear and exhaustion	—	—	1	16
Wear of facilities	1	1	1	
Portion allocated to operations	2	2	3	
Portion charged to operations	1	1	—	
Amount charged to expense	1	1	1	
Amount charged to operations	2	4	2	
Amount charged to past operations	—	—	2	
Amounts applied to past operations	—	—	1	
Depreciated cost	1	1	1	
Depreciated ledger values	—	1	1	
Total	600	600	600	600

*1958 Term Used with:	Primary Term Shown Above: A	B	C	E	F	G	H	None Used	1958 Total
Depreciation	58	125	61	2	1	—	—	37	284
Depreciation—amortization	40	81	37	4	—	1	1	21	185
Depreciation—amortization—depletion	8	19	10	1	1	—	—	10	49
Depreciation—amortization—obsolescence	1	4	1	—	—	—	—	1	7
Depreciation—depletion	8	13	8	1	—	1	—	9	40
Depreciation—obsolescence	4	3	1	—	—	—	—	—	8
Other phrases used	3	4	—	—	—	1	7	—	15
Reserve—used alone	12	—	—	—	—	—	—	—	12
Total	134	249	118	8	2	3	8	78	600

"Reserve for depreciation and obsolescence charged to operations" (*Co. No. 11)
"Reserve for depreciation and obsolescence" (shown on liability side of the balance sheet) (*Co. Nos. 207, 467)
"Depreciation, depletion, and amortization reserves" (*Co. No. 516)

Accumulated—(249 Companies):
"Accumulated depreciation" (*Co. Nos. 247, 406, 433, 454, 521, 541)
"Accumulated depreciation and amortization" (*Co. Nos. 50, 101, 123, 275, 280, 350, 359)
"Accumulated depreciation, depletion, and amortization" (*Co. Nos. 140, 180, 299, 430, 500)
"Accumulated depreciation, amortization and obsolescence" (*Co. Nos. 34, 118, 159, 188)
"Accumulated depreciation and depletion" (*Co. Nos. 10, 132, 385, 398, 446)
"Accumulated depreciation and obsolescence" (*Co. Nos. 160, 254, 261)
"Accumulated amortization" (*Co. No. 541)
"Accumulated depreciation, amortization and in 1957 general plant reserve" (*Co. No. 131)
"Accumulated depreciation and quarry depletion" (*Co. No. 272)
"Accumulated depreciation, depletion, etc." (*Co. No. 296)
"Accumulated depreciation and revaluation" (*Co. No. 370)
"Accumulated wear and exhaustion" (*Co. No. 319)
"Accumulated portion of cost allocated to operations as depreciation" (*Co. No. 418)
"Accumulated allowances for depreciation and amortization" (*Co. Nos. 199, 427)
"Accumulated allowances for depreciation" (*Co. Nos. 152, 488)
"Accumulated depreciation, amortization and depletion" (*Co. No. 200)
"Accumulated depletion, depreciation and amortization" (*Co. No. 534)
"Accumulated depletion, depreciation and other allowances" (*Co. No. 553)
"Accumulated depreciation, amortization and adjustments for loss in value" (*Co. No. 214)
"Accumulated allowances for amortization, depletion and depreciation" (*Co. No. 21)
"Accumulated depreciation at normal rates" (*Co. No. 117)

Allowance—(118 Companies):
"Allowance(s) for depreciation" (*Co. Nos. 84, 174, 255, 273, 575, 577)
"Allowance(s) for depreciation and amortization" (*Co. Nos. 409, 482, 491, 546, 576)
"Allowances for depreciation, amortization, and depletion" (*Co. Nos. 373)
"Allowances for depreciation, amortization, and obsolescence" (*Co. No. 345)
"Allowance(s) for depreciation and depletion" (*Co. Nos. 235, 459)
"Allowances for depreciation and obsolescence" (*Co. No. 204)
"Allowances for depreciation, depletion, amortization, and loss on abandonments and replacements, as annexed" (*Co. No. 257)
"Allowance for depletion and depreciation" (*Co. No. 177)
"Allowances for depreciation, depletion, and amortization" (*Co. Nos. 404, 469, 472)
"Allowance for depreciation, depletion, etc. (*Co. No. 208)
"Allowances for depletion, depreciation and amortization" (*Co. No. 414)
"Depreciation allowance" (*Co. No. 195)

Depreciation—(78 Companies):
"Less—Depreciation" (*Co. Nos. 7, 35, 82, 178, 246, 306, 396, 400)
"Depreciation and amortization" (*Co. Nos. 141, 251, 297)
"Depreciation and depletion" (*Co. Nos. 519, 586)
"Depreciation, depletion and amortization" (*Co. No. 236)
"Depreciation, obsolescence and amortization" (*Co. No. 142)
"Depreciation to date" (*Co. Nos. 356, 585)
"Depreciation and depletion to date" (*Co. No. 59)
"Depreciation reserves" (*Co. No. 114)
"Depreciation and amortization to date" (*Co. No. 379)
"Depreciation, amortization and depletion" (*Co. Nos. 32, 307)
"Depreciation, amortization and cost depletion" (*Co. No. 341)
"Depreciation" (*Co. Nos. 57, 308)
"Depreciation and amortization" (*Co. Nos. 75, 94)
"After deducting depreciation $XXX" (*Co. No. 557)

Provision—(8 Companies):
"Provision for depreciation" (*Co. Nos. 99, 286)
"Provision for depreciation and amortization" (*Co. Nos. 65, 71, 410, 429)
"Provision for depletion and depreciation" (*Co. No. 144)
"Provision for depreciation, depletion and amortization, and less property written off" (*Co. No. 568)

Accrued, Estimated, or Various Other Terms—(13 Companies):
"Accrued depreciation" (*Co. No. 533)
"Accrued depreciation, depletion and amortization" (*Co. No. 12)
"Estimated depreciation and amortization" (*Co. No. 191)
"Estimated depreciation and depletion" (*Co. No. 318)
"Estimated cost of wear and exhaustion (depreciation and amortization)" (*Co. No. 119)
"Amount charged to expense to date" (*Co. No. 369)
"Amount charged to operations to date" (*Co. No. 81)
"Amounts charged to operations as depreciation and amortization" (*Co. No. 213)
"Plant and equipment at depreciated cost" (*Co. No. 317)
"Portion allocated to operations to date" (*Co. No. 83)
"Portion charged to operations to date as depreciation" (*Co. No. 590)
"Portion of original cost allocated to operations to date" (*Co. No. 130)
"Reduced for wear of facilities" (*Co. No. 589)

LONG-TERM LEASES—Disclosure by Lessees

Table 19 summarizes the nature of the information disclosed in the 1958 survey reports with regard to long-term leases and the related methods of disclosure.

*Refer to Company Appendix Section.

TABLE 19: LONG-TERM LEASES

Disclosures by Lessees	Details set forth in: Footnotes	Letter to Stockholders	1958 Total
Annual rental amount (*Co. Nos. 61, 102, 227, 383, 431, 500)	104	4	108
Aggregate rental amount (*Co. Nos. 203, 350, 386, 398, 489)	4	1	5
Lease expiration date (*Co. Nos. 179, 221, 365, 481, 484)	24	1	25
Number of leases (*Co. Nos. 13, 35, 231, 271, 329, 457)	42	4	46
Renewal option (*Co. Nos. 124, 179, 221, 358, 413, 432)	14	1	15
Sell-lease-back feature (*Co. Nos. 11, 123, 315, 342, 410, 427)	17	11	28
Term of leases (*Co. Nos. 9, 162, 243, 379, 482, 542)	58	2	60
Total	263	24	287

Number of Companies	
Setting forth details of long-term leases	93
Mentioning long-term leases but omitting details thereof	72
Indicating long-term leases (without mention thereof) by reference to leaseholds or leasehold improvements	51
	216
Neither referring to nor indicating long-term leases	384
Total	600

*Refer to Company Appendix Section.

There were 216 survey companies that referred to, or implied, the existence of long-term leases in their 1958 reports. One hundred twenty-three of these companies merely mentioned or indicated that such leases existed or did not furnish any details with regard to them. The remaining 93 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 1958 annual reports to illustrate the various types of long-term lease disclosures are as follows:

Disclosure by Lessees

AIR REDUCTION COMPANY
Notes to Financial Statements

Note D: The unexpended portion of amounts authorized for capital expenditures at December 31, 1958 approximated $29,150,000, as to which commitments have been made respecting approximately $20,600,000. At the same date the Company was lessee under leases, ending more than three years after that date, having an aggregate annual rental of approximately $1,850,000.

CENTRAL SOYA COMPANY, INC.
Notes to the Consolidated Financial Statements

Note 6: Long Term Lease—During the year the company entered into an agreement with The Glidden Company to lease, as of September 1, 1958, the grain storage facilities, protein, flour and lecithin production units, a research laboratory and soybean processing facilities formerly operated by The Glidden Company as its Chemurgy Division. The lease is for a period of three years at an annual rental of $2,175,000 with an option to purchase the properties on August 31, 1961 for $8,550,000. The agreement also provides that during the three-year period the company will pay, in addition to the base rental, all taxes assessed against the leased properties and the cost of insurance and maintenance on said properties.

COLONIAL STORES INCORPORATED
Notes to Consolidated Financial Statements

Note 7: Commitments and Contingencies—(a) At December 27, 1958, the companies were lessees of warehouse, store and other properties under 620 leases, of which 457 have terms extending beyond three years from that date. The rentals for the year 1959 under the leases expiring after 1961 aggregate $6,134,149 plus, in some instances, real estate taxes and other expenses, or increased amounts based on percentages of sales; approximately 40% of such aggregate relates to leases expiring within ten years and the major portion of the balance to leases expiring in from ten to twenty-five years.

(b) The Federal income tax returns of the parent company for the years 1954 to 1957, inclusive, are presently under examination by the Internal Revenue Service and certain adjustments have been proposed. The major issues are to be contested; it is not practicable at this time to estimate the ultimate liability, if any, which may result.

CONTINENTAL BAKING COMPANY
Notes to Financial Statements

Note 1: In 1953 the Company entered into an agreement, which may be cancelled on eighteen months' notice, under the terms of which substantially all trucks to be acquired thereafter by the Company and its subsidiaries will be leased rather than purchased. Rentals for trucks leased as of December 27, 1958 will amount to approximately $3,000,000 in 1959. In addition the Company had other leases covering automotive equipment at December 27, 1958 on which the annual rental will amount to approximately $495,000 in 1959.

The Company has entered into, or was negotiating at December 27, 1958, sale-lease-back agreements covering certain properties for periods of twenty, twenty-five and thirty years. The costs of certain new properties, which will be reimbursed upon sale-lease-back, are included in sundry accounts receivable. It is estimated that aggregate annual rentals covering real properties held under leases expiring subsequent to December 31, 1961 amount to $1,700,000.

CONTINENTAL OIL COMPANY
Notes to Financial Statements

Note 9: At December 31, 1958, the Company had long-term leases on certain service station facilities, office buildings and plant facilities, the aggregate annual rentals being approximately $4,900,000. The Company was also obligated under long-term agreements with companies in which it has substantial stock investments to provide specified minimum revenues from product shipments or purchases. No loss is anticipated by reason of such agreements.

GIMBEL BROTHERS, INC.
Notes to Financial Statements

Note 5: The Company and its subsidiaries had twenty-two leases in effect at January 31, 1958 for terms of more than three years. These provide for present aggregate minimum annual rentals of about $2,160,000 plus real estate taxes (these amounts are included with taxes) and, in certain instances, other expenses and additional amounts based on percentages of sales. All long-term leases which have annual rentals in excess of $100,000 each expire between 1966 and 1987 and all but one have renewal privileges.

LOCKHEED AIRCRAFT CORPORATION
Notes to Financial Statements

Note 10: Rent commitments under various long-term leases require annual payments, excluding property taxes and insurance, of from $3,500,000 to $2,800,000 through 1971 and from $1,800,000 to $900,000 for the years 1972 through 1981.

MOHASCO INDUSTRIES, INC.
Balance Sheet

Other Non-current Liabilities:

Long-term rentals on Amsterdam properties (Note 4)	$6,601,545
Estimated liability under pension plans	1,408,980
Other liabilities and deferred credits	251,397
Total other non-current liabilities	$8,261,922

Note 4: Sale and Lease of Amsterdam Properties—In December 1958 certain land and buildings in Amsterdam, New York, owned by a subsidiary, Greenville Mills, Inc., were sold for cash of $2,500,000 and a 5% purchase money mortgage receivable of $8,000,000 and thereupon these properties were leased to Mohasco Industries, Inc. The gain on this sale, $8,450,923 net of applicable state taxes and expenses (no Federal income taxes payable, see Note 7), is included as a special item in the statement of income. The mortgage receivable and interest thereon are due in equal quarterly instalments of $130,084 from April 1, 1959 to October 1, 1966 and $219,282 thereafter to October 1, 1976, which sums are to be applied first to interest and the balance to principal.

The liability for rentals due over the term of the lease, net of the estimated future tax effect, has been provided by a special charge in the statement of income.

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

Note 7: Long-Term Leases and Commitments—The Company had 68 leases on properties in use, expiring more than three years after August 30, 1958. Such leases call for minimum aggregate annual rentals totaling $2,858,270 of which about 18% 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 98 years.

The Company has entered into additional long-term leases covering 7 proposed supermarkets which provide for minimum aggregate annual rentals of $322,219, the rentals to commence at the various dates of completion.

The sum of $185,988 in aggregate rent on leases of transportation equipment was payable in quarterly installments of varying amounts through July 26, 1961. The leases contain options to purchase the equipment at prices declining in proportion to rentals paid.

The sum of $817,297 in aggregate rent on leases of automatic sprinklers and other store equipment was payable monthly in annual rentals of $157,804 at various dates extending through April 30, 1966. In addition, the sum of $83,054 in aggregate rent on leases of automatic sprinkler and other equipment for 3 supermarkets under construction was payable monthly in annual rentals of $10,382 at dates extending through July 31, 1967. The leases are subject to renewal at the option of the Company at nominal rentals.

The contingent liability upon completion of contracts for the construction of 8 new supermarkets, not reflected in the financial statements, amounted to approximately $2,750,000. This liability is covered by commitments from insurance companies and other investors to purchase and lease back upon completion of the properties.

SEARS, ROEBUCK AND CO.
Financial Review and Data

Long Term Leases: The aggregate minimum rentals (exclusive of taxes, insurance and other occupancy charges to be paid by the Company), under all long term leases (over three years), in effect at January 31, 1958, for each of the periods shown, are as follows:

1958-60	$59,797,000
1961-65	90,951,000
1966-70	79,077,000
1971-75	67,873,000
1976-80	55,545,000
1981-85	41,535,000
1986-90	19,982,000
1991-95	5,862,000
1996-2000	1,882,000
After 2000	2,455,000
Minimum rental liability over a period of 90 years (Including estimated liability with respect to leased properties in process of construction)	$424,959,000

The Company is leasing currently a number of store and warehouse properties from The Supplemental Savings and Retirement Plan of Sears, Roebuck and Co. Employes, as well as from various insurance, educational and other institutions, which were originally purchased or constructed by the Company, and subsequently sold to the lessors, or which were constructed with funds provided by the lessors. Most of these leases are for periods of from 30 to 45 years, with renewal options at reduced rentals for additional periods, and contain one or both of the following two types of options:

1. The Company can, after a period of years (usually 30 to 45), purchase the property at the then fair value of the land alone.
2. The Company can, on various specified dates (usually within the first 25 to 35 years), make a rejectable offer to purchase the property at specified prices and, in the event the lessor does not accept the offer, can either terminate or continue the lease.

Sale and Lease Back

AMERICAN MACHINE & FOUNDRY COMPANY
Lease Commitments and Contingent Liabilities (Note G)
Notes to Financial Statements

Note G: The aggregate annual rental payments on long term leases at December 31, 1958, including rentals on properties sold and leased back, approximate $1,985,000.

Certain long term installment notes receivable of AMF Pinspotters Inc. were sold in 1957 to a bank without recourse. Under the agreement of sale the Company may be required to purchase repossessed equipment at the amount of the unpaid balance of the note involved. The unpaid principal balance of these notes at December 31, 1958 amounted to $6,772,127.

CROWN ZELLERBACH CORPORATION
Notes to Financial Statements

Note 3: Properties—Premises at various locations are leased under long-term agreements with expirations ranging from 1961 to 1989 and, in some instances, with renewal privileges at reduced annual rentals. Current annual rentals under these leases, exclusive of real property taxes and insurance, aggregate approximately $2,500,000, including 17 premises leased under sale-and-lease-back agreements with rentals aggregating $1,829,000.

The Corporation is constructing buildings and plants at two locations which it will sell upon completion for $19,129,000 and occupy under long-term leases. At December 31, 1958, $14,909,000 had been expended on these premises of which $9,600,000 had been recovered as advances on the sales price of one of the projects. As funds committed to these projects are considered as construction funds, the amounts recovered have been included in Funds Set Aside for Plant Improvements, and the remaining amount to be recovered of $5,309,000 is also included in Other Assets.

LILY-TULIP CUP CORPORATION
From the President's Letter

—The present plant is held under a sale-lease-back arrangement and negotiations have been well advanced for the reacquisition of title from the lessor at a price which approximates depreciated book cost, believed to be well below present reproduction value. . . .

J. J. NEWBERRY CO.
Notes to Financial Statements

Note 5: Minimum annual rentals aggregating approximately $8,100,000 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 1958 the company and its subsidiaries sold at a small profit and leased back store buildings having a net book value of approximately $4,650,000; 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.

TEXTRON INC.
Notes to Financial Statements

Note J: Leases—Annual rentals payable under long-term leases are approximately $2,500,000. Under certain leases Textron is also required to pay for insurance, taxes and repairs. In 1958, certain machinery and equipment was sold at a profit of $1,003,163 and leased back for a period of seven years.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, returnable containers, dies, etc., were disclosed in the 1958 annual reports of 106 of the 600 survey companies. Such assets were generally shown in the noncurrent asset section of the balance sheet although, as in previous years, items having "inventory" characteristics were included in the current asset section under inventories. Table 20 shows the various types of assets included under the above caption and indicates the methods of presentation and the basis of valuation disclosed in the 1958 survey reports.

The examples which follow illustrate the various methods of presentation and valuation referred to above.

Current Asset Section

CONTINENTAL STEEL CORPORATION

Inventories—	
Valued principally at "Lifo" cost or market whichever lower—	
Raw materials	$4,913,893
Semi-finished and finished products	4,062,781
At average cost, or cost less depreciation—	
Supplies, rolls and similar short-lived equipment	1,845,221

FRUEHAUF TRAILER COMPANY

Inventories—at lower of cost (first-in, first-out method) or market:	
New trailers	$13,372,855
Production parts, work in process, and raw materials	30,322,417
Service parts and orders in process	8,392,380
Used trailers—at appraised values, less estimated disposal costs	4,795,089

GRANITE CITY STEEL COMPANY

Inventories—	
Finished and semifinished products, at lower of average cost or market	$11,240,605
Raw materials, supplies, and by-products, at lower of average cost or market	18,189,959
Rolls and other short-life equipment, at depreciated values	2,723,911

PFEIFFER BREWING COMPANY

Inventories, at the lower of cost or market:		
Beer		$ 557,792
Brewing materials		138,778
Federal and state excise tax stamps		69,669
Bottles, cans and cartons, including those held by customers	$2,139,092	
Less, Customers' deposits	702,738	
		1,436,354
Bottling supplies		126,206
Total inventories		$2,328,799

Fixed Assets Section

BRIGGS & STRATTON CORPORATION

Plant and Equipment:	Cost	Reserves for Depreciation	Net
Land and land improvements	$ 1,059,587	$ 138,664	$ 920,923
Buildings and equipment	8,045,795	1,976,540	6,069,255
Machinery and equipment	14,789,317	5,752,250	9,037,067
Office furniture and fixtures	405,899	263,347	142,552
	$24,300,598	$8,130,801	$16,169,797
Patterns, tools, dies, etc.—at fixed amount			$ 50,000
			$16,219,797

PEPSI-COLA COMPANY

Property, Plant and Equipment:	
Land, buildings, equipment, leasehold improvements, etc.—at cost (less depreciation and amortization—1958, $22,112,231; 1957, $17,433,332)	$25,731,442
Bottles and cases on hand and with trade (at estimated depreciated values)	8,318,026
Total property, plant and equipment—net	$34,049,468

JACOB RUPPERT

Property:	
Land, buildings, machinery and equipment, kegs, bottles, cases, and signs (at cost)	$22,738,747
Less reserves	14,271,866
Property—net	$ 8,466,881

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

Type of Assets	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	1958 Total
Small tools, tools (*Co. Nos. 64, 92, 194, 213, 497, 578)	5	—	26	1	3	3	38
Dies, lasts (*Co. Nos. 27, 92, 174, 357, 394, 592)	2	—	19	1	—	2	24
Jigs, fixtures (*Co. Nos. 119, 194, 281, 357, 360)	1	1	4	1	—	3	10
Molds, chills, flasks, stools (*Co. Nos. 512, 543, 558, 587)	2	—	2	1	—	2	7
Drawings, patterns (*Co. Nos. 12, 174, 281, 558, 561, 592)	—	5	6	1	1	1	14
Returnable containers, cases (*Co. Nos. 19, 124, 445, 459)	7	—	10	—	—	—	17
Rolls (*Co. Nos. 27, 170, 172, 270)	3	—	1	—	—	1	5
Component parts, stores (*Co. Nos. 68, 218, 353, 455, 465, 592)	15	1	3	1	6	3	29
Spare parts, spares (*Co. Nos. 56, 199, 308, 350, 419)	1	—	—	2	—	2	5
Equipment—annealing, repair, can-making, and charging box (*Co. Nos. 170, 172, 202, 270)	4	—	—	—	—	—	4
Utensils, silverware, signs (*Co. Nos. 480, 493)	—	—	2	—	—	—	2
Other (*Co. Nos. 20, 131, 287, 446)	2	—	2	—	—	—	4
Total	42	7	75	8	10	17	159

Type of Asset	Balance Sheet Valuation: Amortized Value	Unamortized Value	Nominal Value	Inventory Value	Fixed or Arbitrary Value	1958 Total
Small tools, tools	24	8	—	4	2	38
Dies, lasts	11	6	2	2	3	24
Jigs, fixtures	3	4	1	1	1	10
Molds, chills, flasks, stools	3	—	—	3	1	7
Drawings, patterns	5	1	7	—	1	14
Returnable containers, cases	9	1	—	5	2	17
Rolls	2	—	—	2	1	5
Component parts, stores	2	4	—	19	4	29
Spare parts, spares	—	1	—	3	1	5
Equipment—annealing, repair, can-making, and charging box	3	—	—	1	—	4
Utensils, silverware, signs	2	—	—	—	—	2
Other	1	1	—	2	—	4
Total	65	26	10	42	16	159

Number of Companies presenting:	1958
Small tools, containers, dies, etc.	106
Account not presented	494
Total	600

Noncurrent Asset Section

CHEMETRON CORPORATION

Sundry Assets:

Loan receivable, 5½%, due in monthly installments to April 15, 1962	$ 583,333
Advances to affiliated companies	2,027,155
Other receivables, advances, deposits, etc.	2,163,806
Equipment and repair parts for resale or use—at cost or less	579,483
Leasehold improvements and sundry equipment—unamortized cost	1,151,807
Total sundry assets	$6,503,584

THE EAGLE-PICHER COMPANY

Other Assets:

Repair parts and maintenance supplies	$ 842,994
Investments, at or below cost, and miscellaneous accounts and advances	1,254,532
	$2,097,526

EMERSON RADIO AND PHONOGRAPH CORPORATION

Other Assets:

Unamortized tools and equipment (acquired for use on United States Government contracts), etc.	$ 192,877
Goodwill (arising in connection with acquisition of subsidiary companies) less amortization	897,851
Investments—at cost	65,000
Trade-marks and patents	1
	$1,155,729

THE GRIESS-PFLEGER TANNING CO.

Other Assets:

Machine repair parts, maintenance and laboratory supplies, at average cost	$92,510
Investments, at cost	4,011
	$96,521

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 1958 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 1951, 1955, and 1958, 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.

Examples—Unconsolidated Subsidiaries And Affiliated Companies

The following examples, selected from the 1958 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:

Cost

AMERICAN CAN COMPANY

Investments in and receivables from non-consolidated subsidiaries (Note 3)	$10,296,626

Note 3: Investments in and receivables from non-consolidated subsidiaries are stated at cost and represent principally companies operating in Mexico, South America and Switzerland. The Company's equity in the net assets of non-consolidated subsidiaries at December 31, 1958, based upon the subsidiaries' balance sheets, was substantially equivalent to its investments in and receivables from these companies.

AMERICAN MACHINE & FOUNDRY COMPANY

Investments, at cost:

Foreign subsidiaries not consolidated (Note A)	$2,089,626
Other	1,114,816
	$3,204,442

Note A: The consolidated statements include the accounts of all subsidiaries, except foreign subsidiaries (other than Canadian). The excess of the Company's equity in the net assets of foreign subsidiaries not consolidated over the cost of its investment therein at December 31, 1958 is estimated at $1,184,000.

CONTINENTAL MOTORS CORPORATION

Investments and Other Assets:

Investment in Continental Aviation and Engineering Corporation (Notes A and B):	
Capital stock (50.94% owned)—at cost	$ 327,369
Subordinated notes receivable	2,000,000
Common stock of Lakey Foundry Corporation (27.56% owned)—at cost (approximately market)	913,785
5% registered unsecured notes of foreign licensee company—at cost (Note E)	281,250
Miscellaneous	28,929
	$3,551,333

Note A: Investment in Continental Aviation and Engineering Corporation—The equity of Continental Motors Corporation in the net assets of Continental Aviation and Engineering Corporation exceeded the investment in the subsidiary by $1,487,487 at October 31, 1958. The accompanying financial statements do not reflect the

TABLE 21: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	I: Unconsolidated Subsidiary			II: Affiliated Company		
Balance Sheet Presentation	1958	1955	1951	1958	1955	1951
Investment in	141	117	116	122	118	91
Investment in, Advances to	82	82	82	50	39	39
Investment in, Advances to, Receivables due from	7	—	3	—	1	1
Investment in, Receivables due from	22	15	21	10	11	12
Advances to	—	—	1	—	1	1
Due from	—	1	—	—	1	
Securities of	3	2	—	5	1	—
Securities or stock of, and advances to	1	—	—	2	—	—
Other assets	7	3	—	1	1	—
Total	263	220	223	190	173	144
Basis of Valuation						
A: Cost	112	93	104	99	94	78
B: Cost less reserve	25	25	18	15	20	16
C: Cost or below cost	23	21	15	23	19	14
D: Cost adjusted for equity in earnings	9	5	3	1	—	—
E: Cost less dividends	1	1	—	—	2	1
F: Substantially at cost	1	1	2	—	—	—
G: Below cost	1	1	—	—	—	—
H: "Not in excess of cost"	1	2	2	—	1	1
I: Lower of cost or estimated value	1	1	1	—	—	—
J: Assigned, appraisal, or reorganization value	2	—	3	1	—	4
K: Equity in net assets	17	7	9	1	2	—
L: Equity in net worth less reserves	1	2	3	—	—	—
M: Equity less unremitted profits	1	1	3	1	—	—
N: Dated equity value	1	2	1	—	—	—
O: Asset values at acquisition	1	1	1	—	1	—
P: Reinstated value	—	—	1	—	—	—
Q: Assigned value with additions at cost	2	4	2	—	2	—
R: Estimated realizable or recoverable value	1	1	3	—	—	—
S: Nominal value	3	5	10	1	3	—
T: At "No Value"	3	1	2	—	—	—
U: Acquisition value	—	—	1	—	—	—
V: Lower of cost or equity	2	—	—	2	—	1
W: Less reserve to nominal value	—	—	1	—	—	—
Total	208	174	185	144	144	115
Basis of valuation not set forth	51	63	51	44	37	22
Less reserve—(basis of valuation not set forth)	7	3	8	2	3	9
Total	266	240	244	190	184	146
Number of Companies with Investment Account for:						
Unconsolidated subsidiary companies	263	220	223	—	—	—
Affiliated companies	—	—	—	190	173	144
Account not presented	337	380	377	410	427	456
Total	600	600	600	600	600	600

Refer to Company Appendix Section—

I: *Unconsolidated Subsidiary*:—A: Co. Nos. 35, 193, 240, 252, 323; B: Co. Nos. 23, 112, 159, 183, 211; C: Co. Nos. 50, 314, 417, 449, 584; D: Co. Nos. 5, 130, 259, 391, 455; E: Co. No. 185; F: Co. No. 178; G: Co. No. 135; H: Co. No. 52; I: Co. No. 211; J: Co. Nos. 207, 550; K: Co. Nos. 145, 146, 231, 304, 559; L: Co. No. 131; M: Co. No. 110; N: Co. No. 388; O: Co. No. 398; Q: Co. Nos. 45, 421; R: Co. No. 514; S: Co. Nos. 239, 466, 549; T: Co. Nos. 140, 351, 476; V: Co. Nos. 42, 105.

II: *Affiliated Company*:—A: Co. Nos. 14, 63, 107, 215, 331; B: Co. Nos. 244, 370, 402, 505, 553; C: Co. Nos. 56, 123, 328, 519, 530; D: Co. No. 536; I: Co. Nos. 105, 180; J: Co. No. 405; K: Co. No. 207; M: Co. No. 110; Q: Co. No. 281; S: Co. No. 558.

Corporation's proportion of the earnings retained for use in the business of this subsidiary since its organization, which amounted to $1,113,552 at October 31, 1958, including the Corporation's proportion ($687,557) of the net earnings of the subsidiary for the year ended October 31, 1958.

Note B: Guaranty of Certain Long-term Debt of Continental Aviation and Engineering Corporation—Continental Motors Corporation has unconditionally guaranteed the payment of principal and interest on a loan to Continental Aviation and Engineering Corporation by an insurance company in the amount of $2,000,000. Principal payments begin on October 1, 1960, and the loan matures on October 1, 1970.

DIAMOND GARDNER CORPORATION

Other Assets:

Investment in unconsolidated English subsidiary, at cost	$ 3,863,000
Other investments and long-term notes receivable	4,143,000
Standing timber and cutting rights, at cost	4,756,000
Property, plant and equipment	67,525,000
Prepaid expenses and other assets	2,437,000

MEDUSA PORTLAND CEMENT COMPANY

Other Assets:

Investment in and advances to subsidiary not consolidated (railway company—98.9% owned)—at cost, which is less than equity in net assets	$102,500
Miscellaneous other assets	267,576
	$370,076

Cost Less Reserve

CARRIER CORPORATION

Prepaid Expenses, Segregated Funds, etc.:

Prepaid expenses and deferred charges	$ 2,667,684
Funds segregated for expansion	7,500,000
Miscellaneous investments and advances, including subsidiaries not consolidated, at cost, less reserves	3,104,236
	$13,271,920

Notes to Financial Statements: Non-consolidated Subsidiaries—The accounts of certain subsidiaries have not been included in the consolidated financial statements. The investments in these companies are stated at cost (less reserves) of $2,440,681. The equity of the Corporation in the net assets and in the earnings of these companies for fiscal 1958 amounted to approximately $5,300,000 and $690,000, respectively. Dividends of $127,426 were included in the income of the Corporation for fiscal 1958.

McGRAW-HILL PUBLISHING COMPANY, INC.

Investment in Associated Company—

At cost (net of reserve)	$721,759

PENNSALT CHEMICALS CORPORATION

Investments and Advances (Note 1):

Wholly-owned subsidiary companies not consolidated	$2,265,321
Affiliated companies and other investments	1,515,783
Total investments and advances	$3,781,104

Note 1: Principles of Consolidation—The consolidated financial statements include all wholly-owned subsidiaries, except two foreign subsidiaries whose assets are subject to possible currency fluctuations and two domestic non-manufacturing subsidiaries. The accounts of a minor domestic subsidiary, 80 per cent owned, are also included. Foreign subsidiaries included in consolidation are not relatively significant in the aggregate.

The Company's equity in the net assets of the four wholly-owned subsidiaries not consolidated at December 31, 1958 approximately equals its investment therein (at cost, less reserve) and advances thereto, carried on its books at $2,265,321. In determining the above net assets there was deducted long-term outside indebtedness of $715,406 and $645,800 incurred, respectively, by the wholly-owned domestic and foreign subsidiaries. The net income of the subsidiaries was nominal in amount.

The Company's equity in the net assets of two 50 per cent owned foreign companies approximately equals its investment therein (at cost, less reserve) carried at $977,848 and included in other investments.

SOCONY MOBIL OIL COMPANY, INC.

Investments and Advances (including companies owned 50% or less)	$285,487,173

From Financial Review: Investments and Advances—Socony Mobil's principal investments include a 50% interest in Standard-Vacuum Oil Company, a 50% interest in Near East Development Corporation (which owns a 23¾% interest in Iraq Petroleum Company, Ltd. and associated companies), a 50% interest in Colsag Corporation in Colombia, a 10% interest in Arabian American Oil Company, and a 7% interest in the Consortium in Iran.

During 1958, the company received $40 million in dividends from non-consolidated companies (owned 50% or less), compared with $30 million in 1957. Although complete year-end financial information is not yet available, the company's equity in the 1958 net earnings of these companies is estimated to exceed the dividends received by approximately $6 million. Socony Mobil's equity in the net assets of these companies substantially exceeds its investments therein.

We have stated all of our investments and advances at cost, less reserves of $21 million in 1958 and $18 million in 1957.

SPENCER KELLOGG AND SONS, INC.

Investments and Other Assets:

Investments and receivables (at cost less reserves)—	
Philippine subsidiary	$ 100,855
Other companies (Note 2)	1,930,753
Government securities pledged and trade memberships, at cost	172,299
Prepaid and deferred charges	317,206
Total investments and other assets	$2,521,113

Note 2: A fifty per cent owned company showed operating losses in 1958 and the Company has provided a reserve of $100,000 for possible loss on this investment.

Cost or Below Cost

AMERICAN SMELTING AND REFINING COMPANY

Investments (Page 23)	$85,006,535

Page 23: Investments—

	Shares Owned	Per cent	Book Value (cost or less)	Market Value (a)
Subsidiaries Not Consolidated:				
Mount Isa Mines Limited	15,361,458	53.9	$12,603,022	$56,530,200
Southern Peru Copper Corporation	188,265	57.8	17,924,644	
Southern Peru Copper Corporation—Advances			27,443,000	
Other			1,654,840	
			59,625,506	
Companies Other than Subsidiaries:				
Cerro de Pasco Corporation (sold January 1959)	231,373	10.7	4,082,599	10,469,600
General Cable Corporation—4% Preferred	28,740	29.4	1,405,306	2,327,900
General Cable Corporation—Common	969,718	34.6	4,223,173	39,394,800
Kennecott Copper Corporation	100,418	.9	2,751,309	9,891,200
Revere Copper and Brass, Inc.	938,148	35.7	8,587,014	36,822,300
United Park City Mines Company	379,211	9.9	1,760,427	521,400
Other			2,571,201	
			25,381,029	
Total investments			$85,006,535	

(a) Amounts shown are based on December 31, 1958 quotations of stocks traded on the New York and London Stock Exchanges, but do not purport to represent the realizable or fair value of such large blocks of stock.

CALUMET & HECLA INC.

Other Assets:

Investments in affiliates (at cost or less)	$1,285,603
Explorations	1,630,344
Charges to future operations	2,082,912
Goodwill	402,067
Miscellaneous	792,934
Total other assets	$6,193,860

CANNON MILLS COMPANY

Other Receivables and Investments:

Notes receivable	$ 40,121.04
Investments in capital stocks of other corporations (at cost or less)	1,350,425.25
Total other receivables and investments	$1,390,546.29

PITTSBURGH PLATE GLASS COMPANY

Investments and Other Receivables—At cost or less:

Investments in domestic subsidiaries not consolidated	$ 7,656,377
Investments in foreign subsidiaries not consolidated	5,957,690
Securities deposited with state insurance commissions	938,158
Other investments	3,052,423
Other noncurrent notes and accounts receivable, less estimated losses	2,071,029
Total investments and other receivables	$19,675,677

REYNOLDS METALS COMPANY

Investments in and Receivables from Affiliates:

Capital stocks of unconsolidated subsidiaries (Note A) and other affiliates—at cost or lower	$11,323,092
Notes and accounts receivable	8,315,350
	$19,638,442

Note A: Principles of Consolidation and Equities in Unconsolidated Subsidiaries: The accounts of the Company and wholly owned subsidiaries (except Reynolds Aluminum Acceptance Corporation which commenced operations in 1958) are included in the consolidated financial statements. Intercompany investments and accounts and material intercompany transactions, profits, and losses have been eliminated in consolidating the financial statements.

The equity of the Company in the net assets of unconsolidated subsidiaries at December 31, 1958, exceeded the carrying amount ($8,355,297) of the related investments by approximately $3,540,000, of which approximately $1,665,000 existed at dates of acquisition of the subsidiaries. In 1958 the Company's approximate share of the profits (net) of such unconsolidated subsidiaries was $1,260,000, which (except to the extent of dividends received) has not been recognized in consolidated earnings, and the dividends received from such subsidiaries were $122,400.

Equity in Net Assets

THE MAY DEPARTMENT STORES

Investments and Other Assets:

Investment in The May Stores Realty Corporation (100% owned)—at equity in net assets (Note B)	$ 1,271,890
Amounts due from The May Stores Realty Corporation	2,190,153
Notes receivable (Note E)	12,518,617
Land and buildings not used in store operations—at cost, less accumulated depreciation	193,235
Miscellaneous	3,453,450
	$19,627,345

Note B: Investment in the May Stores Realty Corporation—The investment in The May Stores Realty Corporation is stated at the Company's equity in the net assets of the subsidiary. For purposes of comparison, the financial statements for the year ended January 31, 1957 have been restated to conform to the current policy of excluding The May Stores Realty Corporation from the consolidated statements. Accumulated earnings of the subsidiary in the amounts of $662,390 and $267,148 for the years ended January 31, 1958 and 1957, respectively, are included in the consolidated accumulated earnings retained in the business. See financial statements of The May Stores Realty Corporation included elsewhere in this report.

THE YALE & TOWNE MANUFACTURING COMPANY

Investment in subsidiaries (at net asset value)	$1,403,252

Note 1: Principles of Consolidation—The financial statements include accounts of all subsidiaries except The MHE Corporation, a wholly-owned finance company, and The Yale & Towne Manufacturing Co. Pty. Limited, a recently formed majority owned Australian company. Investments in these companies are carried at the Company's equity therein, changes in such equity being reflected in the income statement annually.

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, 1957, and 1958 is summarized and classified in Table 22.

The committee on accounting procedure of the American Institute of Certified Public Accountants in the *Restatement and Revision of Accounting Research Bulletins* (Chapter 3, Section A) states among other things that "for accounting purposes, the term *current assets* is used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business. Thus the term comprehends in general such resources as: prepaid expenses such as insurance, interest, rents, taxes, unused royalties, current paid advertising service not yet received, and operating supplies."

The *Bulletin* also states that "the nature of current assets contemplates the exclusion from that classification of such resources as: long-term prepayments which are fairly chargeable to the operations of several years, or deferred charges such as unamortized debt discount and expense, bonus payments under a long-term lease, costs of rearrangement of factory layout or removal to a new location, and certain types of research and development costs."

Of the 600 survey companies, 589 presented prepaid expenses or deferred charges in their 1958 balance sheets. Of the 589 companies displaying such items, 193 companies presented them under "current assets," 140 companies presented them under both "current"

TABLE 22: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used in	1958	1957	1955	1950
Current Asset Section:				
Prepaid	305	286	246	175
Prepaid and deferred	13	11	10	4
Deferred	7	6	5	3
Unexpired	8	5	8	6
Costs applicable to future periods	8	8	13	7
Various other terms	5	6	3	3
Total	346	322	285	198
Noncurrent Asset Section:				
Deferred	171	177	169	143
Deferred and prepaid	88	91	93	94
Deferred with certain items listed thereunder described "prepaid"	38	46	59	104
Prepaid	55	56	67	65
Costs applicable to future periods	15	15	12	17
Unamortized	39	33	32	13
Unexpired	7	10	6	4
Various other terms	10	9	1	10
Total	423	437	439	450
Number of Companies presenting:				
Prepaid Expenses or Deferred Charges in:				
Current asset section	193	189	198	128
Current and noncurrent asset sections	140	128	138	76
Noncurrent asset section	256	272	251	386
No prepaid expense or deferred charge items	11	11	13	10
Total	600	600	600	600

	Balance Sheet Presentation			
	1958		1955	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Advertising (*Co. Nos. 36, 242, 386, 570)	6	7	6	12
Debt discount (*Co. Nos. 94, 180, 258, 404)	—	29	1	23
Debt expense (*Co. Nos. 100, 180, 258, 465)	—	56	1	52
Employee welfare (*Co. Nos. 32, 153, 412, 527)	2	16	2	18
Expense advances (*Co. Nos. 222, 269, 369, 404)	1	3	—	2
Financing expense (*Co. Nos. 119, 210, 264, 532)	—	5	—	6
Insurance (*Co. Nos. 42, 174, 213, 307)	114	66	122	122
Interest (*Co. No. 526)	1	—	1	2
Licenses (*Co. Nos. 166, 168, 535)	2	1	—	—
Mine stripping and expense (*Co. Nos. 21, 328, 568)	—	3	—	4
Oil exploration	—	—	—	1
Organization expense (*Co. No. 496)	—	1	—	2
Preoccupation and plant costs (*Co. Nos. 116, 123, 362)	1	2	1	3
Rent (*Co. Nos. 17, 262, 265, 475)	10	15	8	22
Research and development (*Co. Nos. 49, 278, 397, 421)	1	7	1	8
Seasonal expenses (*Co. No. 122)	1	—	—	—
Selling, delivery, freight, commissions (*Co. Nos. 93, 156, 208, 209)	3	4	2	5
Supplies (*Co. Nos. 17, 262, 333, 573)	22	16	17	29
Taxes (*Co. Nos. 219, 475, 535, 559)	59	37	59	63
Tooling and factory expense (*Co. Nos. 218, 326, 418)	1	2	1	3
Unused royalties (*Co. Nos. 62, 239, 599)	—	3	—	2
Various other terms (*Co. Nos. 155, 296, 313, 416)	5	1	5	8
"Prepaid or Deferred" (*Co. Nos. 25, 188, 224)	250	274	184	276
"Prepaid or Deferred"** (*Co. Nos. 56, 227, 449, 548)	55	55	41	41
Total	534	603	452	704

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

and "noncurrent assets," and the remaining 256 companies included them among the "noncurrent assets."

Table 22 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

CRADDOCK-TERRY SHOE CORPORATION

Prepaid Expenses:

Insurance and taxes	$57,614.65
Miscellaneous factory and general expenses	11,815.63
	$69,430.28

THE GARLOCK PACKING COMPANY

Prepaid expenses—insurance, advertising supplies, etc.	$257,779

STRUTHERS WELLS CORPORATION

Prepaid Expenses:

Insurance premiums, taxes and sundry items	$112,951
Pension costs paid in advance	182,488
	$295,439

Current and Noncurrent Asset Sections

HEYDEN NEWPORT CHEMICAL CORPORATION

Current Assets:	
Prepaid expenses	$536,519
Noncurrent Assets:	
Deferred charges	
Unamortized expenses on long term debt	$ 70,418
Other	47,370

HOOKER CHEMICAL CORPORATION

Current Assets:	
Prepaid expenses	$1,037,004
Noncurrent Assets:	
Deferred charges	$ 397,736

GENERAL CIGAR CO., INC.

Current Assets:	
Prepaid expenses	$550,834
Noncurrent Assets:	
Other assets:	
Common stock in treasury—available for employees' profit sharing plan, 2,000 shares at cost	142,697
Unamortized bond discount and expense	730,958
Deferred charges, long-term receivables and deposits	479,500

THE MAY COMPANY

Current Assets:	
Supplies and prepaid expenses	$5,741,700
Noncurrent Assets:	
Deferred charges—debenture expense and miscellaneous	$ 879,699

GIMBEL BROTHERS, INC.

Current Assets:	
Prepaid expenses—supplies, insurance, rent, taxes, etc.	$3,259,333
Noncurrent Assets:	
Deferred charges—unamortized debt expense	$ 182,532

AIR REDUCTION COMPANY, INCORPORATED

Current Assets:	
Prepaid taxes, insurance, and other expenses	$1,627,180
Noncurrent Assets:	
Deferred charges	446,005

THE ANACONDA COMPANY

Current Assets:	
Prepaid expenses	$ 2,760,846
Noncurrent Assets:	
Deferred charges and other assets:	
Mine development, including expenditures on properties leased or held under option	$32,573,263
Deferred expenses	5,472,097
Other accounts receivable, less reserve	19,993,410
Patents	2
	$58,038,772

Noncurrent Asset Section

HALOID ZEROX INC.

Deferred Charges:

Unexpired insurance premiums and deposits	$129,094.14
Research development costs largely recoverable upon completion of military and other contracts	95,899.41
Other deferred charges	221,082.26

S. S. KRESGE COMPANY

Deferred Charges:

Unamortized leasehold expenses, advance rentals, prepaid taxes and insurance, pension costs, supplies, and other expenses	$4,996,658

MILLER MANUFACTURING CO.

Deferred Charges:

Unamortized bond discount and expense	$ 89,420
Unamortized patent licenses	46,243
	$135,663

INTANGIBLE ASSETS

The balance sheets of 335 of the 600 survey companies disclosed intangible assets in their 1958 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.

TABLE 23: INTANGIBLE ASSETS

A: Balance Sheet Presentation

Type of Intangible Asset*	Current Asset Section Under Inventories	Noncurrent Asset Section: Separately Set Forth	Noncurrent Asset Section: Under Fixed Assets	Noncurrent Asset Section: Under Other Assets	Noncurrent Asset Section: Under Deferred Charges	Notes to Financial Statements	1958 Total
A: Patents, patent rights and applications	—	136	8	17	3	1	165
B: Trademarks, brand names	—	76	1	21	1	—	99
C: Copyrights	—	5	—	1	—	—	6
D: Goodwill	—	121	1	18	—	—	140
E: Goodwill re: subsidiary	—	28	1	2	3	—	34
F: Leasehold improvements	—	1	65	5	4	5	80
G: Leaseholds, leases, leased equipment	—	2	27	—	1	4	34
H: Developed leases—mining, oil	—	—	4	—	1	2	7
I: Formulae, processes, designs	—	16	—	4	1	—	21
J: Research and development	—	5	—	2	—	1	8
K: Licenses, franchises, memberships	—	15	6	5	1	—	27
L: Rights—water, water-power, land	—	—	14	—	—	—	14
M: Rights—mining, timber, cutting, fishing and "other rights"	—	3	11	1	—	1	16
N: Contracts	—	7	—	1	—	—	8
O: Name lists, catalogs, trade routes	—	4	—	1	—	—	5
P: Scripts, scenarios, story and film rights	4	—	—	—	—	—	4
Q: Finance and organization costs	—	1	1	—	—	—	2
R: Described as "Intangible Assets"	—	14	4	3	—	1	22
S: Various other	—	4	—	1	—	3	8
Total	4	438	143	82	15	18	700

B: Balance Sheet Valuation and Amortization

Type of Intangible Asset	Amortized Value after Charges to: Income	Amortized Value after Charges to: Retained Earnings	Amortized Value after Charges to: Charge Not Shown	Amortized Value after Charges to: Total	Unamortized Value	Nominal Value	1958 Total
Patents, patent rights and applications	39	—	25	64	8	93	165
Trademarks, brand names	10	1	14	25	10	64	99
Copyrights	—	—	—	—	2	4	6
Goodwill	14	1	9	24	28	88	140
Goodwill re subsidiary	11	—	13	24	7	3	34
Leasehold improvements	64	—	8	72	7	1	80
Leaseholds, leases, leased equipment	28	—	2	30	3	1	34
Developed leases—mining, oil	6	—	1	7	—	—	7
Formulae, processes, designs	4	—	1	5	3	13	21
Research and development	3	—	—	3	1	4	8
Licenses, franchises, memberships	12	—	3	15	7	5	27
Rights—water, water-power, land	8	—	2	10	4	—	14
Rights—mining, timber, cutting, fishing, and "other rights"	10	—	—	10	3	3	16
Contracts	—	—	3	3	1	4	8
Name lists, catalogs, trade routes	1	—	1	2	2	1	5
Scripts, scenarios, story and film rights	1	—	—	1	3	—	4
Finance and organization costs	2	—	—	2	—	—	2
Described as "Intangible Assets"	5	—	5	10	4	8	22
Various other	3	—	—	3	2	3	8
Total	221	2	87	310	95	295	700

Number of Companies presenting:	1958
Intangible Assets	335
No Intangible Assets	265
Total	600

*Refer to Company Appendix Section—A: Co. Nos. 90, 178, 194, 205, 327, 330, 348, 488, 588; B: Co. Nos. 33, 127, 158, 250, 354, 387, 473, 524, 556; C: Co. Nos. 246, 316, 356, 370, 422, 526; D: Co. Nos. 7, 72, 176, 220, 324, 445, 473, 511; E: Co. Nos. 120, 282, 313, 372, 418, 542; F: Co. Nos. 95, 126, 233, 336, 466, 578, 580; G: Co. Nos. 58, 66, 184, 239, 335, 400, 475; H: Co. Nos. 56, 62, 311, 414; I: Co. Nos. 14, 89, 171, 278, 352, 422, 543, 578; J: Co. Nos. 37, 115, 128, 281, 444; K: Co. Nos. 19, 83, 179, 212, 250, 345, 454, 525, 577; L: Co. Nos. 56, 353, 420, 438, 521, 575; M: Co. Nos. 195, 235, 280, 302, 541, 566; N: Co. Nos. 456, 543, 556, 575; O: Co. Nos. 356, 368, 370; P: Co. Nos. 351, 368, 421; Q: Co. No. 560; R: Co. Nos. 29, 130,162, 203; S: Co. Nos. 356, 369, 600.

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 the 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," "Trademarks, brand names" etc., with values other than nominal values.

Illustrations of the various balance sheet presentations found in the 1958 reports are as follows:

Shown in Current Asset Section Under Inventories

PARAMOUNT PICTURES CORPORATION

Inventory, at cost or less	
Released productions	$26,930,095
Completed productions being prepared for release	8,156,232
Productions in process of completion	10,744,530
Costs applicable to future productions	3,246,725
Scenario rights	1,342,193
Merchandise and supplies	1,687,760
Total inventory	$52,107,535

Shown Separately in Noncurrent Asset Section

McGRAW-HILL PUBLISHING COMPANY, INC.

Publication titles, copyrights, subscription lists and goodwill—at book value	$7,289,302

VEEDER-ROOT INCORPORATED

Patents, licenses and trademarks—at cost, less amortization	$70,013

WALGREEN CO.

Goodwill, leaseholds, leasehold improvements, etc., at nominal amount	$1

Shown Under Fixed Assets

BAYUK CIGARS INCORPORATED

Plant Facilities:	
Buildings, machinery and equipment—cost less portion—$4,984,575 allocated to operations to date	$3,587,650
Land—at cost	325,141
Unamortized cigar machine licenses, leasehold improvements and patent rights	931,803

BIGELOW-SANFORD CARPET COMPANY

Plant and Equipment, at cost:	
Land and rights of way	$ 384,980
Buildings and improvements	7,103,731
Machinery and equipment	32,121,167
Leasehold improvements	1,934,751
	$41,544,629
Less—Reserves for depreciation and amortization	15,863,078
	$25,681,551

Shown Under Other Assets

PITTSBURGH BREWING COMPANY

Other Assets:	
Prepaid expenses	$ 164,863
Deferred bond expense account	54,811
Trade names and goodwill (Note 1)	1,100,000
Company's own Debenture Bonds purchased and held available for Sinking Fund requirements, par value $189,400, at cost	134,438

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)
1958	100,000.00 (B)
	$10,308,854.55

(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.

SPRAGUE ELECTRIC COMPANY

Other Assets:	
Goodwill—at nominal amount	$ 1
Patents, trade-marks and leasehold improvements—at cost less amortization	412,160
Investments—at cost:	
Foreign subsidiaries	211,390
Miscellaneous	87,526
Cash surrender value of life insurance policies	68,334
Deferred charges	428,397

Shown Under Deferred Charges

BELL AIRCRAFT CORPORATION
Deferred charges (including design rights and patents at $1) $102,400

J. P. STEVENS & CO. INC.
Deferred charges, including unamortized cost of trade-name contract, $622,222 .. $3,044,267

Shown in Notes to Financial Statements

THE ATLANTIC REFINING COMPANY
Fixed Assets:
Property, plant and equipment at cost . $1,030,597,024
Less reserves for depreciation, depletion and amortization 456,744,054

Note 4: Prior to 1958, amortization of emergency facilities was charged to income over a five-year period for book and tax purposes. Effective January 1, 1958, the unamortized cost, less salvage value, of this plant is being depreciated over its remaining expected useful life. This change resulted in a decrease of $4,948,000 in charges to income and a corresponding increase in consolidated net income.

Intangible development costs carried on the books, but deducted for income tax purposes, less the amount of amortization of domestic nonproducing leases and certain other items charged to income on the books but not deducted for tax purposes, amounted to $45,300,000 at December 31, 1958, and $41,800,000 at December 31, 1957.

CROWN CORK & SEAL COMPANY, INC.
Plant and equipment, etc., less depreciation (Note C) $29,803,000

Note C: Plant and Equipment, Etc.—

Plant and properties, substantially at cost	
Buildings	$12,231,000
Machinery	36,030,000
Construction in progress	3,744,000
	52,005,000
Depreciation	24,258,000
	27,747,000
Land	1,706,000
Patents, less amortization	350,000
	$29,803,000

The Company rents many of its plants and warehouses under long-term leases. The rent expense (exclusive of taxes, insurance, maintenance, and repairs to be borne by the Company) under these leases is expected to approximate $1,300,000 in 1959, $1,100,000 in 1960 and $700,000 annually thereafter.

AMORTIZATION OF INTANGIBLE ASSETS

The information contained in the 1958 survey reports with regard to the amortization of intangible assets is summarized in Table 23. There were 310 instances of intangible assets shown in the balance sheets at an amortized value. In 221 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 87 cases there was no indication in the report as to the amount of the charge.

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 1958 balance sheets of the survey companies.

TABLE 24: ACCOUNTS PAYABLE

Current Liability Description	Presentation: Separately	Presentation: With Other Items	1958 Total
Re: Trade Creditors—			
Accounts payable (*Co. Nos. 96, 247, 251, 264, 274, 449, 561)	395	205	600
"Accrued expenses"—not identified (*Co. Nos. 12, 247, 279, 329, 382, 404, 582)	160	304	464
Notes payable (*Co. Nos. 58, 140, 274)	3	2	5
Royalties payable (*Co. Nos. 126, 174, 191)	3	8	11
Trade acceptance or drafts payable (*Co. Nos. 154, 292, 562)	2	5	7
Total	563	524	1087
Re: Trade Customers—			
Advances on non-government contracts (*Co. Nos. 186, 435, 526, 555, 596)	17	5	22
Progress billings on non-government contracts (*Co. Nos. 128, 306, 349)	3	3	6
Additional costs on completed contracts (*Co. No. 75)	2	—	2
Deposits for various trade purposes (*Co. Nos. 102, 136, 178, 379, 396)	8	10	18
Deposits for merchandise containers (*Co. Nos. 264, 436, 438)	8	—	8
Credit balances (*Co. Nos. 188, 223, 426, 489)	4	6	10
Total	42	24	66

Number of Companies showing:	
Accounts payable trade creditors	600
Accounts payable trade customers	58

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

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, 58 of the survey companies showed current liabilities to trade customers for such items as advances on nongovernment contracts, deposits on containers, and for other trade purposes and credit balances in accounts receivable.

Thirteen of the survey companies included among their noncurrent liabilities various items such as customers' deposits on returnable containers and royalties payable (*Co. Nos. 9, 94, 124, 126, 144, 183, 227, 252, 343, 421, 432, 497, 532).

The following examples, selected from the balance sheets of the 1958 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.

BENDIX AVIATION CORPORATION

Current Liabilities:	
Notes payable:	
Banks	$ 30,100,000
Current instalment on long-term note payable (see below)	135,000
Accounts payable	28,106,603
Customers' advances on sales orders:	
United States Government departments or agencies (see Note 5)	2,141,679
Other	1,659,007
Federal taxes on income	18,955,788
State income and franchise, social security, and sundry taxes	4,574,987
Employees' supplemental compensation (including amounts payable after one year)	4,811,189
Accrued payrolls, royalties, and sundry accrued accounts	14,988,333
Total current liabilities	$105,472,586

Note 5: Customers' Advances on Sales Orders—By the terms of an agreement with a Government department, under which the Corporation has received advances and partial payments on sales orders from the Government, inventories and non-durable tools acquired for such orders were subject to lien at September 30, 1958.

SMITH-CORONA MARCHANT INC.

Current Liabilities:	
Loans payable to banks	$ 6,687,014
Trade and other accounts payable	2,900,444
Wages, commissions and other compensation	1,772,660
United States income taxes and provision for renegotiation of United States Government contracts	2,502,534
Canadian income taxes	62,049
Other taxes and accrued expenses	2,458,925
Customers' prepayments for uncompleted maintenance agreements and coupon books	3,075,345
Long-term debt payments due within one year	653,333
Total current liabilities	$20,112,304

*Refer to Company Appendix Section.

R. H. MACY & CO. INC.

Current Liabilities:	
Accounts payable	$20,779,665
Accrued salaries, commissions, etc.	3,487,763
Federal income taxes, less U.S. Government direct and indirect obligations of $9,055,820 and $9,038,897 (See Note 3)	—
Other taxes (including taxes collected from customers and employees)	5,203,903
Customers' deposits and miscellaneous	5,234,533
Dividend payable	860,497
Portion of long-term debt due within one year	1,100,099
Total current liabilities	$36,666,460

PEPSI-COLA COMPANY

Current Liabilities:	
Notes payable (including current installments on long-term indebtedness)	$ 1,852,329
Accounts payable and accrued	6,458,296
Accrued taxes:	
United States and foreign income taxes	9,135,673
Other taxes	1,573,089
Total current liabilities (exclusive of customers' deposits on bottles and cases, shown below)	$19,019,387
Other Liabilities:	
Long-term indebtedness (current installments included above)—	
Notes payable (1958: $8,265,377 due in 1960, $429,936 in 1961, and $273,228 thereafter)	$ 8,968,541
Customers' deposits on bottles and cases	3,836,100
Total other liabilities	$12,804,641

LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

There were 390 survey companies that evidenced the many types of liabilities to employees and stockholders as current liabilities in their 1958 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 1958 reports.

Thirty-one survey companies presented 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 re employees (*Co. Nos. 12, 115, 194, 255, 383, 436, 491).

TABLE 25: LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

Current Liability Description	Presentation: Separately	Presentation: With Other Items	1958 Total
Salaries or wages payable (*Co. Nos. 20, 46, 131, 133, 136, 146, 215, 219, 364, 589)	55	215	270
Dividends or declaration payable (*Co. Nos. 27, 33, 37, 208, 263)	139	3	142
Payroll taxes withheld (*Co. Nos. 99, 240, 286, 393, 535, 557)	20	65	85
Commissions payable (*Co. Nos. 74, 370, 422, 531, 592)	3	52	55
Unclaimed wages, retroactive salary (*Co. No. 174)	1	1	2
Deposits received for U.S. bond purchases (*Co. Nos. 345, 413, 447)	1	7	8
Deposits—various employee purposes (*Co. Nos. 379, 408, 495)	6	1	7
Deposits—salesmen's guarantee (*Co. Nos. 166, 583)	3	1	4
Accounts payable or employee balances (*Co. Nos. 58, 99, 134)	1	6	7
Accident, compensation, or disability benefits (*Co. Nos. 79, 333)	2	1	3
Additional or other compensation (*Co. Nos. 211, 255, 576)	2	9	11
Incentive compensation (*Co. Nos. 100, 211, 339)	2	5	7
Bonus plan payments (*Co. Nos. 382, 387, 467)	2	15	17
Employee benefit plan contributions (*Co. Nos. 372, 426, 507, 543)	19	17	36
Employee profit sharing plan (*Co. Nos. 91, 546, 600)	5	7	12
Vacation pay (*Co. Nos. 320, 424, 513)	8	21	29
Total	269	426	695

Number of Companies showing:	
Liabilities in current liability section only	368
Liabilities in noncurrent liability section only	9
Liabilities in both current and noncurrent liability sections	22
No liabilities—employees, stockholders, etc.	201
Total	600

*Refer to Company Appendix Section.

Examples—Liabilities re Employees and Stockholders

Examples from the 1958 annual reports which illustrate various liabilities with regard to employees and stockholders, together with their balance sheet presentation, are given below.

In Current Liability Section Only

ELASTIC STOP NUT CORPORATION OF AMERICA

Accounts payable—trade		$ 604,408.41
Payroll deductions		128,679.56
Payrolls and commissions		808,869.99
Mortgage note payable—current installments		18,276.47
Dividend payable February 2, 1959		141,918.75
Accrued liabilities:		
Payroll and sundry taxes	$ 49,660.54	
Federal taxes on income—estimated:		
Prior years	82,108.31	
Current year	902,372.00	
Sundry accruals	199,661.90	$1,233,802.75

THE E. KAHN'S SONS COMPANY

Accounts payable—purchases, etc.	$ 648,351
Accrued salaries, wages and vacation pay	374,795
Accrued social security and withholding taxes	98,223
Accrued taxes—other	77,238
Accrued federal income tax	204,593
Total current liabilities	$1,403,200

LIBBEY-OWENS-FORD GLASS COMPANY

Trade accounts payable and accrued expenses		$ 6,946,941.60
Employes' compensation and amounts withheld therefrom for taxes, bond purchases, etc.		9,521,811.05
Taxes, other than federal taxes on income		1,869,387.41
Estimated federal taxes on income	$19,300,000.00	
Less U.S. Government securities—at cost	10,620,000.00	8,680,000.00
Total current liabilities		$27,018,140.06

MILLER MANUFACTURING CO.

Notes payable to banks	$550,000
Equipment mortgage payable	15,061
Accounts payable and accrued expenses	623,754
Customers' deposits on orders	360,810
Dividend payable on October 15, 1958 on Class "A" stock	961
Sinking fund payment due August 1, 1959	59,500
Installments received under stock purchase plan (Note 2)	32,948
Estimated federal income taxes	11,492

Note 2: Employees' Stock Purchase Plan—The 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 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, 1958, 32,850 shares of the reserved common stock had been contracted for under the plan at an aggregate amount of $138,725. Of this amount $32,948 had been paid at September 30, 1958 and is shown as a current liability on the accompanying balance sheet.

JOHN MORRELL & CO.

Short-term bank loans	$4,500,000
Current installments of long-term debt	1,560,500
Employee savings notes (see President's Letter)	751,200
Accounts payable and accrued expenses	5,759,316
Federal income tax	1,692,749
Replacement of basic "last-in, first-out" inventories	400,000

President's Letter: Employee Savings Notes—The "Employees Savings Plan" provides among other things for the payment of base interest and "contingent interest" to holders of these registered demand notes. For the 1958 fiscal year, base interest was 5½% and "contingent interest" 2.313%, making an effective interest rate of approximately 7.8% on these obligations. Your Board of Directors elected not to issue any new notes after October 31, 1957.

SHOE CORPORATION OF AMERICA

Accounts payable:		
Trade	$5,417,728.16	
Subsidiaries not consolidated	24,109.14	
Officers ($92,070.83) and employees ($803,535.72); substantially all of which represents compensation payable after close of year	895,606.55	$ 6,337,443.85
Employees' and other taxes withheld or collected		930,675.42
United States income taxes		1,900,450.40
Accrued taxes—other		720,517.77
Accrued expenses		1,321,380.29
Long-term debt due within one year		1,176,957.94
Total current liabilities		$12,387,425.67

WARD BAKING COMPANY

Notes payable	$ 200,000
Accounts payable	2,796,068
Dividends payable on preferred stock	76,235
Current prepayment due on long-term debt	250,000
Accrued vacations, payroll, general taxes, etc. (Note 3)	2,090,226
Salesmen's guarantee deposits	160,748
Provisions for Federal income taxes—$243,458 at Dec. 27, 1958 and $980,123 at Dec. 28, 1957, less U.S. Treasury Notes of $243,458 and $900,000 respectively	—
Total current liabilities	$5,573,277

Note 3: Vacation Pay—During 1958, the Company adopted the accrual basis for recording vacation pay and in connection therewith charged earned surplus with $418,883, the amount of vacation pay accrued at December 28, 1957, less the related estimated tax benefit. This change in policy had no significant effect on the net income for the year.

In Noncurrent Liability Section Only

PFEIFFER BREWING COMPANY

Accrued pensions (Note D)	$84,331

Note D: The collective bargaining agreement covering certain hourly rated employees provides for the payment of pensions and other benefits to employees who retire during the term of the agreement which expires July 1, 1961. There is no requirement for funding of amounts due under the plan. Annual charges are made to income for all current service costs and for amortization of past service costs on a thirty-year basis. At June 30, 1958, the past service costs under the plan, if continued, were approximately $700,000 in excess of the amount accrued.

UNITED AIRCRAFT CORPORATION

Employee payroll deductions (federal taxes and savings bonds), per contra	$4,590,580

In Both Current and Noncurrent Liability Sections

GENERAL PLYWOOD CORPORATION

Current Liabilities:	
Notes payable to banks:	
Unsecured	
Secured by pledged assets (see contra)	
Current portion of purchase money note	
Accounts payable, trade	$348,169
Accrued items:	
Wages and other compensation	54,618
Taxes, other than taxes on income	61,443
Interest	
	116,061
Federal, State, and Canadian taxes on income	9,795
Total current liabilities	$474,025
Purchase money note, 4½ per cent, secured by deed of trust on timberland, payable to bank as timber is removed with $50,000 annual minimum-current portion above	
Common Stock subscriptions from officers and employees under stock purchase agreements (see contra) (Note)	361,705

Note: Of the presently remaining 1,021,128 shares of Common Stock authorized but unissued, 41,128 shares are reserved for issuance to officers and employees under stock purchase agreements:

Presently subscribed for under stock purchase agreements at prices ranging from $3.78 to $18.46 per share	$27,053
Unsubscribed	14,075

RADIO CORPORATION OF AMERICA

Current Liabilities:	
Accounts payable and accruals (Note 2)	$148,645,341
Federal taxes on income less U.S. Government securities, 1958, $17,248,000; 1957, $30,871,000	14,194,159
Dividends payable on Preferred Stock	1,576,470
Dividends payable on Common Stock	10,364,887
Total current liabilities	174,780,857
Long Term Debt:	
3% promissory notes, due 1970-1974	100,000,000
3¾% promissory notes, due 1973-1977	50,000,000
3½% convertible subordinated debentures, due December 1, 1980, convertible into Common Stock at $50 per share	99,995,100
Total long term debt	249,995,100
Incentive Plan (Note 2):	
Awards payable	6,953,591
Incentive reserve—unawarded balance	$ 300,128

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 1958 the maximum credit determined by the Independent Public Accountants as required by the Plan.

Net Profit for Year	$30,941,749
Add: Provision for incentive awards (included in "Wages and Salaries")	2,100,000
Interest on long term debt	8,329,884
Incentive Plan Net Earnings	$41,371,633
Less: 5% of Capital Employed ($538,000,674)	26,900,034
Incentive Plan Base	$14,471,599
Maximum Credit to Incentive Reserve (based on earnings): 15% of Incentive Plan Base	$ 2,170,740
Maximum Credit to Incentive Reserve (based on dividends): 25% of all dividends paid in year ($23,885,855)	$ 5,971,464

For 1958 the maximum credit available under the Plan was $2,170,740 and the Incentive Committee directed that $2,100,000 be credited to the Incentive Reserve. This credit, together with $790,128 credited to the Incentive Reserve in previous years but unawarded and carried forward for awards in subsequent years, made a total of $2,890,128 available for awards for 1958 of which the Incentive Committee determined that $2,590,000 be awarded for 1958. The Consolidated Balance Sheet at December 31, 1958 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.

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 33 survey companies which did not disclose a liability for federal income taxes in their 1958 balance sheets (*Co. Nos. 19, 48, 70, 77, 78, 131, 160, 179, 206, 226, 264, 285, 295, 304, 305, 320, 337, 344, 358, 383, 390, 436, 450, 480, 482, 490, 491, 513, 528, 534, 542, 563, 568). Twenty of these companies indicated "loss from operations" and six referred to operating loss "carry-forward" or "carry-back."

The following examples, selected from the 1958 reports, are representative of the balance sheet presentations of the liability for income taxes. (For further examples, see those following text "U.S. Government Securities Used to Offset Federal Income Tax Liability.")

ANDERSON, CLAYTON & CO.
Current Liabilities:

U.S. and foreign taxes on income (Note 4)	$6,294,544
Reserve for contingencies (Note 4)	714,195

Note 4: The Company and its subsidiaries have made full provision as of July 31, 1958, 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, 1958, this appropriation for theoretical tax liability amounted to $9,400,460 as compared with $10,751,323 as of July 31, 1957, a decrease of $1,350,863 for the current year.

The reserve for contingencies includes as of July 31, 1958, reserves for tax claims, fire losses, lawsuits, etc., aggregating $714,195 provided by foreign subsidiaries.

ADMIRAL CORPORATION
Current Liabilities:

Reserve for Federal, State and Foreign income taxes—Note C	$1,310,675

Note C: Taxes—The accompanying consolidated financial statements are subject to final determination of Federal, Foreign, State and local taxes.

BURLINGTON INDUSTRIES, INC.
Current Liabilities:

Federal, foreign, and state taxes based on income, estimated (Note E)	$12,423,684

Note E: Contingent Liabilities and Commitments—(1) The financial statements are subject to the final determination of Federal, foreign, and state taxes by the taxing authorities. Federal income tax returns of the Corporation and certain of its domestic subsidiaries have been examined by the Internal Revenue Service through their fiscal years ended in 1955, with other domestic subsidiaries being examined through their fiscal years ended in 1954 to 1957. The tax liabilities, if any, resulting from such examinations have been paid or provisions made therefor in the accompanying financial statements.

TABLE 26: INCOME TAX LIABILITY

Current Liability—Balance Sheet Presentation and Classification	1958	1957	1955
"Federal Income Tax"	244	255	273
Above combined with:			
Other taxes	8	9	9
Other income taxes	7	6	6
Territorial and other taxes	1	1	1
Renegotiation	4	7	9
Redetermination	—	—	1
Non-tax items	1	1	3
Total	265	279	302
"Federal and State Income Tax"	51	52	56
Above combined with:			
Foreign taxes	15	19	15
Foreign and municipal taxes	1	1	1
Municipal taxes	1	1	2
Other taxes	4	3	5
Renegotiation	—	3	3
Total	72	79	82
"Federal and Foreign Income Taxes"	101	94	84
Above combined with:			
Other taxes	1	1	1
Other taxes and renegotiation	1	1	3
Renegotiation	4	5	6
Total	107	101	94
Classification set forth as:			
"Income Taxes"	59	53	55
"Foreign income taxes"	1	1	1
"Income and other taxes"	9	7	4
"Income tax, domestic and foreign"	—	—	1
"Income tax and renegotiation"	—	—	3
Total	69	61	64
"Taxes"	38	38	35
"Federal, state and other taxes"	1	2	3
"Federal and state taxes"	4	2	1
"Federal, state, municipal taxes"	4	5	5
"Federal and general taxes"	4	3	2
"Domestic and foreign taxes"	1	2	1
"Taxes and non-tax items"	2	1	2
"Taxes and renegotiation"	—	—	1
Total	54	53	50
Number of Companies presenting:			
Current liability for income tax or taxes	567	573	592
Not presenting such liability	33	27	8
Total	600	600	600

*Refer to Company Appendix Section.

DAYSTROM INCORPORATED
Current Liabilities:
Federal taxes on income (Note 5) $1,362,614

Note 5: Federal taxes on income—Federal income and excess profits tax returns of the Company and its subsidiaries have been examined by the Internal Revenue Service up to and including the fiscal year ended March 31, 1953. Any additional assessments have been paid or provided for in the accompanying financial statements.

Depreciation on certain of the Company's plant facilities is being taken on an accelerated basis for income tax purposes, while normal depreciation is being taken in the accounts. Provision has been charged against profits and credited to Deferred Federal taxes on income.

FOOTE MINERAL COMPANY
Current Liabilities:
Federal and State income taxes, estimated (Note 4) $2,061,507

Note 4: 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 substantially 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 the probable tax liability.

GENERAL REFRACTORIES COMPANY
Current:
Provision for Federal and Pennsylvania income taxes (including amounts for possible additional assessments, less claim for refund) (Note 5) $1,151,030

Note 5: The Federal income tax liabilities of the company for 1950 and subsequent years have not been settled with the Internal Revenue Service. The balance sheet provision for income taxes includes amounts for possible assessments of additional income taxes, which amounts were deemed adequate at the close of 1957 in view of certain tentative compromise settlements with Service officials for the years 1950-53. During 1958, however, it became apparent that such tentative settlements may not be finally acceptable to the Internal Revenue Service.

In view of the conditions mentioned above, the company's basis for the determination of Federal income taxes is not agreed upon and the amount of the liability for unsettled taxes, as of December 31, 1958, is not presently determinable.

THE PITTSTON COMPANY
Current Liabilities:
Accrued liabilities (including Federal and State income taxes, $2,138,019—Note 2) $5,809,696

Note 2: Federal Taxes on Income—The Company and each of its subsidiaries will file separate Federal income tax returns for the year 1958. Consolidated Federal tax returns which were filed in 1956 and prior years by the Company and certain of its subsidiaries and the separate returns filed by principal majority-owned subsidiaries for the calendar year 1955, and for all prior years, have been audited or are in the process of being audited by the Treasury Department. All Federal income tax returns on which audits have been completed have been or are in the process of being settled and the balance sheet includes amounts which are estimated to be sufficient to cover any additional assessments which may be levied.

The effective tax rate varies from year to year depending principally upon the amounts of development expenses which are capitalized for book purposes but deductible for tax purposes and percentage depletion.

UNITED MERCHANTS AND MANUFACTURERS INC.
Current Liabilities:
Reserve for Federal and foreign taxes on income (Note E) $4,059,281

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, 1958, the loss carry-overs of subsidiary companies available in the future for Federal and foreign tax purposes approximated $2,100,000 and $2,150,000, respectively.

UNIVERSAL LEAF TOBACCO, INC.
Current Liabilities:
Reserve for Federal Income Tax—1958 (Note 3) $886,900

Note 3: The companies report and pay Income Taxes on an individual basis for the calendar year. Such taxes have been fully paid as filed for the year 1957. A Reserve has been provided for the estimated Federal Income Tax accrued on companies' profits for the six months to June 3, 1958.

TERMINOLOGY FOR "INCOME TAX LIABILITY"

The balance sheet of the 600 survey companies disclosed varying terminology in the presentation of income tax liability. There were 315 companies that used descriptive terms such as "estimated," "accrued," "provision," or "reserve" in conjunction with other words to describe their tax liability. The remaining 252 companies, disclosing an income tax liability, simply indicated the nature of the tax, or used the word "taxes" only, without further descriptive terminology.

Table 27 shows an increase in the number of companies which disclosed an income tax liability by simply referring to Federal income taxes. On the other hand, the number of companies using various descriptive terms has remained fairly constant during the past year except for the decrease shown in the use of the term "accrued."

TABLE 27: INCOME TAX LIABILITY

Primary Descriptive Term:	*1958	1957	1955	1950
Estimated, etc.	123	126	131	109
Provision, etc.	80	80	93	130
Reserve, etc.	20	21	22	48
Accrued, etc.	92	104	101	122
	315	331	347	409
None Used with—				
Federal income taxes	234	212	214	180
Income taxes	10	18	19	
Taxes	8	12	12	
Total	567	573	592	589
No income tax liability	33	27	8	11
Total	600	600	600	600

*1958 Descriptive Term Used with:	Estimated	Provision	Reserve	Accrued	Used Alone	1958 Total
Federal income tax	56	34	12	28	135	265
Federal and state income taxes	22	13	1	8	23	67
Federal, state and foreign taxes	—	2	—	2	1	5
Federal and foreign income taxes	25	10	4	8	60	107
Income taxes	20	16	1	11	21	69
Taxes	—	5	2	35	12	54
Total	123	80	20	92	252	567

Examples

The following examples of balance sheet terminology for Federal and other income or tax liability have been taken from the 1958 survey reports:

Estimated—(123 Companies):
"Estimated Federal income taxes" (*Co. Nos. 300, 434)
"Estimated federal taxes on income" (*Co. No. 256)
"Estimated U.S. Federal and Canadian taxes on income" (*Co. No. 435)
"Estimated Federal and foreign income taxes and renegotiation, less government securities of $XXX" (*Co. No. 141)
"Estimated Federal and State taxes on income" (*Co. No. 476)
"Estimated Federal and foreign taxes on income" (*Co. No. 191)
"Estimated federal taxes on income, less U.S. Government securities at cost and accrued interest $XXX" (*Co. No. 39)
"Estimated liability for Federal and foreign taxes on income" (*Co. No. 287)
"Federal taxes on income—estimated" (*Co. Nos. 147, 213, 288, 373, 425, 514)
"Federal income taxes—estimated" (*Co. No. 474)
"Federal and state taxes on income—estimated" (*Co. Nos. 171, 221, 258)
"Federal, state, and Canadian taxes on income—estimated" (*Co. No. 212)
"Federal, Canadian, and state taxes on income—estimated" (*Co. No. 465)
"Federal, state, and foreign taxes on income—estimated" (*Co. No. 203)
"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. 401)
"Federal and Canadian taxes on income—estimated" (*Co. No. 507)
"Federal taxes on income, estimated, current and prior years, less United States Treasury securities $XXX" (*Co. No. 84)
"Federal and State income taxes, estimated" (*Co. Nos. 50, 237, 478)
"Federal income tax—estimated" (*Co. Nos. 65, 194)
"Federal taxes on income—estimated, less United States Treasury obligations held for payment of taxes—$XXX" (*Co. No. 404)
"Federal taxes on income—estimated, less U.S. Treasury Securities of $XXX" (*Co. No. 13)
"U.S. taxes on income (estimated)" (*Co. No. 376)
"United States and Canadian Taxes on Income (principally of acquired companies)—estimated" (*Co. No. 389)
"United States and Canadian Taxes on income, estimated" (*Co. No. 359)

Provision—(80 Companies):
"Provision for Federal taxes on income" (*Co. Nos. 80, 95, 165, 410)
"Provision for Federal income taxes" (*Co. Nos. 217, 269, 511, 590)
"Provision for United States income taxes (after deducting United States Government securities—$XXX)" (*Co. No. 150)
"Provision for Federal income taxes, estimated" (*Co. No. 12)
"Provision for federal and state taxes on income etc." (*Co. No. 128)
"Provision for federal, state and foreign income taxes" (*Co. No. 215)
"Provision for Federal and foreign taxes on income" (*Co. No. 32)
"Provision for United States and foreign taxes on taxable net income" (*Co. No. 40)
"Provision for income taxes" (*Co. Nos. 55, 423)
"Provision for federal and foreign taxes on income, net of estimated refunds" (*Co. No. 428)
"Provision for income taxes, less $XXX of U.S. Government securities" (*Co. No. 239)
"Provision for taxes: taxes on income" (*Co. No. 279)
"Provision for United States and Canadian taxes on income" (*Co. No. 377)
"Provisions for taxes" (*Co. No. 402)
"Provision for taxes" (*Co. No. 451)
"Provision for Federal and State Income Taxes" (*Co. Nos. 340, 406)
"Provision for United States and foreign taxes on income" (*Co. No. 2)
"Provision for income and other taxes" (*Co. No. 211)
"Provision for Federal, state and Canadian income taxes (less U.S. Government and other marketable obligations of $XXX" (*Co. No. 418)
"Provision for Federal, state and foreign taxes on income" (*Co. No. 452)
"Provision for United States and Canada income taxes" (*Co. No. 349)
"Provision for United States and Canadian taxes on income and for renegotiation" (*Co. No. 105)
"Estimated provision for taxes based on income" (*Co. No. 278)

Reserve—(20 Companies):
"Reserve for Federal income tax(es)" (*Co. Nos. 64, 88, 102, 290, 301, 342)
"Reserve for Federal, state and foreign income taxes" (*Co. No. 8)
"Reserves for U.S. and Cuban taxes on income" (*Co. No. 51)
"Reserve for federal and foreign taxes on income" (*Co. No. 562)
"Reserve for Federal and Canadian income taxes" (*Co. No. 93)
"Reserve for U.S. and Canadian Income Taxes and Renegotiation" (*Co. No. 549)
"Reserve for taxes on income" (*Co. No. 158)
"Reserves for federal, state and local taxes" (*Co. No. 470)
"Reserve for Estimated Federal Income Taxes" (*Co. No. 24)
"Reserve for Federal taxes on income" (*Co. Nos. 89, 245)
"State and Federal Taxes (Reserve)" (*Co. No. 185)

Accrued—(92 Companies):
"Accrued federal taxes on income" (*Co. No. 85)
"Accrued Federal income taxes" (*Co. Nos. 159, 567)
"Accruals: Federal income taxes, less United States tax notes of $XXX" (*Co. No. 47)
"Accrued liabilities: Federal taxes on income" (*Co. Nos. 146, 219, 437)
"Accrued taxes: Federal income" (*Co. No. 20)
"Accrued interest and taxes" (*Co. No. 500)
"Accrued taxes—Federal income tax" (*Co. No. 508)
"Accrued liabilities: Federal income taxes" (*Co. Nos. 164, 247)

*Refer to Company Appendix Section.

"Accrued liabilities: Federal and State taxes" (*Co. No. 172)
"Accrued income taxes: United States $XXX" (*Co. No. 179)
"Accrued federal, state, local and foreign taxes" (*Co. No. 498)
"Accrued Federal, State and Town Taxes" (*Co. No. 523)
"Accrued taxes: United States and foreign income taxes" (*Co. No. 432)
"Accrued taxes: Federal and Canadian taxes on income" (*Co. No. 522)
"Accrued taxes: U.S. and foreign taxes on income" (*Co. No. 49)
"Accrued domestic and foreign taxes" (*Co. No. 351)
"Accrued accounts: Federal income taxes" (*Co. No. 72)
"Accrued accounts: Federal, state, and local taxes" (*Co. No. 398)
"Accrued Federal and Canadian Income Taxes" (*Co. No. 458)
"Accrued accounts: Federal taxes on earnings (Less U.S. Treasury obligations, $XXX)" (*Co. No. 485)
"Accrued accounts: Federal taxes on income, less United States Government short-term securities—$XXX" (*Co. No. 551)
"Taxes accrued" (*Co. Nos. 267, 328)
"Tax accruals" (*Co. No. 167)
"Federal, Canadian and other taxes accrued" (*Co. No. 252)

Federal income tax—(234 Companies):
"Federal income tax(es)" (*Co. Nos. 34, 54, 117, 153, 302, 412, 443, 489)
"Federal taxes on income" (*Co. Nos. 100, 233, 308, 339, 374, 400, 503)
"Federal income tax(es) payable" (*Co. Nos. 336, 510)
"Federal and state taxes on income" (*Co. Nos. 284, 440)
"Federal and state income taxes" (*Co. Nos. 317, 363)
"Federal, Canadian and State income taxes" (*Co. No. 381)
"Federal, state and Canadian taxes on income—$XXX less U.S. Government securities at cost" (*Co. No. 327)
"Federal, State, and Canadian taxes on income" (*Co. No. 255)
"Federal and foreign taxes on income, net after government tax notes of $XXX" (*Co. No. 27)
"Federal taxes on income and renegotiation" (*Co. No. 98)
"Federal, State and other taxes (after deducting U.S. Government securities at cost—$XXX)" (*Co. No. 37)
"Federal and state taxes" (*Co. No. 473)
"Federal income taxes and renegotiation" (*Co. No. 38)
"Federal and foreign taxes on income and renegotiation" (*Co. No. 236)
"Federal, state and territorial taxes on income" (*Co. No. 156)
"Federal and (in 1958) foreign income taxes" (*Co. No. 589)
"Federal and Foreign taxes on income (*Co. Nos. 9, 87, 395)
"Federal Income Tax prior year" (*Co. No. 67)
"Federal taxes on income less U.S. Securities held for payment—$XXX" (*Co. No. 202)
"Federal taxes on income, less U.S. Government securities of $XXX" (*Co. No. 520)
"Federal, state and foreign taxes (less United States and foreign Government Securities—$XXX)" (*Co. No. 477)
"Federal and state taxes on income—prior years" (*Co. No. 42)
"Federal income taxes—prior years" (*Co. No. 466)
"Federal and State taxes on income less United States Government securities in the amount of $XXX to be used in payment thereof" (*Co. No. 168)
"Federal, Canadian, and State taxes on income" (*Co. No. 570)
"Federal taxes on income, net" (*Co. No. 131)
"Federal income taxes less U.S. Government direct and indirect obligations of $XXX" (*Co. No. 358)
"Liability for federal income taxes" (*Co. No. 5)
"United States Taxes on Income, less U.S. Treasury Securities, $XXX" (*Co. No. 232)
"United States income taxes" (*Co. No. 496)
"United States and Canadian Federal income taxes" (*Co. No. 124)
"U.S. and Canadian income taxes" (*Co. Nos. 75, 259)
"United States and foreign taxes on income" (*Co. Nos. 157, 200, 468)
"United States and foreign income taxes" (*Co. No. 197)
"United States and Canadian income taxes" (*Co. No. 251)
"U.S.A., Canadian and Cuban taxes on income" (*Co. No. 595)
"United States, Canada, and other taxes on income" (*Co. No. 242)
"United States taxes less U.S. Treasury securities—$XXX" (*Co. No. 268)
"United States and Canadian taxes on income" (*Co. Nos. 299, 420)

Income taxes—(10 Companies):
"Income taxes" (*Co. No. 346)
"Income and social security taxes" (*Co. No. 174)
"Income and other taxes" (*Co. No. 74)
"Income taxes payable" (*Co. Nos. 444, 519)
"Taxes on income" (*Co. Nos. 151, 442, 531)
"Income and operating taxes" (*Co. No. 494)
"Taxes on income payable to United States and Canada" (*Co. No. 512)

Taxes—(8 Companies):
"Taxes" (*Co. Nos. 180, 321)
"Taxes payable (including income taxes)" (*Co. No. 505)
"Taxes payable" (*Co. No. 356)
"Taxes payable and accrued" (*Co. Nos. 272, 347)
"Local, State and Federal Taxes, less United States Securities of $XXX" (*Co. No. 558)
"General and Federal Taxes" (*Co. No. 597)

U.S. GOVERNMENT SECURITIES USED TO OFFSET INCOME TAX LIABILITY

The committee on accounting procedure of the American Institute of Certified Public Accountants in *Restatement and Revision of Accounting Research Bulletins* (Bulletin No. 43—Chapter 3—Section B), issued in 1953, made the following statement regarding the "Application of United States Government Securities against Liabilities for Federal Taxes on Income":

*Refer to Company Appendix Section.

1. It is a general principle of accounting that the offsetting of assets and liabilities in the balance sheet is improper except where a right of set-off exists. An example of such exception was the showing of United States Treasury Tax Notes, Tax Series A-1943 and B-1943, as a deduction from the liability for federal taxes on income, which the committee approved in 1942.
2. In view of the special nature of the terms of the 1943 tax notes, the intention of the purchaser to use them to pay federal income taxes could be assumed, since he received no interest or other advantage unless they were so used. Some purchasers doubtless viewed their purchase of the notes as being, to all intents and purposes, an advance payment of the taxes.
3. In the absence of evidence of a contrary intent, it was considered acceptable, and in accordance with good accounting practice, to show the notes in the current liability section of the balance sheet as a deduction from federal taxes on income in an amount not to exceed the accrued liability for such taxes. The full amount of the accrued liability was to be shown with a deduction for the tax payment value of the notes at the date of the balance sheet.
4. It also was recognized as clearly proper to show the notes in the current asset section of the balance sheet as any other temporary investments are shown. If at the balance-sheet date or at the date of the independent auditors' report there was evidence that the original intent was changed, the notes were to be shown in the current asset section of the balance sheet.
5. Government securities having restrictive terms similar to those contained in the 1943 tax series notes are no longer issued, although certain other types of government securities have since been issued which are acceptable in payment of liabilities for federal taxes on income. However, because of the effect on the current position of large tax accruals and the related accumulations of liquid assets to meet such liabilities, many companies have adopted the practice of acquiring and holding government securities of various issues in amounts related to the estimated tax liability. In their financial statements these companies have often expressed this relationship by showing such securities as a deduction from the tax liability, even though the particular securities were not by their terms acceptable in payment of taxes. If the government securities involved may, by their terms, be surrendered in payment of taxes, the above practice clearly falls within the principle of the permissive exception described in paragraph 1. The committee further believes that the extension of the practice to include the offset of other types of United States government securities, although a deviation from the general rule against offsets, is not so significant a deviation as to call for an exception in an accountant's report on the financial statements.
6. Suggestions have been received that similar considerations may be advanced in favor of the offset of cash or other assets against the income and excess profits tax liability or against other amounts owing to the federal government. In the opinion of the committee, however, any such extension or application of the exception, recognized as to United States government securities and liabilities for federal taxes on income, is not to be regarded as acceptable practice.

United States Government securities were disclosed in the balance sheets of 274 survey companies (as compared with 359 in 1955) either as current assets or as deductions from the federal income tax liability in the current liability section.

Table 28 disclosed the different types of U.S. Government securities held by the survey companies, as described in their reports, and indicates their balance sheet presentation.

All Government Securities Presented as an Offset to the Federal Income Tax Liability

AMERICAN SEATING COMPANY
Current Liabilities:
Federal income taxes, less United States tax notes of $1,095,654 .... $301,718

BEATRICE FOODS CO.
Current Liabilities:
Federal taxes on income, estimated, current and prior years, less United States Treasury securities $5,918,726.57 .... $379,937.88

BRISTOL-MYERS COMPANY
Current Liabilities:
Federal and Canadian taxes on income $886,797
After deduction of U.S. tax bills, notes and certificates of indebtedness—$3,724,826

FEDERATED DEPARTMENT STORES, INC.
Current Liabilities:
Federal taxes on income less U.S. Treasury Bills of $11,957,518 .... $11,058,120

NATIONAL DAIRY PRODUCTS CORPORATION
Current Liabilities:
Provision for Federal and Canadian taxes on income $28,134,248
Less—Short-term U.S. Government securities .... (15,833,200)

TABLE 28: U. S. GOVERNMENT SECURITIES USED TO OFFSET FEDERAL INCOME TAX LIABILITY

Number of Companies with U.S. Government Securities presenting—	1958	1955
All Government securities as an offset to the Federal income tax liability with such securities identified as:		
U.S. Government securities or similar caption	27	28
Treasury notes	1	10
Treasury notes, and bills or certificates	3	4
Treasury tax notes or certificates	2	4
Treasury tax anticipation notes, certificates, or bills	1	8
Treasury bills	2	4
Total	36	58
Certain Government securities as an offset to the Federal income tax liability with such securities identified as:		
U.S. Government securities or similar caption	59	78
Treasury notes	5	7
Treasury notes, and bills or certificates	—	3
Treasury tax notes or certificates	3	9
Treasury tax anticipation notes, certificates, or bills	4	9
Treasury bills	4	5
Total	75	111
All Government securities as Current Assets with securities identified as:		
U.S. Government securities or similar caption	142	169
Treasury notes	4	4
Treasury bills	14	13
U.S. Government or treasury bonds	3	4
Total	163	190
Number of Companies with no U.S. Government Securities presenting:		
Federal income tax liability	302	232
No Federal income tax liability	24	9
Total	326	241
Total	600	600

BROWN SHOE COMPANY, INC.
Current Liabilities:

Federal and state taxes on income—estimated	$8,193,107
Less United States Government obligations —at cost	2,993,728
	$5,199,379

DIAMOND GARDNER CORPORATION
Current Liabilities:

Accounts payable and accrued liabilities	$7,403,000
Accrued taxes (less U.S. Government securities: $5,103,000)	1,644,000

UNION BAG-CAMP PAPER CORPORATION
Current Liabilities:

Federal taxes on income, less United States Government short-term securities, $11,276,770	$2,138,776

Certain Government Securities Presented as an Offset to the Federal Income Tax Liability

ALCO PRODUCTS, INCORPORATED

Current Assets:	
United States Government securities—at cost	$6,338,305
Current Liabilities:	
Estimated federal income taxes and renegotiation (less U.S. Government securities —$3,598,437)	—

THE CELOTEX CORPORATION

Current Assets:	
U.S. Government securities, at cost which approximates market	$5,125,073
Current Liabilities:	
Federal income taxes (less U.S. Treasury obligations, $1,900,000)	$309,786

CITIES SERVICE COMPANY

Current Assets:	
United States Treasury securities and accrued interest	$61,871,674
Current Liabilities:	
Provision for Federal taxes on income, less United States Treasury securities $1,983,852	—

HARRIS-INTERTYPE CORPORATION

Current Assets:	
United States Treasury securities, at cost plus accrued interest	$1,763,700
Current Liabilities:	
United States and foreign taxes on income (after deducting $1,980,311 of United States Treasury securities)	$ 980,836

THE PROCTER & GAMBLE COMPANY

Current Assets:	
U.S. Government and other marketable securities, at cost (approximately market)	$58,898,773
Current Liabilities:	
Federal taxes on income, less U.S. Government securities of $48,927,678	—

A. O. SMITH CORPORATION

Current Assets:	
Commercial paper and U.S. Government securities, at cost which approximates market value	$12,557,365
Current Liabilities:	
Federal taxes on income	$ 4,863,882
U.S. Government securities, at cost which approximates market value, offset against federal taxes on income	(4,863,882)

STEWART-WARNER CORPORATION

Current Assets:	
U.S. Government securities, at cost	$18,289,213
Less: Amount applied in reduction of Federal income taxes	(4,276,304)

Current Liabilities:
Federal and other income taxes .... $ 4,276,304
Less: U.S. Government securities ... (4,276,304)

ZENITH RADIO CORPORATION
Current Assets:
U.S. Government securities, at cost $28,277,595
Current Liabilities:
Provision for Federal income taxes $10,711,229
Less—U.S. Government securities .... 10,700,000 $ 11,229

All Government Securities Presented as Current Assets

ALLIED LABORATORIES, INC.
Current Assets:
United States Government obligations, at cost $3,413,470
Current Liabilities:
Accrued liabilities—
Federal and state income taxes $1,444,507

AUTOMATIC CANTEEN CAMPANY OF AMERICA
Current Assets:
United States Treasury notes: $100,000 due February 14, 1959 and $125,000 due August 1, 1959, at cost .... $ 222,656
Current Liabilities:
Accrued accounts: Federal income taxes .. $2,917,449

CONTINENTAL BAKING COMPANY
Current Assets:
U.S. government securities, at cost $1,223,768
Current Liabilities:
Accrued federal income tax $6,572,346

GENERAL BAKING COMPANY
Current Assets:
U.S. Treasury Bills, at cost $1,895,900
Current Liabilities:
Federal taxes on income $1,845,069

THE PITTSTON COMPANY
Current Assets:
U.S. Government securities—at cost ..... $ 124,627
Current Liabilities:
Accrued liabilities (including Federal and State income taxes $2,138,019) $5,809,696

STANDARD OIL COMPANY OF CALIFORNIA
Current Assets:
U.S. Government securities, at cost which approximates market $105,708.931
Current Liabilities:
Federal and other taxes based on income (estimated) .... $ 53,517,428

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The various types of short-term borrowing and long-term indebtedness presented in the 1958 balance sheets of the 600 companies included in the survey are summarized in Table 29.

TABLE 29: SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

Balance Sheet Description	Current Liability Short-term	Noncurrent Liability Long-term
Notes payable (*Co. Nos. 33, 52, 107, 264, 302, 405, 531)	154	354
Loans payable (*Co. Nos. 28, 192, 259, 311, 428, 504)	32	37
Bonds payable (*Co. Nos. 179, 270, 299, 343, 548, 591)	—	20
Debentures (*Co. Nos. 64, 78, 199, 203, 311, 505)	—	79
Sinking fund debentures (*Co. Nos. 7, 184, 270, 351, 445, 514)	—	147
Revolving credit agreement (*Co. Nos. 117, 205)	2	—
V-loan agreement (*Co. Nos. 205, 364, 439)	3	—
Equipment contracts (*Co. Nos. 321, 337, 405, 593)	2	10
Purchase money obligations (*Co. Nos. 64, 184, 500, 506, 542)	—	10
Real estate obligations (*Co. Nos. 51, 56, 544)	—	4
U.S. and Foreign Government loans (*Co. No. 251)	—	1
Mortgages payable (*Co. Nos. 33, 89, 102, 322, 493)	1	92
Contracts payable (*Co. Nos. 61, 179, 238, 550)	3	15
Other long-term liabilities (*Co. Nos. 163, 257, 332, 485)	—	12
Owed by—subsidiaries (*Co. Nos. 44, 97, 254, 398)	13	21
Owed to—unconsolidated subsidiaries or affiliates (*Co. Nos. 184, 240, 331, 402)	13	2
Total	**223	804

Number of Companies presenting:	
Short-term borrowing only	44
Short-term borrowing and long-term indebtedness	165
Long-term indebtedness only	304
Neither short-term borrowing nor long-term indebtedness	87
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 within one year.

The annual reports of these companies disclose that 87 had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 513 companies, 44 presented short-term borrowing only; 304 disclosed only long-term indebtedness, and 165 presented both short-term borrowing and long-term indebtedness in their balance sheets.

A total of 101 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-long (9 companies), revolving credit (36 companies), or simple credit agreements (56 companies).

Five companies disclosed that they had entered into credit agreements subsequent to the end of their accounting period and thirteen companies reported that borrowing under credit agreements were repaid during the year.

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 1958 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, including indebtedness secured by collateral, are shown below.

Other examples of the presentation of credit agreements are included in Section 4—"Cash Dividend Restrictions."

SHORT-TERM BORROWING

Notes Payable

GRUMMAN AIRCRAFT ENGINEERING CORPORATION

Current Liabilities:

Notes payable to banks—unsecured $12,200,000

UTAH-IDAHO SUGAR COMPANY

Current Liabilities:

Notes payable to banks $11,100,000

Loans Payable

AMERICAN SMELTING AND REFINING COMPANY

Current Liabilities:

Bank loans (paid January 1959) $13,000,000

DRAVO CORPORATION

Current Liabilities:

Loans from banks due within one year $500,000

TIMKEN ROLLER BEARING COMPANY

Current Liabilities:

Bank loans (foreign operations) $1,006,443

Revolving Credit Agreement

BUFFALO-ECLIPSE CORPORATION

Current Liabilities:

Notes Payable:

Revolving bank credit (Note 3) $2,250,000

3⅛% notes payable due within one year 450,000

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 unused portion of the credit. The agreement expires on July 31, 1960.

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 that the limitation was increased to $1,400,000 for the fiscal year ended July 31, 1957 and $1,000,000 for the fiscal year ended July 31, 1958.

At July 31, 1958 the Company's bank balances were $1,418,644 or $218,644 in excess of the minimum balances required. The aggregate of cash, current accounts receivable and the $1,000,000 allowable under (d) was $4,628,212 or $721,563 in excess of total liabilities. Unrestricted retained earnings determined under (e) above were $1,370,807 subject, however, to the maintenance of cash balances and other quick assets in excess of liabilities as previously explained. These terms are as restrictive as any imposed by the other outstanding debt.

Owed by Subsidiaries

THE COCA-COLA COMPANY

Current Liabilities:

Notes payable by subsidiaries $3,031,971

H. H. ROBERTSON COMPANY

Current Liabilities:

Notes payable to banks by subsidiaries $306,524

Owed to Unconsolidated Subsidiaries

FIRST NATIONAL STORES INC.

Current Liabilities:

Owing to subsidiary companies $122,995

OTIS ELEVATOR COMPANY

Current Liabilities:

Payable to subsidiaries—not consolidated .. $900,279

LONG-TERM INDEBTEDNESS

Noncurrent Liabilities

ARMCO STEEL CORPORATION

Long-Term Debt, less current portion (page 23) $107,056,000

Page 23: Long-Term Debt (Less Current Portion)—

Armco Steel Corporation:

Sinking Fund Debentures:

Series A—2¾%, due April 1, 1966; annual sinking fund of $1,500,000	$ 19,000,000
Series B—3%, due January 1, 1968; annual sinking fund of $1,870,000	13,090,000
Series C—3%, due January 1, 1964; annual sinking fund of $2,500,000	7,500,000

Notes Payable to Banks—3¼% through 1962 and 3½% thereafter; $15,000,000 due on December 31, 1962 and 1963, remainder due on December 31, 1964	50,000,000
Total, Armco Steel Corporation	$ 89,590,000
The National Supply Company (subsidiary company):	
Debentures—2¾%, due June 1, 1967; annual sinking fund of $667,000 (the 1959 and part of the 1960 requirements have been satisfied)	9,466,000
Notes Payable to Banks—3⅛%; $500,000 due on December 31, 1960, and $1,500,000 due on December 31 annually thereafter through 1965	8,000,000
Total	$107,056,000

ARMOUR AND COMPANY

Long term debt (Note 5)	
First Mortgage, Twenty-Five Year 2¾% Sinking Fund Bond, Series F, due July 1, 1971	$ 42,500,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	10,206,000
3½% Sinking Fund Debentures, due September 1, 1968	26,000,000
Purchase Money Notes, payments due in installments to 1968	1,006,977
	$ 79,712,977
Subordinated long term debt (Note 6)	
3½% Cumulative Income Debentures (Subordinated), due November 1, 1972	16,954,000
5% Cumulative Income Subordinated Debentures, due November 1, 1984	58,463,520
	$155,130,497

Note 5: Long Term Debt—Long term debt maturities and sinking fund requirements for the fiscal year 1959 aggregate $5,108,246. Of this amount $2,860,000 has been anticipated and paid in advance; the balance of $2,248,246 has been deducted from long term debt and included in current liabilities at November 1, 1958. The amount payable in 1960 will be $4,988,887, in 1961 $5,642,888, in 1962 $6,643,582, and in 1963 $6,644,305.

Note 6: 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. Payment into the sinking fund is required to be made in 1959 for the redemption of $1,385,000 principal amount of 3½% income debentures, which amount has been deducted from subordinated long term debt and included in current liabilities at November 1, 1958.

The indenture under which the 5% income debentures were issued provides, under certain conditions, for required retirements through a sinking fund, and for optional retirements. No retirement is required to be made in 1959.

BELL & HOWELL COMPANY

Long-Term Debt—less portion classified as current liability—Note C	$7,500,000

Note C: Long-Term Debt—Long-term debt consists of the following:

	December 31 1958	1957
Fifteen-Year 3¼% Notes—due October 1, 1964	$1,800,000	$2,100,000
Fifteen-Year 3¾% Notes—due January 1, 1969	1,100,000	1,300,000
25-Year 4¾% Subordinated Notes—due March 1, 1982	4,000,000	4,000,000
5% Convertible Debentures—due November 30, 1967	1,000,000	1,000,000
5% Income Note	—	500,000
Total	$7,900,000	$8,900,000

The Fifteen-Year 3¼% Notes require sinking fund payments of $300,000 a year; the Fifteen-Year 3¾% Notes require sinking fund payments of $100,000 a year for the years 1959-1965 inclusive, and $125,000 thereafter. These notes have preference as to payment over the 25-Year 4¾% Subordinated Notes.

The 25-Year 4¾% Subordinated Notes are convertible into Common Stock of the Company to 1967 (present conversion price $43.60 a share). Sinking fund payments of $200,000 a year are required beginning in 1967. Under the terms of issuance, dividends, except stock dividends, and purchases of Company capital stock, may not exceed the sum of consolidated net earnings since December 31, 1956, proceeds from sale of stock, indebtedness which has been converted into stock, and $1,000,000. At December 31, 1958, consolidated net earnings invested in the business not subject to this limitation amounted to approximately $4,700,000. There are also certain limitations as to the payments of dividends on and purchases of common shares under the terms of issuance of the Fifteen-Year 3¼% and 3¾% Notes and the Preferred Stock; however, the limitations pertaining to the 25-Year 4¾% Notes are more restrictive.

BORG-WARNER CORPORATION

Long-term note payable, due $375,000 annually to October 1, 1966 when balance is due, less current installment, $375,000 included in accounts payable (assumed on merger with Byron Jackson Co.)	$ 4,550,000
3⅜% sinking fund debentures due 1974 (assumed on merger with York Corporation) (Note 3)	$17,400,000
Less debentures reacquired and held in treasury	2,798,000
	$14,602,000

Note 3: The corporation is required to pay (either in cash or reacquired debentures) to the trustee under the sinking fund debentures on September 30 of each of the following years an amount sufficient to redeem debentures in the following respective principal amounts: $600,000 in each of the years 1959 through 1963; $1,100,000 in each of the years 1964 through 1969; $1,500,000 in each of the years 1970 and 1971; and $1,600,000 in each of the years 1972 and 1973.

SUN CHEMICAL CORPORATION

Long-term liabilities, after deducting payments due within one year:	
Twenty Year, 2¾% Sinking Fund Debentures, due August 1, 1966	$2,580,000
Notes payable, 3¼%, due in equal annual installments on April 30, 1960 and 1961	871,913
Other long-term liabilities	258,365
Total long-term liabilities	$3,710,278

BOTH SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

GENERAL CIGAR CO., INC.

Current Liabilities:	
Short-term notes payable	$ 2,000,000
Portion of long-term debt due within one year	1,057,000
Noncurrent Liabilities:	
Long-term debt:	
3¼% note payable in annual installments to July 1, 1963	$ 3,000,000
3½-4½% note payable in annual installments to October 1, 1961	1,400,000
5½% cumulative income subordinated debentures, due June 1, 1987 (Note 1)	6,534,000
	$10,934,000

Note 1: On May 31st of each year, if earnings of the preceding year, as defined in the indenture, are sufficient, the Company is required to pay $233,000 into a sinking fund for retirement of the debentures. During 1958 debentures purchased in 1957 in that amount were retired and $76,000 of debentures were purchased for application to the 1959 sinking fund requirement.

AMERICAN CYANAMID COMPANY

Current Liabilities:

Bank obligations in foreign currencies	$1,760,767
Funded debt installments due within one year	1,338,000

Noncurrent Liabilities:

Funded debt not due within one year:	
3% Purchase Money Obligations due 1960 to 1968	$ 1,267,000
2¾% Sinking Fund Debentures, due 1965	16,750,000
3¾% Promissory Notes, due 1977 to 1987	75,000,000
Total funded debt not due within one year	$93,017,000

THE GENERAL TIRE & RUBBER COMPANY

Current Liabilities:

Notes payable:	
Under credit agreement of Aerojet-General Corporation	$14,000,000
Other	15,550,000
Instalments of long term debt	3,952,900

Noncurrent Liabilities:

Long term debt (Note F)	$66,957,800

Note F: Long term debt consists of the following (excluding 1959 instalments):

The General Tire & Rubber Company—	
Unsecured promissory notes	
3⅛% due 1960 to 1968	$ 7,800,000
3¾% due 1960 to 1972	8,666,000
4% due 1962 to 1981	25,000,000
Unsecured bank loans	
3¾% due 1960 to 1961	2,000,000
4½% due 1960 to 1962	4,500,000
4¾% due 1963	2,000,000
Subordinated sinking fund debentures	
4¼% due 1960 to 1981	1,306,500
4¾% due 1960 to 1981	3,580,300
6% due 1961 to 1982	11,025,000
The General Tire and Rubber Company of Canada Limited 5% sinking fund debentures, due 1960 to 1969	1,080,000
	$66,957,800

KIMBERLY-CLARK CORPORATION

Current Liabilities:

Current maturities of long-term debt	$ 1,825,600
Bank loans of foreign subsidiaries	2,354,916

Noncurrent Liabilities:

Long-term debt (Note 4)	$45,000,000

Note 4: Long-Term Debt—The long-term debt at April 30, 1958 is summarized as follows:

Kimberly-Clark Corporation:	
Sinking fund debentures—3¾%, maturing 1963 to 1983, inclusive	$30,000,000
Sinking fund note—3½%, maturing 1959 to 1967, inclusive	9,000,000
Kimberly-Clark Pulp and Paper Company Limited first mortgage serial bonds (payable in Canadian dollars) —3½%, maturing 1959 to 1966, inclusive	6,000,000
Total	$45,000,000

INDEBTEDNESS SECURED BY COLLATERAL

Short-Term Borrowing

ALLEN B. DuMONT LABORATORIES, INC.

Current Liabilities:

Notes payable to banks:	
Under V-loan agreement (Note 2)	$2,900,000
Under revolving credit agreement (Notes 3 and 6)	900,000
Mortgage installments due within one year	$ 47,336

Long-term Liabilities:

Mortgage payable (less installments due within one year)	$ 638,794

Note 2: V-Loan Agreement—Under the terms of a V-loan agreement with certain banks, the Company may borrow up to $3,000,000 at any time or from time to time prior to March 31, 1959, 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, 1958, loans aggregating $2,900,000 were secured by the assignment of accounts receivable and inventories aggregating approximately $3,280,000. On March 27, 1959, the V-loan agreement was amended to provide for the extension thereof to June 30, 1959, with a reduction of the maximum permitted borrowing to a total of $2,000,000.

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, acquire any of its 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. The operations since this date having resulted in a loss, the Company is restricted from paying any cash dividends on its common stock or preferred stock.

Since June 1, 1958 the Company has been in default under its V-loan agreement as the consolidated net current assets at that date had fallen below the $10,000,000 minimum requirement.

Note 3: Revolving Credit Agreement—Under the terms of a secured revolving credit agreement with certain banks, loans aggregating $900,000 at December 31, 1958 were secured by assigned accounts receivable in the amount of $3,305,167. Reference is made to note 6 hereafter concerning the accounts financing agreement made in 1959, and the payment in full of the loans made under the revolving credit agreement.

Note 6: Accounts Financing Agreement—On Febraury 19, 1959, the Company entered into an agreement with Walter E. Heller & Company, a commercial financing institution, under which the latter made an initial loan to the Company in the amount of $1,584,133 against the assignment of certain receivables, and agreed to make further loans in amounts equal to 90% of additional acceptable receivables.

From the proceeds of the above loan, $750,000 was paid to the banks in full payment of the loans then outstanding under the secured revolving credit agreement. At the same time the receivables, which had been pledged to the banks under the revolving credit agreement, were released from the assignment and pledged under the said accounts financing agreement.

EVANS PRODUCTS COMPANY

Current Liabilities:

Notes payable:	
To banks	$1,675,000
To finance company (Note C)	199,746
Others	120,000

Note C: Note Payable to Finance Company—Inventories of Fiddes-Moore & Company in the amount of $342,846 are pledged as collateral to the note payable of that company.

Long-Term Indebtedness

BARIUM STEEL CORPORATION

Noncurrent Liabilities:

Long-term debt (less current portion shown above):	
5½% Convertible Subordinated Debentures due 1969 less $1,935,000 principal amount reacquired and $555,000 principal amount converted	$ 7,510,000
Notes and mortgage payable	1,855,847
Other	657,111
	$10,022,958

Notes to Financial Statements

Secured Debt—Long-term debt amounting to $1,900,000 at December 31, 1958 was secured by the capital stock of a subsidiary.

THOMPSON RAMO WOOLDRIDGE, INC.
Noncurrent Liabilities:

Long-term Debt—Note B	
3¼% Debentures due 1971	$12,103,000
4⅞% Subordinated Debentures due 1982	19,729,500
Construction loan, less current maturities	8,795,000
Trust deed notes payable, less current maturities	315,650
Total long-term debt	$40,943,150

Note B: The indenture for the 3¼% Debentures requires sinking-fund payments of $563,000 annually; debentures were acquired by the Company in 1958 to meet the sinking-fund payment due February 15, 1959. The indenture for the 4⅞% Subordinated Debenture requires annual sinking-fund payments beginning in the year 1968. The construction loan of a subsidiary is repayable in thirty semiannual installments of $430,000 (including 5% interest) beginning October 1, 1959. The construction loan is secured by a deed of trust on land and buildings in the cost amount of approximately $17,000,000. The other trust deed notes are payable on various installment terms over various periods of time.

The 4⅞% Subordinated Debentures are convertible into Common Stock of the Company at the rate of one share for each $72.69 principal amount of Debentures if converted on or before August 1, 1962, and one share for each $77.54 thereafter and on or before August 1, 1967. At December 31, 1958, there were 271,420 shares of Common Stock reserved for this purpose.

Among other covenants, the indentures impose limitations on the payment of dividends. Under the most restrictive interpretation of these covenants, retained income at December 31, 1958, was unrestricted to the extent of approximately $22,034,000.

DEFERRED INCOME

The terms "deferred income" or "deferred credits" have been used to identify accounts or groups of accounts whose credit balances will normally be transferred to revenue accounts as the amounts are subsequently realized or earned.

Table 30 indicates that for the year under review a total of 98 such items were disclosed by 87 of the survey companies. Such items or accounts have been variously treated—for example, 66 items were presented in the balance sheet above the stockholders' equity section, 12 items were included in the current liability section, while 20 items were shown with the related current asset accounts.

Varying descriptions were given by the companies in referring to these accounts, as detailed in Table 30, some of which are given in the examples which follow:

With Related Current Asset:

DEERE & COMPANY
Receivables:

Accounts	$179,524,357
Notes (less unearned interest of $15,472,341 in 1958)	132,091,557
Total	$311,615,914

ELECTROLUX CORPORATION
Receivables:

Instalment accounts, less unearned finance charges and reserves aggregating $1,737,047	$15,882,157
Other	212,642
	$16,094,799

TABLE 30: DEFERRED INCOME

Balance Sheet Presentation	1958	1957	1955
With Related Current Asset:			
Unearned finance charge (*Co. Nos. 17, 216, 231, 265)	10	6	8
Unearned interest (*Co. Nos. 114, 192)	3	2	1
Billings on uncompleted contracts (*Co. Nos. 158, 202, 203, 218)	7	3	—
In Current Liability Section:			
Billings on uncompleted contracts (*Co. Nos. 349, 411)	3	5	1
Metal treatment charge (*Co. No. 40)	1	1	2
Rent on leased equipment, films, or meters (*Co. No. 550)	1	1	1
Customer service prepayment (*Co. Nos. 197, 396, 502)	5	5	7
Various other	—	—	1
"Deferred income" (*Co. No. 139)	1	1	1
Unearned deposits or royalties (*Co. No. 251)	1	1	—
Above Stockholders' Equity Section:			
Billings on uncompleted contracts	—	—	3
Discount on reacquired securities (*Co. No. 62)	1	—	1
Government contract income (*Co. No. 350)	1	1	1
Magazine subscription income (*Co. Nos. 356, 368, 546)	4	5	5
Premium on debentures issued (*Co. No. 252)	2	1	1
Profit on foreign sales (*Co. No. 446)	1	2	—
Profit on sales or installment contracts (*Co. Nos. 70, 110, 281)	7	5	6
Profit on fixed assets sold (*Co. Nos. 428, 553)	4	3	4
Rentals on leased equipment, films, or meters, or rent (*Co. Nos. 224, 278, 444)	7	7	7
Deferred or unearned deposits or royalties (*Co. Nos. 198, 497)	2	2	3
Unearned finance charges (*Co. Nos. 86, 476)	3	3	3
Unearned interest (*Co. Nos. 562, 592)	2	2	3
Unfinished voyage revenue (*Co. No. 559)	1	1	1
Various other (*Co. Nos. 124, 293, 472)	8	10	3
"Deferred credits" (*Co. Nos. 21, 25, 136, 138, 172)	16	13	20
"Deferred income" (*Co. Nos. 140, 370, 546)	7	9	12
Total	98	89	95
Number of Companies presenting Deferred Income Items in:			
Current asset section	20	11	8
Current asset section and *above* stockholders' equity section	—	—	1
Current liability section	11	14	12
Above stockholders' equity section	56	55	63
	87	80	84
Not presenting deferred income items	513	520	516
Total	600	600	600

*Refer to Company Appendix Section.

In Current Liability Section

LINK-BELT COMPANY

Accounts payable and accrued liabilities	$10,383,965
Progress billings on uncompleted contracts	1,307,193
Common stock dividends payable	1,128,404
Provision for United States and Canada income taxes	3,914,583
Provision for general taxes	1,053,703
Total current liabilities	$17,787,848

THE NATIONAL CASH REGISTER COMPANY

Current installment on sinking fund notes	$ 1,929,000
Payables and accruals	26,365,162
Accrued taxes	21,623,039
Dividends payable	2,120,186
Customers' deposits	3,983,582
Customers' service prepayments	12,961,663

Above Stockholders' Equity Section:

WALT DISNEY PRODUCTIONS

Unearned deposits and rentals $2,381,515

EX-CELL-O CORPORATION

Deferred rental income—leased machines $2,626,693

GENERAL ELECTRIC COMPANY

Deferred income (Note 5) $1,850,188

Note 5: Deferred Income at December 31, 1958 included $1,229,078 of unamortized premium, received from the sale of debentures during 1956, which is being returned to income as an offset to interest expense over the period in which the debentures are scheduled to be outstanding.

TIME INCORPORATED

Deferred income	
Unearned portion of paid subscriptions	$43,999,236
Other	1,002,410
	$45,001,646

UNITED FRUIT COMPANY

Deferred income (revenue on account of unfinished voyages, etc.) $2,019,160

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 1958 survey reports. Only 106 of the 496 survey companies presenting consolidated financial statements disclosed the existence of minority interests in the consolidated subsidiary companies.

Examples—Minority Interests

The balance sheet and income statement presentations of the minority interests in consolidated subsidiary companies are illustrated in the following examples selected from the 1958 annual reports of various companies. For additional examples relating to minority interests refer to those shown under "Consolidation of Subsidiaries" elsewhere in this section.

TABLE 31: MINORITY INTERESTS

Balance Sheet Presentation	1958	1957	1955
Above—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 9, 12, 96, 157, 240)	85	87	60
Minority stockholders' interest in capital stock and surplus (*Co. Nos. 56, 58, 363, 428, 456)	8	7	11
Minority stockholders' interest in capital stock (*Co. Nos. 27, 145, 484)	3	3	5
Within—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 179, 500)	3	3	3
Total	99	100	79
Income Statement Presentation			
In separate last section:			
After current tax estimate (*Co. Nos. 61, 75, 194, 287, 400)	31	32	30
Before current tax estimate (*Co. No. 175)	1	4	2
With current tax estimate	—	—	1
Current tax estimate not required (*Co. No. 428)	1	—	—
Listed among operating items (*Co. Nos. 37, 157, 186, 346, 500)	34	33	20
Within Earned Surplus Section of Combined Income and Earned Surplus Statements (*Co. No. 96)	1	2	2
Total	68	71	55
Consolidated Financial Statements with Minority Interest set forth in:			
Balance sheet only	36	31	26
Balance sheet and income statement	64	68	52
Income statement only	3	3	4
Accompanying footnotes only	3	2	1
	106	104	83
Not referred to in report	390	379	376
	496	483	459
Unconsolidated Financial Statements with:			
Subsidiary companies	29	36	42
No subsidiary companies	75	81	99
Total	600	600	600

*Refer to Company Appendix Section.

Above Stockholders' Equity Section

ANDERSON, CLAYTON & CO.

Consolidated Balance Sheet

Capital stock and surplus of subsidiaries applicable to minority interests $5,892,204

Statement of Consolidated Income

Separate Last Section:

Income applicable to minority interests ... $ 287,083

BEAUNIT MILLS, INC.
Consolidated Balance Sheet
Minority interest in subsidiary companies:

Preferred stock at par (redemption price 1958, $267,300)	$243,000
Common stock and surplus	95,021
	$338,021

BUTLER BROTHERS
Consolidated Balance Sheet

Minority interest in subsidiary companies	$1,200,583

Statement of Consolidated Income
Among Costs and Expenses:

Minority Interest in income of subsidiaries	$ 84,487

SAFEWAY STORES, INC.
Statement of Financial Position

Preferred stock of Canadian subsidiary held by public—par value	$9,042,800

Statement of Profit and Loss and Net Income Retained in the Business
Among Other Charges:

Dividends to public on preferred stock of a subsidiary	$ 397,888

Within Stockholders Equity Section

CROWN ZELLERBACH CORPORATION
Balance Sheet
Stockholders' Equity:

Minority interest in Canadian subsidiaries	$4,671,000

SINCLAIR OIL CORPORATION
Consolidated Balance Sheet
Stockholders' Ownership:

Minority stockholders of Sinclair Venezuelan Oil Company	$3,194,342

Statement of Consolidated Income
Among Costs, Expenses and Taxes:

Net income applicable to minority interest in Sinclair Venezuelan Oil Company	$ 622,242

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 tax purposes, for insurance purposes, in connection with employee benefits, and for property purposes (apart from accumulated depreciation, etc., referred to in connection with Table 18.)

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,

> . . . 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 1958 annual reports.

CONTINGENCY RESERVES

The committee on accounting procedure of The American Institute of Certified Public Accountants considered problems arising in the accounting treatment of general contingency reserves and in *Accounting Research Bulletin* No. 43, chapter 6, expressed its opinion that if a reserve of this type is set up:

(a) it should be created by a segregation or appropriation of earned surplus,
(b) no costs or losses should be charged to it and no part of it should be transferred to income or in any way used to affect the determination of net income for any year,
(c) it should be restored to earned surplus directly when such a reserve or any part thereof is no longer considered necessary, and
(d) it should preferably be classified in the balance sheet as a part of shareholders' equity.

The use of a reserve for contingencies appears to be a declining practice. In 1950, 155 out of 600 survey companies, or over 25 per cent, disclosed contingency reserves. The number of companies employing this type of account decreased each year since that time and in 1958 only 58 companies or less than 10 per cent reported reserves for contingencies.

As disclosed in Table 32, such reserves were usually shown either above the stockholders' equity section (37 reserves in 1958), or within the stockholders' equity section of the balance sheet (21 reserves in 1958). Extensive references are given at the foot of Table 32 illustrating the above presentations.

TABLE 32: CONTINGENCY RESERVES

Balance Sheet Presentation*	1958	1957	1955	1950
Among: *Current Liabilities*	—	—	1	2
A: Among: *Current Liabilities* and Above: *Stockholders' Equity*	1	—	—	—
B: Above: *Stockholders' Equity*	36	38	42	107
C: Within: *Stockholders' Equity*	21	24	29	46
Total	58	62	72	155
Terminology Used				
Reserve	46	49	55	125
Provision	1	—	1	3
Various other terms	11	13	16	27
Total	58	62	72	155
Number of Companies with:				
Contingency reserves	58	62	72	155
No contingency reserves	542	538	528	445
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. No. 140.
B: Co. Nos. 16, 36, 66, 92, 163, 207, 259, 312, 353, 456, 465, 495, 541, 591.
C: Co. Nos. 190, 197, 236, 284, 285, 338, 340, 426, 485, 564.

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 1958, the annual reports, in most cases, did not disclose the accounts to which the related entries were made. However, six companies disclosed that the charges or credits offsetting the reserve entries were made to income accounts (e.g., *Co. Nos. 140, 185, 541, 584), 1 company (*Co. No. 274) appropriated the reserve within the retained earnings account, and 2 companies (*Co. Nos. 174, 421) credited a liability account. Examples of creation, operation, and elimination of contingency reserves as presented in the 1958 annual reports are provided below.

Reserve Created

GRUEN INDUSTRIES, INC.
Within Shareholders' Equity:
Retained earnings appropriated for possible losses on abandonments, contingencies, etc. $251,000.00

Note 11: The Company has appropriated retained earnings of $251,000 for possible losses on abandonments, additional taxes, contingencies, etc.

Since April, 1958 operations of the Company have been substantially curtailed. In addition, the Company has been actively negotiating for the sale of its "Electronics Division," "Time Hill property," and the fixed assets or capital stock of certain subsidiaries. The effect, if any, of the consummation of any of the foregoing on future operations and financial position of the company is not presently determinable.

Reserves Maintained

AMERICAN AIR FILTER COMPANY, INC.
Above Stockholders' Equity:
Reserve for Contingencies $150,000

Notes to Financial Statements
By prior year action of the Board of Directors a reserve for contingencies was provided against the hazards related to future commitments.

HEARST CONSOLIDATED PUBLICATIONS, INC.
Above Stockholders' Equity:
Reserve for Tax and Other Contingencies .. $3,000,011

Note 7: The reserves for tax and other contingencies include only a nominal amount in respect of reserves for libel and other legal actions pending in accordance with the usual policy of Hearst companies. The actual liability, if any, is not determinable at this time. Such claims are usually for amounts greatly in excess of payments, if any, required to be made. It is the practice of the companies to record any such liability when determined.

PARAMOUNT PICTURES CORPORATION
Above Capital:
Reserve for Contingencies (see Note F) .. $2,685,424

Note F: Reserve for Contingencies—The reserve is intended to provide for settlements of anti-trust litigation and other contingencies applicable to the period prior to December 31, 1949. In 1958 charges of this nature were applied to the reserve.

TEXAS GULF SULPHUR COMPANY
Above Stockholders' Equity:
Reserve for Contingencies $3,114,136

Consolidated Statement of Reserve for Contingencies

Balance at January 1, 1958	$3,102,341
Add: Provision from current operations to cover uninsured risks	60,000
	3,162,341
Deduct: Damages to property not covered by insurance	48,205
Balance at December 31, 1958	$3,114,136

Reserve Eliminated

THE GOODYEAR TIRE & RUBBER COMPANY
Within Shareholders' Equity:
Earned Surplus:

As per statement attached	$359,111,816
Segregated as reserve for contingencies	—

Consolidated Earned Surplus Statement
Reserve for contingencies (less $196,350 minority interest) transferred to earned surplus 28,703,650

Financial Review: The reserve for contingencies of $28,900,000, being no longer required, was transferred to earned surplus.

EMPLOYEE BENEFIT RESERVES

There were 110 employee benefit reserves shown by 94 of the 600 survey companies in their 1958 annual reports. Table 33 discloses in comparative form the various types of employee benefit reserves found in the survey report for the years 1950, 1955, 1957 and 1958. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (105 reserves in 1958); three reserves were

*Refer to Company Appendix Section.

TABLE 33: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation*	1958	1957	1955	1950
A: Among: *Current Liabilities* for—				
Incentive compensation plan	—	1	2	1
Profit sharing, welfare or benefit plans	—	—	2	3
Pension plan not funded	1	2	2	1
Pension plan—past and current service costs	2	2	1	—
B: Above: *Stockholders' Equity* for—				
Deferred or contingent compensation plan	23	24	13	6
Incentive compensation plan	11	9	8	2
Bonus plan	7	6	7	6
Profit sharing plan	2	2	2	1
Retired employee benefits	9	9	2	3
Welfare or benefit plans	6	4	8	11
Employment contract	1	2	1	1
Severance pay	4	2	—	—
Supplemental Unemployment Benefits	2	—	—	—
Pension or Retirement Plans:				
Pension plan costs	31	31	33	34
Past service costs	3	3	5	14
Past and current service costs	2	3	3	5
Future service costs	1	1	—	1
Former plan liability	2	2	—	1
Annuity costs	1	1	6	5
C: Within: *Stockholders' Equity* for—				
Employment contract	1	1	1	2
Pension plan—past service costs	—	1	—	—
Deferred compensation	1	1	—	—
Total	110	107	96	97
Terminology Used				
Reserve	66	64	56	75
Provision	16	14	14	13
Various other terms	28	29	26	9
Total	110	107	96	97
Number of Companies with:				
Employee benefit reserves	94	100	84	82
No employee benefit reserves	506	500	516	518
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. Nos. 447, 507.
B: Co. Nos. 11, 50, 56, 71, 115, 142, 151, 202, 233, 254, 262, 335, 353, 383, 418, 467, 472, 505, 567, 582.
C: Co. Nos. 376, 597.

classified as current liabilities, and two reserves were presented within the stockholders' equity section in 1958.

Detailed information regarding increases or decreases in these reserves was generally given in the notes to financial statements or in the president's letter (*Co. Nos. 14, 46, 49, 172, 271, 299, 447) but in some reports the related charges were found in the income statement (*Co. Nos. 10, 24, 115, 153, 202, 369, 374, 422). An extensive list of references to those survey companies which indicated reserves for employee benefits in their 1958 reports is provided at the foot of Table 33. Related information and examples of income statement presentation is provided in Section 3, Table 5.

The examples which follow illustrate the various types of employee benefit reserves and their disclosure in the financial statements:

Deferred or Contingent Compensation Plans

W. T. GRANT COMPANY

Other Assets:

Common stock of W. T. Grant Company	
At cost, held for Deferred Contingent Compensation Plan (9,700 and 7,800 shares, respectively)—Note B	$ 295,174
Above Capital:	
Reserves	
For uninsured risks	$1,500,000
For repainting stores	1,035,906
For deferred contingent compensation—Note B	322,904
Total reserves	$2,858,810

Note B: The amount shown for the reserve for deferred contingent compensation at January 31, 1958 represents (a) to the extent that allotments are contingently distributable in Common Stock of the Company, the cost to the Company of 9,700 shares of its Common Stock held for this purpose, plus provision for 851 additional shares at the January 31, 1958 market price, plus (b) the total of small balances remaining in participants' contingent cash allotments. For the year 1957, the amount charged to earnings for this purpose was $73,802.

THE HECHT COMPANY

Above Stockholders' Equity:

Reserve for Deferred Contingent Compensation of Executives $1,111,048

Notes to Financial Statements

Deferred Contingent Compensation—Certain employment contracts of the Company provide for payment of compensation in annual installments after termination of employment, provided conditions set forth in the contract are met. Since the amount of this compensation will be deductible for Federal Income Tax purposes when paid, the reserve is provided in the amount of the net cost to the Company, after estimated Federal Income Taxes.

SERVEL, INC.

Above Capital:

Deferred Compensation (Note 2) $695,698

Note 2: Accrued deferred compensation at October 31, 1958 is based on employment contracts entered into with the Company's president and certain other officers in prior years, as to which no further amounts accrue except as indicated in the following paragraph. The amount accrued at October 31, 1958 (which was based on a "percentage improvement" formula) is payable, subject to certain conditions, after termination of employment, over varying periods, the major portion being payable over not more than 120 months.

During the fiscal year 1958, the employment contract with the president was modified to provide that in each year after fiscal 1957, his deferred compensation would be 5% of net profit before income taxes, less his fixed salary, such deferred compensation being limited in total amount to $685,150, if earned, during the remaining life of the contract which expires in 1961. No deferred compensation was accruable under this contract for fiscal 1958.

*Refer to Company Appendix Section.

Incentive Compensation Plans

ACME STEEL COMPANY

Other Assets:

Common Stock held in treasury for allocation under Incentive Compensation Plan—at cost (1958—475 shares)—Note C	$ 12,290
Investment in capital stock of wholly-owned insurance company—at cost (approximately equal to net equity)	150,000
Unamortized debt discount and expense	530,539
Future income tax reduction applicable to incentive compensation—Note C	441,000
Miscellaneous receivables and other deferred charges	407,834
	$1,541,663

Above Share Owners' Equity:

Reserves	
For incentive compensation—Note C	$ 372,019
For net adjustment of inventories on last-in, first-out cost basis, to first-in, first-out cost basis—Note A	4,900,000
	$5,272,019

Note C: Incentive Compensation Plan—Annual provisions under the Company's Incentive Compensation Plan for approximately 142 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 17,559 shares of Common Stock held in the treasury at December 31, 1958, included 17,084 shares allocated under the Plan and 475 shares held for future allocation. The cost ($508,736) of the 17,084 shares was deducted from the amount of the reserve for incentive compensation and the cost ($12,290) of the 475 shares was included as an asset in the statement of financial condition. The balance of the reserve ($372,019) is available for future allocation.

The amount ($441,000) by which future income taxes are expected to be reduced on account of payment of incentive compensation is a deferred charge and has been included in the statement of financial condition.

LUKENS STEEL COMPANY

Other Assets:

Special Funds	$ 751,026

Above Shareowners' Equity:

Reserves	$3,544,039

Supplementary Financial Information

Special Funds:

In cash—	
In U.S. Government securities, at cost ($668,290 in 1958) and cash—deferred incentive compensation fund	$ 751,026

Reserves:

Deferred income taxes	$1,963,000
Reserve for rehabilitation of facilities to be purchased in 1960 from the U.S. Government	690,000
Deferred incentive compensation, less estimated future income tax reductions	321,026
Open hearth furnace rebuilding	335,000
Supplemental unemployment benefits (contingent portion)	161,906
Workmen's compensation, insurance	73,107
	$3,544,039

RADIO CORPORATION OF AMERICA

Above Shareholders' Equity:

Incentive plan (Note 2)	
Awards payable	$6,953,591
Incentive reserve—unawarded balance	$ 300,128

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 1958 the maximum credit determined by the Independent Public Accountants as required by the Plan.

Net Profit for Year	$30,941,749
Add: Provision for incentive awards (included in "Wages and Salaries")	2,100,000
Interest on long term debt	8,329,884
Incentive Plan Net Earnings	$41,371,633
Less: 5% of Capital Employed ($538,000,674)	26,900,034
Incentive Plan Base	$14,471,599
Maximum Credit to Incentive Reserve (based on earnings): 15% of Incentive Plan Base	$ 2,170,740
Maximum Credit to Incentive Reserve (based on dividends): 25% of all dividends paid in year ($23,885,855)	$ 5,971,464

For 1958 the maximum credit available under the Plan was $2,170,740 and the Incentive Committee directed that $2,100,000 be credited to the Incentive Reserve. This credit, together with $790,128 credited to the Incentive Reserve in previous years but unawarded and carried forward for awards in subsequent years, made a total of $2,890,128 available for awards for 1958 of which the Incentive Committee determined that $2,590,000 be awarded for 1958. The Consolidated Balance Sheet at December 31, 1958 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 Plans

AMERICAN SMELTING AND REFINING COMPANY

Above Stockholders' Equity:

Reserves:	
Operating	$1,685,953
Additional compensation (Note 6)	1,969,185
Total reserves	$3,655,138

Note 6: Additional Compensation Reserve—Under the provisions of the Additional Compensation Plan, $358,086 was appropriated from 1958 earnings. In 1958, $90,394 was paid in cash and contingently allotted in common stock to officers and major executives, and $705,881 was paid in cash and common stock to other eligible employees.

REMINGTON ARMS COMPANY, INC.

Above Capital Stock and Surplus:

Provision for awards to employees under bonus plan, exclusive of amount included in other accounts payable, $1,306,121	$1,813,338

Financial Review: A bonus plan, adopted by the company in 1934, provides for two classes of bonus—Class "A," which may be granted for conspicuous service of any nature regardless of the company's earnings; and Class "B," which may be granted to those who have contributed most in a general way to the company's success by their ability, efficiency, and loyalty. The amount available for Class "B" bonus is dependent upon the company's earnings.

During 1958, Class "A" bonus amounting to $23,330 was awarded to 21 beneficiaries for service of a specific nature.

The amount credited for 1958 to the Class "B" bonus fund was $925,707, which, together with $98,977 in the fund from previous years, made available a total fund of $1,024,684 from which awards for 1958 aggregating $937,300 have been granted to 272 employees.

Pensions, Retirement Benefits, and Annuities

BIGELOW-SANFORD CARPET COMPANY, INC.

Above Stockholders' Investment:

Reserve for pension future benefits, exclusive of amounts payable within one year shown in current liabilities (Note 3)	$450,000

Note 3: The annual cost for current service under the Company's Group Annuity Retirement Plan is approximately $80,000. At December 31, 1958, the balance of past service obligations under this plan amounted to approximately $700,000 which will be charged to income as payments are made.

The Company, in 1955, entered into five-year pension agreements with unions at the Thompsonville, Connecticut, plant for the period to December 31, 1960. During 1958, actuarial studies were made for the Company by independent actuaries to determine (1) the December 31, 1958 liability under the pension agreements in the light of changing conditions such as the transferal of certain manufacturing operations to the Company's southern plants, and (2) the additional liability which will accumulate during the period to December 31, 1960. The findings of this actuarial study with respect to the December 31, 1958 liability have been reflected in the accompanying balance sheet, and annual future costs of $18,000 (less estimated future tax benefit), as indicated by this study, will be charged to income during the next two years.

THE COLORADO FUEL AND IRON CORPORATION

Above Shareholders' Equity:

Deferred Liabilities and Reserves:	
Long-term debt	$49,708,000
Provision for pensions (Note C)	14,267,792
Deferred Federal income taxes	4,317,600
Operating reserves	7,030,757
Other long-term liabilities	1,733,907
	$77,058,056

Note C: Provision for Pensions—A pension plan providing retirement and disability benefits to employees of the corporation and certain subsidiaries (except those covered by previous agreements) became effective March 1, 1950 and, as amended with respect to certain provisions under subsequent agreements, continues in effect to October 31, 1959.

The liability (current and deferred) shown on the statement of financial position represents the unfunded amount of the actuarial liability in respect of all employees retired prior to or eligible to retire at December 31, 1958, including (under amendments effective in 1958) those eligible for early retirement and the present value of the actuarial liability in respect of all employees eligible for deferred vested retirement pensions due to permanent shutdown of certain plants of the corporation. The amount ($10,953,400) by which this liability, plus the amount funded to December 31, 1958, exceeds the amount charged to operations since January 1, 1950 has been set up as a cost allocable to future periods.

Charges against operations are being made, net of future tax benefits, on the basis of averaging over the next ten years the estimated funding requirements for employees retired or who may be expected to retire during that period if the present plan continues in effect.

Under pension plans in effect at the Claymont and Brooke plants, charges are being made against operations for current service costs plus interest on unfunded past service costs. The unfunded past service costs as of December 31, 1958 under these plans were estimated by independent actuaries to be $3,707,559.

Under pension plans in effect at John A. Roebling's Sons Corporation, charges are being made against operations for current service costs plus interest on unfunded past service costs. The unfunded past service costs as of December 31, 1958 under these plans were estimated by independent actuaries to be $20,075,016.

INGERSOLL-RAND COMPANY

Current Assets:

United States obligations maturing after 1959 at cost, less reserves provided in prior years—$2,919,691 (market value —$41,589,871):	
Pension reserve investments (Note 2)	$ 2,852,390
Other	38,737,481
	$41,589,871

Above Capital Stock:

Pension reserve (Note 2)	$ 2,852,390

Note 2: It is the intention of the Board of Directors from time to time to transfer portions or all of the funds in the "Pension Reserve Investments" to the Pension Trust Fund, from which pensions are now being and will continue to be paid. The funds in the custody of the Trustee of the Pension Trust Fund on December 31, 1958 aggregated $30,098,603, which are in addition to the funds shown above in the "Pension Reserve Investments."

PENNSALT CHEMICALS CORPORATION

Above Stockholders' Equity:

Reserves	
Employees' retirement benefits (Note 7)	$1,525,000

Note 7: Employee Retirement Benefit Plan—Under the Company's non-funded and non-contributory employee retirement benefit plan, as amended, $302,800 was paid to pensioners during 1958 and charged to income. The actuarially estimated liability under the plan for retirement benefits payable over future years to employees on pension at December 31, 1958 approximated the amount reserved therefor, after the related tax deduction.

PITTSBURGH SCREW AND BOLT CORPORATION

Current Liabilities:

Accrued liabilities (other than income taxes)—page 12	$1,942,433

Page 12: Accrued Liabilities—

Payrolls	$ 146,164
Vacation wages	301,575
Taxes, other than income taxes	146,934
Collections from employees—bonds and taxes	154,956
Provision for liability under pension plan	471,418
Balance of estimated moving expenses (net)	232,269
Other	489,117
	$1,942,433

Noncurrent Liabilities:

Provision for pension plan costs—page 13	$465,940

Page 13: Pension Plans—

Hourly Employees

Under the noncontributory pension plan for hourly paid employees, effective March 1, 1950, and amended to November 1, 1957, the corporation is required to fund the cost of pensions granted. Sufficient funds have been put in trust to comply with this requirement as of December 31, 1958.

A pension provision of $95,000, representing the approximate average annual actuarial cost of pensions granted during the five-year period ended February 28, 1958, has been charged to income during the current year.

Salaried Employees

Under a contributory pension plan for salaried employees, adopted December 27, 1941, and amended to February 18, 1958, income was charged with $166,747 during 1958 representing the corporation's portion of the annual premium costs.

A noncontributory supplemental pension plan was adopted effective December 30, 1955 and amended to February 18, 1958. In accordance with the terms of this plan, $49,786 was charged to income and paid to the trustee during the current year.

Other Employee Benefit Reserves

F. W. WOOLWORTH CO.

Above Capital Stock and Surplus:

Reserves:	
For employees' sick benefits	$ 300,000
For self-insurance to cover fire and flood damage risks on contents of stores in the U.S.A.	4,350,000
Total reserves	$4,650,000

WM. WRIGLEY JR. COMPANY

Statement of Consolidated Accumulated Earnings Retained for Use in the Business

Year ended December 31, 1958

Balance at December 31, 1957:	
Unappropriated	$54,095,327
Appropriated for guarantees under employment assurance contracts	2,000,000
	$56,095,327
Add:	
Net earnings for the year 1958	10,208,143
Less—Dividends declared—$4 per share	7,873,936
	2,334,207

Balance at December 31, 1958:	
Unappropriated	56,429,534
Appropriated for guarantees under employment assurance contracts	2,000,000
	$58,429,534

INTERNATIONAL BUSINESS MACHINES CORPORATION

Below Current Assets:	
Watson fund for supplementing IBM Retirement Plan:	
Cash	$ 43,912
U.S. Treasury securities—at cost plus accrued interest	3,305,479
	$3,349,391
Above Capital Stock:	
Reserves:	
Watson fund for supplementing IBM Retirement Plan	$3,349,391
Widows and orphans of IBM veterans who lost their lives in World War II and the Korean Conflict	746,139
	$4,095,530

FOREIGN ACTIVITY RESERVES

On the subject of foreign operations, where United States companies have branches or subsidiaries operating in foreign countries, 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 12) that:

> A sound procedure for United States companies to follow is to show earnings from foreign operations in their own accounts only to the extent that funds have been received in the United States or unrestricted funds are available for transmission thereto. Appropriate provision should be made also for known losses.
>
> Any foreign earnings reported beyond the amounts received in the United States should be carefully considered in the light of all the facts. The amounts should be disclosed if they are significant, and they should be reserved against to the extent that their realization in dollars appears to be doubtful.
>
> As to assets held abroad, the accounting should take into consideration the fact that most foreign assets stand in some degree of jeopardy, so far as ultimate realization by United States owners is concerned. Under these conditions it is important that especial care be taken in each case to make full disclosure in the financial statements of United States companies of the extent to which they include significant foreign items.

Table 34 sets forth the various types of foreign activity reserves presented in the annual survey reports for the year 1958 (together with comparative statistics for prior years). Thirty-nine companies disclosed 46 reserves in their balance sheets. In most instances they were placed above the stockholders' equity section of the balance sheet (30 reserves in 1958).

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. 31, 36, 143, 149, 183, 432, 519, 567) or in the statement of retained earnings (*Co. Nos. 58, 268, 353).

TABLE 34: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation*	1958	1957	1955	1950
A: With: *Related Assets* for—				
Foreign investment	3	5	4	—
Foreign losses	4	2	1	—
Foreign exchange	—	1	—	—
B: Above: *Stockholders' Equity* for—				
Foreign exchange	9	8	7	11
Foreign investments	5	6	4	5
Foreign losses	2	2	2	3
Foreign operations	6	4	4	3
Unremitted foreign profits	4	3	4	2
Foreign statutory requirements	4	2	3	5
C: Within: *Stockholders' Equity* for—				
Foreign investment	1	—	1	2
Foreign losses	3	2	1	1
Unremitted foreign profits	—	1	—	2
Foreign statutory requirements	5	4	5	7
Total	46	40	36	41
Terminology Used				
Reserve	39	31	29	39
Various other terms	7	9	7	2
Total	46	40	36	41
Number of Companies with:				
Foreign activity reserves	39	36	31	33
No foreign activity reserves	561	564	569	567
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. Nos. 131, 183, 276.
B: Co. Nos. 8, 66, 192, 232, 254, 353, 380, 446, 519.
C: Co. Nos. 40, 122, 287, 353, 562.

Extensive references are given within Table 34 to various balance sheet presentations of reserves by survey companies, and examples illustrating the nature of the disclosures taken from the 1958 reports are given below.

*Refer to Company Appendix Section.

Reserves for Foreign Investment and Foreign Exchange

CHRYSLER CORPORATION
Above Shareholders' Equity:

International operations reserve, for currency devaluation, exchange restrictions, and other extraordinary risks	$4,000,000

Consolidated Statement of Net Earnings

Provision for extraordinary risks pertaining to international operations	$4,000,000

INTERCHEMICAL CORPORATION
Above Shareholders' Equity:

Reserve:	
For assets in foreign countries (Note 4)	$1,967,928

Note 4: Net assets in foreign countries of $2,820,409 in 1958 and $2,310,201 in 1957 (included in the Consolidated Balance Sheet) are reserved for in the amounts of $1,967,928 in 1958 and $1,678,630 in 1957, such reserve including $1,467,928 and $1,178,630 respectively for foreign income not remitted because of foreign exchange restrictions.

RITTER COMPANY, INC.
With Related Assets:

Investments: (Note 1)	
Foreign Subsidiaries—(wholly owned)	$ —

Note 1: Basis of Consolidation

. . . 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 in the amount of $107,619 were received from these subsidiaries in 1958.

The investments at December 31, 1958 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, 1957, converted at exchange rates then in effect, totaled $2,380,623, or $2,380,623 in excess of carrying value. Audits at December 31, 1958 have not been completed.

Reserves for Foreign Losses

CONTINENTAL OIL COMPANY
Investments and Advances at Cost, Less Reserves:

Foreign subsidiaries, less reserve of $5,420,234 (Notes 1 and 2)	$63,784,506

Note 1: Investments in and advances to foreign subsidiaries include $30,673,841 with respect to Hudson's Bay Oil and Gas Company Limited—67.77% owned. The Company's equity in net assets of this Canadian subsidiary at December 31, 1958 was $42,892,135 on this subsidiary's basis of capitalizing and amortizing intangible development costs applicable to producing wells. The Company's equity in the 1958 undistributed earnings of this subsidiary was $2,566,968, of which $1,674,852 represented nonrecurring gains. Such investments and advances also include $30,275,000 with respect to a 100% owned subsidiary engaged in exploration in Venezuela. The investment and advances applicable to a 100% owned subsidiary which had been engaged in exploratory activities in Egypt were written off in 1958 by a charge of $7,212,756 to the reserve for loss on foreign investments and advances.

Note 2: In its 1958 consolidated federal income tax return the Company will include certain subsidiaries operating abroad which are not consolidated in the accompanying financial statements. As in 1957, an amount equivalent to the resulting reduction in income tax liability ($5,350,000 in 1958) has been added to the reserve for loss on foreign investments and advances. In addition, $4,000,000 has been charged to income in 1958 and added to the reserve for loss on foreign investments and advances.

THE GILLETTE COMPANY
Within Stockholders' Equity:

Earnings Retained in the Business:		
United States earned surplus:		
Appropriated to provide against possible losses in foreign investments	$ 2,500,000	
Unappropriated	64,363,965	
Total United States earned surplus		66,863,965
Earnings retained in foreign businesses of subsidiary companies		1,645,058
		$68,509,023

Reserves for Operations and Unremitted Foreign Profits

HARSCO CORPORATION
Above Capital:

Provision for unremitted foreign income	$517,182

Note 1: Basis of Consolidation—The consolidated financial statements include those of Harsco Corporation and of its wholly owned and majority owned domestic and foreign subsidiaries. Two wholly owned domestic subsidiaries were merged into the parent company as of January 1, 1958. Three wholly owned foreign subsidiaries were organized during 1958 and the results of their operations since organization are included in the statement of income.

Net assets and results of operations of foreign subsidiaries and foreign branches have been translated into United States dollars at the applicable rates of exchange. A summary of such assets is as follows:

	Dec. 31, 1958	Dec. 31, 1957
Net current assets	$2,375,017	$1,815,715
Net fixed assets	7,155,837	6,765,955
Noncurrent liabilities	(2,875,833)	(3,677,037)
Net assets	$6,655,021	$4,904,633

As indicated above, a material part of the foregoing equity is invested in fixed assets. The net income of foreign branches and foreign subsidiaries (after provision of $517,182 for income of a foreign branch unremitted because of currency restrictions) aggregates approximately $1,464,790 for 1958, a major part of which has been remitted to the United States.

PEPSI-COLA COMPANY
Above Capital Stock and Surplus:

Reserve for Foreign Activities	$3,104,950

Notes to Financial Statements

Note 2: The accounts of all foreign subsidiaries are included, except as to the British subsidiary (which has been excluded since 1950), in the consolidated financial statements.

As of January 1, 1958 the Company adopted the policy of excluding from consolidated net income the unremitted profits of foreign subsidiaries, other than Canadian subsidiaries, by an appropriation of earned surplus to a reserve therefor. At that date the unremitted profits of such foreign subsidiaries (less applicable charges for amortization of goodwill), on an individual basis, aggregated $2,437,913, for which amount the reserve was initially set up by a charge to consolidated earned surplus.

The provision for the reserve out of consolidated net income for the year ended December 31, 1958 represents such subsidiaries' unremitted profits for that year (before devaluation charges), less (a) such portion of individual company's deficits at January 1, 1958 as did not exceed related profits, (b) applicable charges for amortization of goodwill, and (c) losses arising from devaluation of foreign currencies.

The net current assets, total assets, and total liabilities of consolidated foreign subsidiaries (other than Canadian subsidiaries) were $2,134,558, $16,340,378, and $5,144,979, respectively, at December 31, 1958. The net current assets, total assets, and total liabilities of the British subsidiary were $150,489, $1,027,298, and $346,994, respectively, at that date.

The assets and liabilities of foreign subsidiaries have been translated into United States dollars at current rates of exchange, except that property, plant and equipment (and related depreciation) have been translated at rates prevailing at dates of acquisition; income and expenses (other than depreciation) have been translated at rates prevailing during the year.

Provisions for taxes related to transfers of income of Canadian subsidiaries are made only at the time of such transfers.

VICK CHEMICAL COMPANY
Above Capital Stock and Surplus:
Reserve Applicable to Foreign Operations (see Note 2) $5,027,842

Note 2: Foreign assets (except fixed assets) and liabilities are stated in U.S. dollars at approximate current rates of exchange. Canadian assets and liabilities are included in their regular classifications in the balance sheet and income from Canadian operations is reported as earned. All other foreign net assets are included in a separate caption in the balance sheet.

The investment in foreign net assets (excluding Canada) as of June 30, 1958 is summarized below:

Current assets	$7,736,103
Current liabilities	3,499,283
Net current assets	4,236,820
Fixed and other assets	2,638,669
Net assets	$6,875,489

All income arising in countries from which funds are freely remittable has been included in earnings for the year except for 25% of unremitted income subject to devaluation. With respect to countries having remittance restrictions or where existing conditions appear to indicate limitation on free transmission of profits or danger of a major currency devaluation, income has been included in earnings for the year only to the extent actually remitted. Major losses arising from devaluation are charged to the reserve. In accordance with this policy, $710,000 has been credited to the reserve for foreign operations with a corresponding charge to current year's income; $212,147 arising from devaluation of foreign currency was charged to the reserve.

Reserves for Foreign Statutory Requirement

ANDERSON, CLAYTON & CO.
Within Capital Stock and Surplus:
Earned Surplus:
Unappropriated (Note 5) $97,310,083

Note 5: Included in Earned Surplus as of July 31, 1958, are legal reserves, aggregating $1,438,442 required by the laws of certain of the countries in which the foreign subsidiaries are situated. These reserves are not available for payment of dividends by the foreign subsidiaries.

UNITED MERCHANTS AND MANUFACTURERS INC.
Above Capital Stock and Surplus:
Other Noncurrent Items and Deferred Credits (Note G) $5,294,264
Within Capital Stock and Surplus:
Surplus:
Statutory Reserves, South American Subsidiaries .... $ 295,997

Note G: Other Noncurrent Items and Deferred Credits—This caption consists of gain arising in a prior year from foreign exchange conversion of financial statements in connection with the liquidation of a noncurrent payable to a foreign operating subsidiary (not consolidated) Sudamtex, Sociedad Anonima Textil Sudamericana ($1,371,845); deferred income on installment sales of fixed assets before Federal taxes on income ($252,615); unearned service income and interest ($1,047,671); reserves for compensation payable by foreign subsidiaries under applicable foreign state laws on death or dismissal of employees ($740,097); debentures, notes and mortgages payable, etc., of subsidiary companies ($921,272); and noncurrent amount payable to foreign operating subsidiary (not consolidated) ($960,764).

GUARANTEE OR WARRANTY RESERVES

Table 35 discloses the various types of guarantee or warranty reserves presented by the survey companies. Twenty-nine reserves were disclosed in the balance sheets of 26 of the 600 survey companies. Fourteen of the reserves were shown in the balance sheets among current liabilities and fifteen were shown above the stockholders' equity section in the 1958 reports.

TABLE 35: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation*	1958	1957	1955	1950
A: Among: *Current Liabilities* for—				
Product guarantee	3	5	2	3
Product warranty	3	3	3	3
Service guarantee	2	2	2	2
Service warranty	1	—	—	—
"Guarantee"	1	1	1	2
Contract completion	4	4	2	3
B: Above: *Stockholders' Equity* for—				
Product guarantee	8	8	11	12
Product warranty	1	1	1	3
Service guarantee	—	—	1	1
Service warranty	1	2	—	1
"Guarantee"	1	1	2	4
"Warranty"	2	2	2	1
Coupon redemption	1	1	3	2
Commercial paper guarantee	—	—	1	3
Contract completion	1	—	—	1
Miscellaneous	—	—	—	2
Total	29	30	31	43
Terminology used				
Reserve	17	19	21	29
Provision	4	4	5	6
Various other terms	8	7	5	8
Total	29	30	31	43
Number of Companies with:				
Guarantee or warranty reserves	26	28	30	41
No guarantee or warranty reserves	574	572	570	559
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. Nos. 128, 158, 235, 252, 506, 528.
B: Co. Nos. 8, 73, 77, 105, 135, 269, 423, 479, 539.

Certain companies (*Co. Nos. 8, 42, 398, 411) disclosed that the charge or credit offsetting the reserve entry was made to an income account, while little or no information was provided by other companies concerning the nature or amount of increases or decreases in such accounts. References to companies revealing guarantee or warranty reserves are shown at the foot of Table 35, and examples of such reserves are given below.

Reserves for Product Guarantee or Warranty

BALDWIN-LIMA-HAMILTON CORPORATION
Above Shareholders' Book Equity:
Reserves for Product Guarantees and other expenses $1,131,000

*Refer to Company Appendix Section.

AMERICAN MOTORS CORPORATION
Current Liabilities:
Five-year warranty on refrigerators $2,669,714
Consolidated Statement of Net Earnings
Costs and expenses:
Five-year warranty on refrigerators ($982,-404), less amount not required for expired warranties ($335,259) .... $ 647,145

WESTINGHOUSE ELECTRIC CORPORATION
Current Liabilities:
Product guarantees $18,465,780
Noncurrent Liabilities:
Other amounts owed, including product guarantees, beyond one year .... $ 6,337,949

Reserves for Service Guarantee or Warranty

BURROUGHS CORPORATION
Current Liabilities:
Estimated cost of guaranteed maintenance on machines sold $654,147

MOTOROLA, INC.
Current Liabilities:
Reserves for product and service warranties . $678,853

WHIRLPOOL CORPORATION
Above Stockholders' Equity:
Reserves for Service Warranties $3,042,146

Reserves for Contract Completion

CHEMETRON CORPORATION
Current Liabilities:
Accrued accounts:
Federal, state, and local taxes $1,636,676
Provision for losses on construction contracts—net of federal income taxes (Note 10) 36,000
Other costs and expenses 3,937,810

Note 10: 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. 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. The Company incurred substantial amounts of additional costs during the years 1956, 1957 and 1958 in revising the plants to satisfy such performance guarantees (including that of the Canadian subsidiary) and anticipates further costs subsequent to December 31, 1958, which as to the Canadian contract are estimated at $75,000.

The Company constructed the other chemical plant for Southern Nitrogen Company and believes that the plant meets the performance guaranty. However, Southern Nitrogen Company disagrees and has instituted suit against the Company, claiming damages of substantial amounts. The Company denies liability and is contesting all of the plaintiff's allegations.

McDONNELL AIRCRAFT
Current Liabilities:
Estimated modification, completion, and other contract adjustments, Note A $6,325,911

Note A: Contracts—Contracts in process consist of cost and estimated earnings less billings, and materials and parts inventories at cumulative average cost of $48,079,391 at 30 June 1958. Title is in the U.S. Government as security for progress payments.

Earnings are recorded on a percentage-of-completion basis with costs and estimated earnings deemed sales as work is performed. Most of the work is under long-term incentive fixed price contracts, and earnings are increased or decreased when costs are below or above estimated costs with final adjustments recorded in the year of contract completion.

INSURANCE RESERVES

There were 96 insurance reserves shown by 86 of the 600 survey companies in their 1958 annual reports. Table 36 discloses the various types of insurance reserves together with their balance sheet presentation.

TABLE 36: INSURANCE RESERVES

Balance Sheet Presentation*	1958	1957	1955	1950
A. Among: *Current Liabilities* for—				
Self-insurance	1	1	1	—
Workmen's compensation self-insurance	1	1	1	1
Workmen's compensation	3	2	1	—
Public liability	1	1	1	—
Miscellaneous	—	—	—	3
B. Above: *Stockholders' Equity* for—				
Self-insurance**	1	1	5	7
Self-insurance	20	20	18	22
Workmen's compensation self-insurance	10	12	18	34
Workmen's compensation**	4	5	7	5
Workmen's compensation	12	13	14	13
General insurance**	2	2	2	1
General insurance	21	21	22	31
Fire loss	6	6	4	8
Accident insurance	3	3	2	5
Public liability	2	2	2	5
Employer's liability	2	2	2	2
Marine insurance	2	2	1	2
Tornado insurance	1	1	1	2
Casualty risks	1	1	1	2
C. Within: *Stockholders' Equity* for—				
Self-insurance**	1	1	2	1
General insurance	—	—	4	4
Employer's liability	1	1	1	—
Fire loss	1	1	2	1
Miscellaneous	—	—	—	2
Total	96	99	112	151
Terminology Used				
Reserve	86	83	98	136
Provision	4	5	5	7
Various other terms	6	11	9	8
Total	96	99	112	151
Number of Companies with:				
Insurance reserves	86	89	102	128
No insurance reserves	514	511	498	472
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. Nos. 79, 235, 245, 333, 378.
B: Co. Nos. 11, 40, 58, 71, 125, 142, 163, 196, 209, 271, 289, 303, 307, 353, 355, 399, 401, 429, 441, 446, 501, 519, 568, 575.
C: Co. Nos. 402, 559.
**With cash or securities segregated therefor.

Of the 96 reserves disclosed, 87 were presented above the stockholders' equity section and the remaining nine 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 1958, disclosed the accounts to which the related charges or credits were made.

Examples illustrating the presentation in the financial statements of insurance reserves follow:

Self-Insurance Reserves

SPENCER KELLOGG AND SONS, INC.
Above Stockholders' Equity:
Reserve for Self-Insurance:
(The Company is self-insurer of a large portion of its inventories and certain of its fireproof structures and of workmen's compensation risks within conservative limits) $1,000,000

UNITED STATES STEEL CORPORATION
Above Stockholders' Equity:
Reserves for insurance, contingencies and accident and hospital expenses (details on page 37) $108,461,128

Page 37: Reserves

Insurance	
Balance Dec. 31, 1957	$50,000,000
Additions charged income	1,490,950
Deductions	1,490,950
Balance Dec. 31, 1958	$50,000,000
Contingencies	49,006,902
Accident and hospital expenses	9,454,226
	$108,461,128

Notes to Financial Statements

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

The reserves for contingencies and accident and hospital expenses of $58,461,128, provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

Workmen's Compensation Reserves and Self-Insurance Reserves

THE AMERICAN SHIP BUILDING COMPANY
Noncurrent Assets:
Investments and Other Assets:
United States Government securities on deposit in connection with workmen's compensation guarantees—at cost (quoted market price $183,801) $197,000

Above Shareholders' Equity:
Reserves:
For workmen's compensation and public liability insurance $300,000
For insurance on floating equipment 36,550
$336,550

BLISS & LAUGHLIN, INCORPORATED
Other Assets:
U.S. Treasury bonds deposited with Workmen's Compensation Board of the State of New York .... $ 62,160

Above Capital Stock:
Reserves:
Workmen's compensation insurance .... $ 51,293

JOHNS-MANVILLE CORPORATION
Above Stockholders' Equity:
Reserves for contingencies, etc. (Note 8) $9,305,852

Note 8: Reserves for contingencies, etc., include:

Reserve for workmen's compensation self-insurance	$ 425,000
Reserve for retired employees' group life self-insurance	727,290
Reserve for product guarantees	491,652
Reserve for contingencies	7,661,910
	$9,305,852

General Insurance Reserves and Self-Insurance Reserves

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
Noncurrent Assets:
Cash and U.S. Government Securities (at cost which approximates market), segregated against reserves for insurance and retirement payments $2,304,675.32

Above Capital and Surplus:
Reserves:
For insurance .... $ 999,675.32
For retirement payments 1,305,000.00
$2,304,675.32

Consolidated Statement of Profit and Loss
Addition to insurance reserve ...... $ 60,000.00

REPUBLIC STEEL CORPORATION
Investments and Other Assets:
Insurance reserve fund—United States Government securities at cost (approximate market: $6,500,000) .... $ 7,000,000

Above Stockholders' Equity:
Reserves and deferred credit $29,582,637

Details of Items in Statement of Consolidated Financial Position

Reserves and Deferred Credit	
Operating and other reserves	$ 6,463,827
Insurance reserve	7,000,000
Deferred credit	16,118,810
Total	$29,582,637

Other Insurance Reserves

S. S. KRESGE COMPANY
Current Liabilities:
Estimated public liability and compensation claims $398,041

VIRGINIA-CAROLINA CHEMICAL CORPORATION
Above Stockholders' Equity:
Reserves for:
Fire and tornado insurance and employees' accident compensation, etc. $157,855

PROPERTY RESERVES

Table 37 discloses in a comparative summary for the years 1950, 1955, 1957, and 1958 the various types of property reserves shown in the annual reports of the 600 survey companies, and their balance sheet presentation. Fifty survey companies presented 54 reserves in their 1958 reports. This is an increase for the year and is contrary to the trend previously established. The reserves were presented most frequently above the stockholders' equity section of the balance sheet (27 reserves in 1958), but a substantial number were also presented with the related asset (16 reserves in 1958).

In instances where there were increases or decreases in these reserves during 1958 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. 31, 46, 207, 214, 217, 467, 542).

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*	1958	1957	1955	1950
A. With: *Related Fixed Assets* for—				
Revaluation of property	3	3	2	7
Loss on property	8	4	5	3
Extraordinary depreciation	2	—	5	10
Purpose not stated	1	2	1	—
Intangible drilling costs	1	1	1	—
Obsolescence of property	1	1	—	—
Miscellaneous	—	1	1	1
B. Among: *Current Liabilities* for—				
Furnace rebuilding, relining	2	2	1	—
Miscellaneous	1	—	—	1
C. Above: *Stockholders' Equity* for—				
Furnace rebuilding, relining	7	8	9	13
Glass tank renewal	1	1	1	1
Plant rehabilitation	1	2	3	1
Repairs, painting, maintenance	8	6	10	13
Mine development costs	1	1	1	1
Normal depreciation	2	1	2	4
Obsolescence of property	2	—	2	3
Accelerated amortization	1	—	1	1
Restoration and replacement of leased property	2	1	—	—
Higher plant replacement costs	2	2	3	9
Miscellaneous	—	2	3	10
D. Within: *Stockholders' Equity* for—				
Revaluation of property	1	—	2	4
Loss on property	2	1	1	1
Plant contingencies	1	1	1	—
Higher plant replacement costs	3	2	6	13
Steamship replacements	1	1	1	—
Miscellaneous	—	—	—	1
Total	54	43	62	97
Terminology Used				
Reserve	36	30	44	65
Provision	4	3	4	8
Various other terms	14	10	14	24
Total	54	43	62	97
Number of Companies with:				
Property reserves	50	42	53	81
No property reserves	550	558	547	519
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. Nos. 169, 206, 214, 217, 299, 480, 528, 549, 563.
B: Co. Nos. 57, 221.
C: Co. Nos. 10, 46, 63, 170, 180, 202, 207, 267, 355, 446, 467, 543.
D: Co. Nos. 274, 394, 559, 589.

Examples—Property Reserves

Revaluation of Property and Loss on Disposal of Property

JACOB RUPPERT

Property:

Land, buildings, machinery and equipment, kegs, bottles, cases, and signs (at cost)	$22,738,747
Less reserves	14,271,866
Property—net	$ 8,466,881

Note 2: The reserves deducted in the balance sheet from property include reserves for depreciation accumulated by charges against income (1958—$1,291,856; 1957—$1,284,924) and specific reserves created for balance sheet purposes as follows:

Reserves for depreciation	$14,077,766
Specific reserve for valuation of cases—25% of book value	180,000
Specific reserve for valuation of land	14,100
Total	$14,271,866

Under the Company's accounting policy no reserve for depreciation is provided for bottles and cases, which are carried on an inventory basis. The cost of bottles and cases lost or broken is charged to income in each year. However, for the purpose of conservative treatment in the balance sheet, the Company maintains, by charges or credits to income, the specific reserve shown above.

THE DUPLAN CORPORATION

Property, Plant and Equipment, at cost:

Land and buildings, less accumulated depreciation—$1,288,976	$ 3,267,225
Machinery and equipment, less accumulated depreciation and amortization—$4,456,939	8,127,706
	$11,394,931
Less estimated loss on disposal of surplus properties and equipment (Note 1)	1,004,000
	$10,390,931

Note 1: During the years ended September 30, 1955 and 1956, a total of $3,200,000 was provided for possible losses on disposition of surplus properties and equipment, including related costs. Of the amounts so provided, there remained at September 30, 1958, $1,004,000 to cover losses anticipated in disposing of the remaining properties and equipment.

*Refer to Company Appendix Section.

Repairs, Furnace Rebuilding and Leased Property Restoration

AMERICAN CHICLE COMPANY
Above Capital Stock and Surplus:
General reserves (Note D) $383,568

Note D: General Reserves—The net change in the General Reserves is summarized as follows:

Balance as at December 31, 1957		$436,611
Add:		
Sundry credits (net)	$ 32,905	
Provided out of current income for building repairs	43,384	
		$512,900
Deduct:		
Expenditures for building repairs		129,332
Balance as at December 31, 1958		$383,568

AMERICAN-SAINT GOBAIN CORPORATION
Above Shareholders' Equity:
Reserves, net of estimated future income tax effect:
Furnace repairs $530,827

Statement of Consolidated Earnings
Costs and Expenses:
Provision for furnace repairs and standby expenses $692,858

CITY STORES COMPANY
Above Ownership:
Reserves
For restoration of leased properties—Note K $441,899

Note K: . . . Certain leases provide for restoration of the related properties to their original condition, in connection with which, upon vacating such properties, there may be incurred costs in an amount presently indeterminable. Accordingly, provision has not been made in the accounts for such costs except as to $441,899 recorded on the acquisition of a subsidiary in a prior year. Reference is made to summary of net assets of unconsolidated real estate subsidiaries for additional minimum rentals payable under leases of such subsidiaries. . . .

Higher Plant Replacement Cost

BRISTOL-MYERS COMPANY
Within Shareholders' Equity:
Earnings Retained in the Business:
Appropriated $6,100,000
Set aside for estimated increase in replacement cost of property, plant and equipment

Notes to Financial Statements

Earnings Retained in the Business—. . . Of the total retained earnings, $6,100,000 has been appropriated and set aside as the estimated amount by which the accumulated depreciation on a replacement cost basis exceeds the amount provided. . . .

UNIVERSAL LEAF TOBACCO CO. INC.
Above Capital Stock:
Special reserve for depreciation (Note 2) . . . $650,000

Note 2: Special Reserve was set up in prior years to provide for future replacement of old plant facilities at higher current costs.

TABLE 38: TAX RESERVES

Balance Sheet Presentation*	1958	1957	1955	1950
A. With: *Related Assets* for—				
Deferred tax on installment sales	1	1	1	1
Amortization of emergency facilities	1	1	1	1
New depreciation methods	3	1	—	—
Miscellaneous	—	1	1	—
B. Among: *Current Liabilities* for—				
Prior years taxes	10	12	7	3
Tax contingencies	1	3	—	3
Deferred tax:				
On installment sales	3	1	1	1
Re amortization of emergency facilities	—	—	2	—
New depreciation methods	3	2	—	—
Taxes	2	2	—	1
Future taxes	1	2	—	—
C. Above: *Stockholders' Equity* for—				
Prior years taxes	5	8	9	20
Tax contingencies	4	8	7	13
Future taxes	32	20	9	1
Taxes	3	4	1	5
Deferred tax:				
On installment sales	7	4	1	2
On mine development costs	2	2	2	—
Re amortization of emergency facilities	19	24	24	—
Re amortization under Certificates of Necessity and new depreciation methods	8	8	5	—
New depreciation methods	51	23	7	—
Foreign taxes	3	3	—	—
D. Within: *Stockholders' Equity* for—				
Tax contingencies	1	1	1	1
Taxes	1	1	1	—
Total	161	132	80	52
Terminology used				
Reserve	60	55	49	37
Provision	11	11	3	5
Various other terms	90	66	28	10
Total	161	132	80	52
Number of Companies with:				
Tax reserves	144	118	73	50
No tax reserves	456	482	527	550
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. Nos. 56, 265, 318, 460.
B: Co. Nos. 84, 140, 271, 371, 474, 536.
C: Co. Nos. 9, 36, 77, 116, 131, 187, 236, 277, 320, 358, 399, 404, 418, 428, 472, 543, 599.
D: Co. Nos. 58, 274.

TAX RESERVES

The 1958 annual reports of the 600 survey companies disclosed 161 tax reserves shown in the balance sheets of 144 companies, while in 1957 there were only 118 companies revealing 132 reserves. This significant increase was mainly due to the increase in reserves for deferral of tax benefit re: new depreciation methods (57 reserves in 1958 as against 26 reserves in 1957) in line with recommendations of Bulletin 44 (Revised) *Declining-balance Depreciation* issued by the committee on accounting procedure of the American Institute of Certified Public Accountants in July, 1958. (See Section 3, "Depreciation".)

Tax reserves were presented most frequently above the stockholders' equity section of the balance sheet (134 reserves in 1958). 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.

The following information with regard to charges or credits offsetting the reserve entry was provided by the 600 surveyed reports:

Offsetting entry made to income account (*Co. Nos. 29, 168, 240, 358, 492, 596)	80	
Offsetting entry within retained earnings account (*Co. Nos. 58, 274, 439)	5	
No dollar change from previous year	3	
Change in the tax reserve account apparent, but the entry not disclosed	56	
No tax reserve account	456	
Total	600	companies

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.")

Prior Years Taxes and Tax Contingencies

BROWN-FORMAN DISTILLERS CORPORATION
Current Liabilities:
Provision for tax contingencies and related interest (Note 1) $3,564,251.46

Note 1: During 1953, the Company received statutory notices of deficiencies in excess profits taxes for the fiscal years 1942 through 1946 in the aggregate amount, including interest, of $3,951,718.29 arising from the denial of the Company's Section 722 relief claims. These deficiencies, exclusive of the interest, principally represent amounts previously withheld (33%) on tax payments as permitted by the relief sections of the Internal Revenue Code. The Company's petitions in the Tax Court of the United States, seeking a redetermination of these deficiencies for the years 1942 through 1946, were heard by this court in November, 1957.

The liability for tax contingencies and related interest as of April 30, 1958, represents amounts provided in prior years covering the excess profits tax payments withheld in connection with the Company's Section 722 relief claims, and related interest to April 30, 1958, less anticipated tax savings on such interest. The Special Provision for Tax Contingencies and Related Interest has been charged during the current year in the amount of $74,000.00 for interest arising from this matter less anticipated tax savings on such interest.

Because of the uncertainties of interpretation of the provision of the Internal Revenue Code, tax counsel for the Company is unable to predict the decision of the Tax Court or the resultant amount, if any, which may eventually be credited to Earnings Retained in the Business.

*Refer to Company Appendix Section.

FOOD MACHINERY AND CHEMICAL CORPORATION
Current Liabilities:
Federal and foreign taxes on income and renegotiation (Note 4) $13,013,622

Note 4: Federal and Foreign Taxes on Income and Renegotiation—Examination of the company's Federal income tax returns by the U.S. Treasury Department for the years 1951 through 1954 resulted in deficiencies being assessed and paid in the amount of $1,916,385, plus interest thereon of $522,692, all of which was charged to the reserve for Federal income taxes. Of this amount, $1,213,613, plus interest thereon, was paid in 1957. Revisions of depreciation rates and amortization were the principal adjustments to taxable income. In addition, adjustments to income are proposed by the U.S. Treasury Department for the years 1955 and 1956 which may result in additional assessments of tax.

Certain sales for 1958 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.

HEARST CONSOLIDATED PUBLICATIONS, INC.
Current Liabilities:
Federal taxes on income (including prior years, 1958—$5,727,405) $5,841,820
Above Capital Stock and Surplus:
Reserves for Tax and Other Contingencies . $3,000,011

Notes to Financial Statements

The 1958 operations of the domestic companies are included with those of The Hearst Corporation (parent company) in a consolidated Federal income tax return. One of the subsidiaries of Hearst Consolidated Publications, Inc. had a loss in 1958 and would have been entitled to a tax refund had it filed a separate Federal income tax return. Other domestic companies included in the consolidated return are to reimburse the subsidiary in the amount of the refund claim. The Federal income tax loss-carry-back credit (included in the financial statements) represents the amount receivable from The Hearst Corporation. The 1958 provision for Federal taxes on income includes the Company's and certain of its subsidiaries' proportionate share of the consolidated tax payable, which is substantially less than that which would have been payable on a separate return basis.

Provision for Federal taxes on income for prior years in the amount of $3,000,000 is included in reserves for tax and other contingencies and $5,727,405 is included in Federal income taxes for prior years under current liabilities in the accompanying balance sheet. These amounts include provision for assessments by the Treasury Department for the years 1942 to 1945, inclusive. These proposed assessments are being contested and the amount of additional taxes finally payable by the companies for the years 1942 to 1945, inclusive, is not now determinable. The returns of the Company and its subsidiaries have been reviewed for the years 1946 to 1949, inclusive, by an agent of the Internal Revenue Service and the adjustments incident thereto have been reflected in the accounts.

Deferred Tax on Installment Sales

HOLLAND FURNACE COMPANY
Above Stockholders' Equity:
Deferred Federal Income Taxes (Note A) $2,933,192

Note A: In 1958 Holland Furnace Company and its wholly owned finance subsidiary, Heating Acceptance Corp., elected to file a consolidated federal income tax return for the year ended December 31, 1957 and used the installment method of reporting income in such return. For accounting purposes income is recorded at the time of sale. Provision has been made for income taxes which may be payable when profit on installment sales is realized for tax purposes.

The financial statements for 1957 have been restated for comparative purposes to reflect (1) the tax liability on the basis of a consolidated return and the deferment of tax payments resulting from the use of the installment method of reporting income, and (2) the investment of Heating Acceptance Corp. at equity in underlying net assets rather than on a consolidated basis.

SPIEGEL, INC.
Above Shareholders' Equity:
Reserve for Federal Income Tax on Accrual Basis (Note 1) $17,000,000

Note 1: In accordance with past practice, the foregoing statement of profit and loss was prepared on the accrual basis, whereas for federal income tax purposes the income arising from installment sales is reported on the cash collection basis.

On the accrual basis, the federal income tax provision for the year 1958 was $5,270,000, which amount has been charged to profit and loss.

On the cash collection basis, the federal income tax provision was $1,760,000. Of this amount $1,080,000 has been prepaid and the balance of $680,000 has been included under current liabilities.

The difference between the tax provision of $1,760,000 computed on the cash collection basis and the accrual provision of $5,270,000 has been included in the reserve for federal income tax on accrual basis.

Deferral of Tax Benefit Re: Amortization of Emergency Facilities

REPUBLIC STEEL CORPORATION

Above Stockholders' Equity:

Reserves and deferred credit—Note B .. $29,582,637

Details of Items in Statement of Consolidated Financial Position

Reserves and Deferred Credit	
Operating and other reserves	$ 6,463,827
Insurance reserve	7,000,000
Deferred credit	16,118,810
Total	$29,582,637

Note B: The Corporation's investments include capital stock and noncurrent indebtedness of Reserve Mining Company which is owned in equal shares by the Corporation and Armco Steel Corporation. Until Reserve's outstanding 4¼% First Mortgage Bonds due June 1, 1980, are paid in full, the shareholders are obligated according to their proportionate interests to take the entire production of Reserve, to pay its operating costs including interest charges, and to pay, if Reserve shall not have made the necessary payments, one-half of amounts needed by Reserve for fixed sinking fund requirements on such bonds and certain future capital replacements. The Corporation's share of such operating costs and of amortization of emergency facilities in excess of normal depreciation is taken as a deduction in the computation of its federal taxes on income. Since such excess of amortization, which is not recorded on the books of the companies, reduces federal income taxes of the Corporation currently payable, an amount ($3,724,948) equivalent to the reduction in 1958 has been included in the provision for federal taxes on income and a deferred credit provided for possible future charges. The total deferred credit at December 31, 1958, was $16,118,810.

Amortization under Certificates of Necessity and New Depreciation Methods

COMMERCIAL SOLVENTS CORPORATION

Above Shareholders' Equity:

Deferred Federal income taxes $4,751,700

Notes to Financial Statements

Deferred Federal Income Taxes—In its financial statements the Corporation, in accordance with its previous practice, computes the provision for depreciation and amortization by the straight-line method over estimated useful lives. For Federal income tax purposes, however, the portions of plant facilities covered by Certificates of Necessity are amortized over five-year periods, and other plant facilities acquired subsequent to 1954 are depreciated by the "declining balance" method. The excess of the amortization and depreciation for tax purposes over straight-line depreciation results in temporary tax reductions amounting to $731,000 in 1958 and $1,037,600 in 1957 which have been charged against earnings and credited to Deferred Federal income taxes. The amounts so deferred will be taken into earnings in future years when depreciation allowable for tax purposes is correspondingly less than provided in the financial statements.

New Depreciation Methods

AMERICAN CAN COMPANY

Above Capital:

Reserve for deferred income taxes (Note 5) $20,300,000

Note 5: During 1958, the American Institute of Certified Public Accountants issued a bulletin which provides that when accelerated depreciation methods, such as declining-balance and sum-of-the-years-digits, are adopted for income tax purposes, but other appropriate methods, such as straight-line, are used for financial accounting purposes, accounting recognition should be given to deferred income taxes to obtain an equitable matching of costs and revenues and to avoid income distortion. Prior to 1958, such accounting treatment was not generally required, and was not followed by American Can Company, except for a major division of the Company which was acquired in 1957 and which had been providing such a reserve for deferred income taxes. In 1958, all divisions and subsidiaries of the Company adopted deferred income tax accounting for the excess of tax depreciation over book depreciation, resulting in a net decrease of approximately $3,300,000 in 1958 net income.

The policy of recognizing deferred income taxes for the excess of tax depreciation over book depreciation has been applied retroactively to January 1, 1954 when accelerated depreciation was first adopted for tax purposes. As a result, an additional reserve for deferred income taxes has been set up in the amount of $7,900,000, of which $3,200,000 applied to 1957 and $4,700,000 to the years 1954 through 1956. For comparative purposes, the 1957 financial statements have been restated to reflect this additional reserve and to reclassify state income taxes on the basis adopted in 1958.

COLONIAL STORES INCORPORATED

Above Stockholders' Equity:

Provision for possible future federal income taxes (Note 2) $1,660,000

Notes to Financial Statements

Note 2: Provision for Possible Future Federal Income Taxes—As permitted by the Internal Revenue Code of 1954, the parent company has adopted alternative methods of depreciation for income tax purposes with respect to new additions to property and equipment during 1954 and subsequent years, but has continued to use the straight-line method for general accounting purposes. Provision has been made annually, by charges to income and credits to "provision for possible future Federal income taxes" ($510,000 in the current year), for the estimated additional future taxes which may become payable because of the excess of depreciation currently claimed for tax purposes over that charged in the accounts; such provision has been based on 50% (the estimated approximate future effective tax rate) of the amount of such excess depreciation. It is intended that appropriate portions of this provision will be restored to income in years when depreciation based on the alternative methods will be less than that computed by the straight-line method.

HYGRADE FOOD PRODUCTS CORPORATION

Above Stockholders' Equity:

Deferred Federal taxes on income (Note 2) .. $56,000

Note 2: 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, but for financial accounting purposes has recorded depreciation computed on the "straight line" method. In July, 1958, the American Institute of Certified Public Accountants adopted the principle that provision should be made in the accounts for the reduction in Federal income taxes resulting from the deduction of such additional depreciation. Accordingly, provision ($56,000) has been made for deferred Federal income taxes, computed at current rates, on additional depreciation to be deducted for Federal income tax purposes on accelerated bases over that recorded in the accounts for the period from August 1 to November 1, 1958. If provision had been made for the entire year on this basis the amount would have been approximately $220,000 compared with $180,000 for the prior year.

Other Tax Reserves

ALAN WOOD STEEL COMPANY

Above Stockholders' Equity:

Deferred Income Taxes (Note 3) $1,453,000

Note 3: Deferred Income Taxes—It is the policy of the Company to capitalize the cost of developing its mining properties and to amortize these costs over the estimated total production from each property; for income tax purposes these expenditures are deducted in the year in which incurred. Depreciation of property, plant and equipment other than that covered by current certificates of necessity is computed for financial accounting purposes at composite rates varying with tonnage produced; for all such assets acquired since January 1, 1955 the declining balance method is used for income tax purposes. Provision has been made for deferred income taxes in an amount equal to the reduction in taxes payable ($256,000 in

1958 and $410,000 in 1957) resulting from the excess of depreciation and development costs currently deductible in computing taxable income over that deducted for financial accounting purposes.

HARSCO CORPORATION
Above Capital:

Provision for foreign income tax, due beyond one year	$ 908,698
Provision for deferred foreign income tax	$ 530,376
Provision for unremitted foreign income	$ 517,182
Minority interest in capital of foreign subsidiaries	$1,386,843

Notes to Financial Statements

Note 5: Renegotiation and Taxes—The company believes that it will not be subject to renegotiation proceedings for the year 1958.

All Federal income tax returns of the company and its several subsidiaries have been examined through 1954 and others for periods since that date extending to April 30, 1956.

The tax returns of the majority owned foreign subsidiaries show deductions for certain capital cost allowances in lieu of normal depreciation. The provision for deferred foreign income tax, $137,466 in 1958 and $121,310 in 1957, represents the amount of tax applicable to the excess of such allowances over the normal depreciation charged to income. Such provision is for taxes payable in the period when normal depreciation charged to income will exceed the capital cost allowance for income tax purposes.

HEWITT-ROBINS INCORPORATED
Above Stockholders' Equity:

Reserve
For estimated U.S. federal taxes on long-term contract profits which are deferred for tax purposes $1,100,000

MEDUSA PORTLAND CEMENT COMPANY
Above Capital Stock and Surplus:

Income Taxes Held in Suspense—Note A ... $600,000

Note A: Income Taxes—Federal income taxes for the years 1957 and 1958 have been accrued giving effect to a liberalized method of computing percentage depletion, pursuant to a United States Supreme Court decision in 1957. For 1956, taxes were accrued using the former method of computing depletion but were paid on the liberalized basis and the estimated over-accrual of $600,000 for that year remains in suspense on the balance sheet. For the years 1951 through 1955, claims for refund of taxes paid aggregating approximately $2,500,000 have been filed but have not been recorded in the accounts.

MISCELLANEOUS OTHER RESERVES

The assorted types of "miscellaneous other reserves" found in the reports of the survey companies for the years 1950, 1955, 1957, and 1958 and their balance sheet presentation are shown in Table 39. There were 95 such reserves shown by 90 companies in their 1958 annual reports. The most common balance sheet presentation of these items was above the stockholders' equity section (52 reserves in 1958). In a few instances where there were increases in these reserves during 1958, 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 1958, were seldom disclosed. Such charges or credits when shown were to the income account, to an asset 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 1958 annual reports.

TABLE 39: MISCELLANEOUS OTHER RESERVES

Balance Sheet Presentation*	1958	1957	1955	1950
A. With: *Related Assets* for—				
Loss on investments	17	11	2	—
Other	4	—	—	1
B. Among: *Current Liabilities* for—				
Appraisal claims	1	1	1	—
Discontinued operations	3	1	—	—
Sales returns or allowances	3	3	2	2
Contract settlements and adjustments	3	—	—	—
Sugar-beet crop payments	2	1	1	1
Additional costs	—	1	1	—
"General" and "Sundry" purposes	1	2	1	3
Price redetermination refund	1	2	—	—
Other	—	—	—	2
C. Above: *Stockholders' Equity* for—				
Discontinued operations	2	1	2	—
Deposits refundable	2	1	2	1
Estimated claims payable	2	2	1	1
Litigation pending	2	3	3	1
Loss on receivables	1	1	1	2
Preferred stock retirement	—	—	1	2
Sales returns or allowances	2	2	2	1
"General" and "Sundry" purposes	30	29	31	28
"Operating" purposes	9	8	11	13
Unrealized profit on land contracts receivable	1	1	1	—
Other	1	2	2	2
D. Within: *Stockholders' Equity* for—				
Preferred stock retirement	3	4	5	3
Discontinued operations	1	—	—	—
Charter requirement	—	—	1	1
Sinking fund	1	1	1	2
Working capital	1	1	1	1
"General" and "Sundry" purposes	2	3	2	4
Total	95	81	75	71
Terminology Used				
Reserve	68	68	61	57
Provision	8	5	6	3
Various other terms	19	8	8	11
Total	95	81	75	71
Number of Companies with:				
Miscellaneous reserves	90	71	70	66
No miscellaneous reserves	510	529	530	534
Total	600	600	600	600

*Refer to Company Appendix Section:
A: Co. Nos. 43, 61, 108, 193, 252, 276, 364, 367, 563.
B: Co. Nos. 48, 73, 86, 110, 191, 214, 272, 281, 296, 304, 339, 528, 558.
C: Co. Nos. 9, 11, 58, 66, 92, 105, 138, 140, 145, 147, 172, 267, 286, 293, 368, 449, 469, 483, 497, 569, 591.
D: Co. Nos. 123, 125, 218, 259, 387, 407, 536, 579.

Examples are presented below to indicate the various types of reserves disclosed by the companies.

Contract Settlements and Adjustments

THE AMERICAN SHIP BUILDING COMPANY
Among Current Liabilities:

Reserve for estimated additional contract losses —Note A	$600,000

Note A: Under a contract with the United States Navy the Company sustained a substantial loss to June 30, 1957, at which time it provided for an estimated additional loss of approximately $900,000 (net of estimated tax recovery) to complete the contract. At June 30, 1958, the reserve for estimated additional losses to complete was reduced to $600,000 (net of estimated future tax recovery) principally by reason of losses incurred and charged against income during the year ended June 30, 1958.

In computing the additional losses to complete at June 30, 1958, consideration was given to estimated future tax recovery, but no effect was given to possible relief which the Company expects to obtain from upward price adjustments currently being negotiated.

Discontinued Operations

CITY STORES COMPANY
Above Stockholders' Equity:

Reserves:	
For termination of store operations—Note H	$333,000

Note H: Termination of Store Operations—The store in Boston, Massachusetts, operated by R. H. White Corporation, was closed in June 1957, and its operation terminated. The losses incurred to February 1, 1958, and losses estimated by the Company to be incurred thereafter are as follows:

Termination losses and other costs to February 1, 1958, including depreciation of $38,000 from date of closing		$3,319,116
Less federal income tax reduction applicable thereto		1,819,000
		$1,500,116
Estimated anticipated termination losses and costs to be incurred	$723,000	
Less expected federal income tax reduction applicable thereto	390,000	333,000
		$1,833,116

Litigation

UNITED STATES HOFFMAN MACHINERY CORPORATION
Above Stockholders' Equity:

Reserve for:	
Estimated net charge from ultimate disposition of proceedings against the Corporation	$550,000

Notes to Financial Statements

Note 9: Litigation—The Corporation and its president are defendants in an action by a former chairman of the Board of Directors demanding payment of two promissory notes aggregating $1,000,000 issued by the Corporation in 1957 to its president for loans of that amount. The loans were subsequently repaid by the Corporation to its president but the notes were not returned to the Corporation having been endorsed by the president and delivered to the former chairman as evidence of certain transactions between these parties. It is the opinion of counsel that (1) the former chairman of the Board of Directors is not a holder in due course of said notes, (2) the Corporation has fully paid the amount due on said notes, and (3) the Corporation has a good and valid defense to the action instituted by the former chairman of the Board of Directors.

An action against the Corporation to recover title to the Auburn Ordnance plant was tried in February 1958 and resulted in a judgment for the plaintiff (since affirmed by the Appellate Division) decreeing that the property be reconveyed. Steps are now being taken to appeal the matter further to the Court of Appeals. It is the opinion of counsel that despite the affirmance by the Appellate Division, although the issue is obviously not free of doubt, the position of the Corporation will ultimately be sustained. A full reserve has been established in 1958 for any adverse effects which may result from this litigation.

A subsidiary of the Corporation is a defendant in actions by three individuals alleging breach of employment contracts. The plaintiffs seek damages of approximately $320,000. It is the opinion of counsel that the subsidiary has a valid defense to these actions and that there should be no recovery thereon.

The Corporation and a subsidiary are defendants in an action by a former distributor of the subsidiary alleging breach of contract. The plaintiff seeks damages of $200,000 and also specific performance of the contract involved. It is the opinion of counsel that the claim appears to be not overly meritorious.

There are several other actions pending against the Corporation or its subsidiaries for relatively small amounts; as to all of these matters it is the opinion of counsel that the Corporation or its subsidiaries have valid defenses thereto.

General and Sundry Purposes

AMERICAN METAL CLIMAX, INC.
Above Stockholders' Equity:

Reserves (Page 37)	$5,009,032

Page 37: Reserves—

Workmen's compensation self-insurance	$ 584,275
Pension plans:	
For United States hourly paid employees	3,708,694
Supplemental pension and profit sharing plan for United States salaried employees	250,000
Other	466,063
	$5,009,032

THE AMERICAN PULLEY COMPANY
Above Stockholders' Equity:

Mortgage Receivable	
Non-current portion, payable $7,500 annually, balance due July 1, 1967 (note sold during 1958)	$ —
Property, Plant, and Equipment—at cost	4,791,317
Less allowances for depreciation and amortization	3,154,677
	$1,636,640
Total Assets Less Liabilities	$4,091,159
Less Allowances for Future Economic Developments (Note D)	740,804
Total Investment in the Business	$3,350,355

Note D: In the statement of income, cost and expenses for each of the two fiscal years reflects the application of an accounting policy whereby charges are made, and credits taken, with respect to allowances for future economic developments. The effect of this accounting practice was to decrease such costs and expenses for 1958 by $1,986 and for 1957 by $85,106.

ARMCO STEEL CORPORATION
Above Stockholders' Equity:

Reserves (page 24)	$6,771,951

Page 24: Reserves—

Repair	$5,568,242
Workmen's compensation insurance	285,650
Other	918,059
Total	$6,771,951

AYRSHIRE COLLIERIES CORPORATION
Above Stockholders' Equity:

Reserves:	
Work stoppage expense	$300,000
Deferred Federal income taxes	218,500
	$518,500

Operating Purposes

NATIONAL STEEL CORPORATION
Above Stockholders' Equity:

Reserves	
General operating purposes, including pensions	$21,893,454
Prior years' federal taxes on income	6,787,608
Rebuilding and repairs	6,369,860
Total Reserves	$35,050,922

Preferred Stock Retirement

THE EMERSON ELECTRIC MANUFACTURING COMPANY
Within Stockholders' Equity:

Stockholders' Equity:	
7% cumulative preferred stock of $100 par value per share; redeemable at $115 per share. Authorized 20,000 shares; issued and outstanding 1958, 6,656 shares	$ 665,600
Common stock of $4 par value per share. Authorized 1,500,000 shares; issued and outstanding 1958, 706,259 shares	2,825,036
Additional paid-in capital	2,552,469
Retained earnings:	
Appropriated for retirement of preferred stock	765,441
Unappropriated	13,097,033
	$19,905,579

Other—with Related Assets

THE W. L. MAXSON CORPORATION
Other Assets:

Deferred development expenses—net (Note 4)	$ 1
Cash surrender value of insurance policies on lives of officers	109,463
Miscellaneous	212,423
	$ 321,887
Statement of Consolidated Income and Earned Surplus	
Net income for the year	53,170
Special charge—provision of reserve to reduce the net balance of deferred development expenses to $1 (Note 4)	685,047
Net income and special charge	(631,877)
Earned surplus at beginning of year	3,441,638
Earned surplus at end of year	$2,809,761

Note 4: To September 30, 1958, the Corporation followed the policy of deferring the accumulated costs incurred in the development of new military and commercial products reduced by (1) proceeds received from customers on contracts for the items under development, (2) amortization against units sold or royalties received following successful completion of development of a new product, and (3) cumulative reductions in federal income tax arising from the development expenses being deducted as incurred for tax purposes (such tax reductions aggregated $742,000 to September 30, 1958).

As of September 30, 1958 the Corporation's Board of Directors authorized the provision of a reserve of $685,047 to further reduce the net balance of deferred development expenses so that such expenditures would be stated at $1 on the Corporation's balance sheet. This provision is shown as a special charge in the statement of consolidated income and earned surplus.

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 over 90% of the combinations of stock classes presented in the 1958 annual survey reports (See Table 40 for details).

TABLE 40: CLASSIFICATION OF CAPITAL STOCK

Combination of Stock Classes	1958	1957	1955	1950
Common Stock and one type of Preferred Stock (*Co. Nos. 19, 26, 46, 74, 79, 82, 107, 165, 184, 466, 467, 474)	247	255	254	269
Common Stock (*Co. Nos. 12, 13, 31, 47, 50, 54, 89, 99, 101, 115, 237, 261)	198	194	186	158
"Capital Stock" (*Co. Nos. 36, 38, 42, 100, 112, 257, 333, 362, 436, 459, 475, 536)	105	105	113	122
Common Stock and two types of Preferred Stock (*Co. Nos. 44, 84, 129, 131, 167, 172, 185, 259, 358, 374, 448, 484)	38	32	36	36
Common Stock (two types) (*Co. Nos. 125, 186, 245)	3	4	4	3
Common Stock (two types) and one type of Preferred Stock (*Co. Nos. 193, 369, 473)	3	4	3	6
"Capital Stock" (two types) (*Co. No. 423)	1	1	1	2
Common Stock and three or more types of Preferred Stock (*Co. Nos. 118, 542, 566)	3	3	1	3
Common Stock (two types) and three or more types of Preferred Stock (*Co. Nos. 121, 301)	2	2	2	1
Total	600	600	600	600
Number of Companies presenting:				
Only Common Stock	201	198	190	161
Both Common and Preferred Stock	293	296	296	315
Only "Capital Stock"	106	106	114	124
Total	600	600	600	600

*Refer to Company Appendix Section.

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.

Examples of Balance Sheet Presentation

The following examples illustrate the various methods of presentation of capital stock information in the balance sheet:

ABBOTT LABORATORIES

Stockholders' Investment—Note C:	
Preferred Stock, 4% cumulative—$100 par value:	
Authorized and issued—106,010 shares at December 31, 1958	
Outstanding:	
85,670 shares	$ 8,567,000
Common Stock—$5 par value:	
Authorized 5,000,000 shares, outstanding—at stated capital amount:	
3,772,826 shares	26,768,833
Earnings employed in the business	52,733,481
Total stockholders' investment	$88,069,314

Note C: Preferred Stock Data—Each preferred share is convertible prior to January 1, 1962, into common shares of the Company at the rate of 1.7 common shares for each preferred share. At December 31, 1958, 180,217 shares of Common Stock were reserved for such conversion. The preferred shares are redeemable at the option of the Company at prices ranging from $105.50 per share in 1959 to $105.00 per share thereafter. Beginning in 1962, the Company is required to redeem annually 3% of the number of preferred shares outstanding on January 1, 1962.

The terms of the Preferred Stock provide, among other covenants, for certain limitations on the payment of cash dividends on Common Stock. It appears unlikely that such limitations will become operative.

Preferred Stock in treasury amounted to 20,340 shares at December 31, 1958.

THE AMERICAN SUGAR REFINING COMPANY

Stockholders' Equity:	
Capital stock—Authorized and issued	
Preferred stock, 7% cumulative, noncallable, $25 par value, 1,800,000 shares	$ 45,000,000
Common stock, $25 par value, 1,800,000 shares	45,000,000
Earned surplus	51,424,845
Total Stockholders' Equity	$141,424,845

BATES MANUFACTURING COMPANY

Represented by:		
Investments of stockholders—		
Preferred Stock (Note C)	2,240,300	
Common Stock (Note C)	17,617,500	$19,857,800
Capital surplus		182,245
Income retained in the business—unreserved		12,618,716
		32,658,761
Less: Common stock in Treasury—at cost 70,972 shares		542,521
		$32,116,240

TABLE 41: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1958	1957	1955	1950
Common Stock with Shares described as:				
Par value stock	424	424	395	319
Par value stock at—				
"Stated value" per share	5	5	3	3
"Stated value" per total	5	5	2	—
"Assigned value" per share	—	—	—	1
No par value stock at—				
"Stated value" per total	14	13	12	—
"Stated value" per share	11	11	16	28
"Assigned value" per share	—	—	—	1
"Declared value" per share	1	1	1	1
Not further described	41	44	65	134
Share value not mentioned	—	—	—	1
Total	501	503	494	488
"Capital Stock" with Shares described as:				
Par value stock	75	74	81	80
Par value stock at—				
"Stated value" per total	5	4	—	1
No par value stock at—				
"Stated value" per total	6	6	3	—
"Stated value" per share	5	5	6	8
"Liquidating value" per share	—	—	—	1
Not further described	16	18	24	35
Total	107	107	114	125
Preferred Stock with Shares described as:				
Par value stock	264	265	230	272
Par value stock at—				
"Redemption value" per share	7	1	1	—
"Stated value" per share	1	—	—	—
No par value stock at—				
"Stated value" per total	8	9	2	—
"Stated value" per share	18	16	21	25
"Liquidating value" per share	11	11	7	8
"Assigned value" per share	—	1	1	1
Not further described	33	31	40	54
Share value not mentioned	—	2	—	3
Total	342	336	302	363

Note C: Capital Stock

Preferred—4½% cumulative—par value $100 per share
Callable at $105 per share. Sinking fund requirements ($180,000 annually) satisfied through 1958.
Authorized—45,000 shares
Issued and outstanding—January 3, 1959—22,403 shares

Common—par value $10 per share
Authorized—3,000,000 shares
Issued—1,761,750 shares
(Held in Treasury—January 3, 1959—70,972 shares)

GENERAL REFRACTORIES COMPANY

Capital:	
Capital stock, par value $10 per share:	
Authorized 3,000,000 shares	
Issued and outstanding 1,388,697 shares	$13,886,970
Capital surplus, as annexed	14,617,537
Earned surplus, as annexed	20,637,179
	$49,141,686

TABLE 42: STATUS OF CAPITAL STOCK

Number of Shares shown for—	1958	1957	1955	1950
Common Stock				
Authorized, issued, outstanding	159	168	175	192
Authorized, issued	194	195	183	159
Authorized, outstanding	131	126	117	111
Authorized, issued, outstanding, unissued	5	4	3	6
Authorized, outstanding, unissued	—	—	1	5
Authorized	—	2	3	3
Authorized, issued, unissued	1	1	—	—
Issued	2	1	3	2
Outstanding	2	1	4	2
Issued, outstanding	4	1	1	1
Status not set forth	3	4	4	7
Total	501	503	494	488
"Capital Stock"				
Authorized, issued	51	44	50	57
Authorized, issued, outstanding	32	39	42	49
Authorized, outstanding	19	18	15	10
Authorized, issued, outstanding, unissued	—	—	1	1
Issued	2	1	2	1
Issued, outstanding	1	2	2	3
Outstanding	1	2	—	1
Authorized	—	—	1	—
Status not set forth	1	1	1	3
Total	107	107	114	125
Preferred Stock				
Authorized, issued	95	97	94	115
Authorized, outstanding	99	100	87	96
Authorized, issued, outstanding	83	81	77	100
Authorized, outstanding, unissued	1	1	1	2
Authorized, issued, outstanding, unissued	1	1	—	1
Authorized	—	3	4	3
Outstanding	3	1	4	4
Issued	1	1	1	1
Issued, outstanding	4	—	—	—
Authorized—None issued to date	50	45	27	32
Status not set forth	5	6	6	8
Authorized, issued; undesignated and unissued	—	—	1	1
Total	342	336	302	363

GENERAL ANILINE & FILM CORPORATION

Capital Stock and Surplus:

Capital stock—	
Common A stock of no par value, stated at $25 per share, authorized 3,000,000 shares, issued 594,786 shares (preference on liquidation $75 per share or $44,455,655 on 592,742.1 shares outstanding)	$ 14,869,650
Common B stock at $1 par value, authorized and issued 3,000,000 shares	3,000,000
Capital surplus	12,902,432
Earned surplus (Under loan agreement $66,500,179 was restricted as to the payment of dividends at December 31, 1958)	92,944,613
	$123,716,695
Deduct—Stock held in treasury—	
Common A stock 2,043.9 shares, at cost	$ 116,352
Common B stock 950,000 shares at par value of $1 per share (cost $1,900,000)	950,000
	$ 1,066,352
Total capital stock and surplus	$122,650,343

BURLINGTON INDUSTRIES, INC.

Stockholders' Equity (Note C):

Preferred Stocks:	
Cumulative Preferred Stock (issuable in series):	
Authorized 206,000 shares of a par value of $100 each; outstanding, 4% Series—107,950 shares and 3½% Series—35,160 shares	$ 14,311,000
Preferred Stock (issuable in series):	
Authorized 223,000 shares of a par value of $100 each; outstanding, 4.20% Series—120,000 shares	12,000,000
Preference Stock (issuable in series):	
Authorized 390,295 shares of a par value of $100 each; outstanding, 4½% Second Preference Stock—60,948 shares	6,094,800
Total Preferred Stocks	$ 32,405,800
Common Stockholders' Equity:	
Common Stock:	
Authorized 12,500,000 shares of a par value of $1 each; outstanding 8,519,691 shares	$ 8,519,691
Capital in excess of par value	104,686,936
Retained earnings (after deduction of amounts capitalized as stock dividends)	110,501,084
Total common stockholders' equity	$223,707,711
Total stockholders' equity	$256,113,511

Note C: Capital Stock—(1) The Cumulative Preferred Stock, 4% Series and 3½% Series, is redeemable in whole or in part (including redemption for the sinking fund) at $104 and $100 per share, respectively, plus accrued dividends in each case. Under the sinking fund provisions, an amount (in cash or preferred stock) is, subject to certain conditions, to be set aside on or before December 31 in each year sufficient to redeem at the sinking fund redemption price 2% of the maximum number of preferred shares theretofore issued. As of September 27, 1958, the Corporation had purchased and retired a sufficient number of shares of Cumulative Preferred Stock to meet the sinking fund requirements to December 31, 1958.

(2) The Preferred Stock, 4.20% Series, is cumulative as to dividends and is redeemable, in whole or in part, at $101 per share until December 1, 1965, and thereafter at $100 per share, plus accrued dividends in all cases. The redemption price at which the Preferred Stock, 4.20% Series, may be redeemed for the sinking fund is $100 per share, plus accrued dividends. Under the sinking fund provisions, an amount (in cash or preferred stock) is, subject to certain conditions, to be set aside on or before December 31 in each year sufficient to redeem at the sinking fund redemption price 3% (5% after the year 1972) of the maximum number of preferred shares theretofore issued. As of September 27, 1958, the Corporation had purchased and retired a sufficient number of shares of Preferred Stock, 4.20% Series, to meet the sinking fund requirements to December 31, 1958.

(3) The 4½% Second Preference Stock is subject to the prior rights of the Cumulative Preferred Stock and Preferred Stock (referred to in the preceding paragraphs); it is cumulative as to dividends and is redeemable, in whole or in part, at $100 per share, plus accrued dividends. The 4½% Second Preference Stock has a Purchase Fund requirement under which an amount (in cash or preference stock) is, subject to certain conditions, to be set aside on or before March 1 in each year sufficient to retire 4% of the maximum number of preference shares theretofore issued. The Purchase Fund requirement has been met to March 1, 1958, and, at September 27, 1958, the Corporation held in treasury more than a sufficient number of shares to meet the Purchase Fund requirement to March 1, 1961.

(4) Under provisions of the Certificate of Incorporation, as amended, with respect to the Cumulative Preferred Stock, Preferred Stock, and Preference Stock, restrictions exist with respect to the payment of dividends on Common Stock, other than stock dividends, but such provisions are less restrictive than under long-term debt.

(5) As of September 27, 1958, there were outstanding options with certain officers and employees to purchase 207,250 shares of Common Stock of the Corporation. The options were all granted in connection with employment contracts entered into during the last five years and are generally exercisable, in whole or in part, at any time during the periods of the respective contracts, which expire from June 15, 1960, to December 2, 1964. The option price in each case was equal to 95% of the price on the New York Stock Exchange on the date of the respective contract, such option prices ranging from $9.50 to $15.56 per share. The aggregate option price for the optioned shares at the dates the options were granted amounted to $2,347,615 in comparison with an aggregate market value (New York Stock Exchange) of approximately $2,471,000 at the same dates. No options were exercised during the current fiscal year. No accounting is made for options until they are exercised at which time the aggregate option price is credited to common stock and capital in excess of par value accounts.

(6) The issued and outstanding Capital Stock at September 27, 1958, is after giving effect to the delivery in November 1958 of 47,543 shares of treasury Common Stock in part settlement of the liability at September 27, 1958, to the Profit Sharing (Retirement) Plan; and is after deducting stock held in treasury, as follows: (1) 9,050 shares of 4% Preferred Stock; (2) 3,840 shares of 3½% Preferred Stock; (3) 3,000 shares of 4.20% Preferred Stock; (4) 10,215 shares of 4½% Second Preference Stock; and (5) the remaining 214,505 shares of Common Stock.

(7) At September 27, 1958, 1,581,872 shares of Common Stock were reserved for conversion of 4¼% Subordinated Debentures under the convertible provisions thereof (see Note D-3). On October 1, 1958, an additional 371,829 shares of Common Stock were reserved for conversion of the 5.4% Subordinated Convertible Debentures issued on that date.

THE PARKER PEN COMPANY

Capital Stock and Surplus:

Capital stock—	
Class A, $2 par value—	
Authorized and issued 500,000 shares including 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	18,027,740
	$20,027,740
Less—Treasury stock (69,000 shares at par value and 15,000 shares at cost)	363,000
Total capital stock and earned surplus	$19,664,740

REXALL DRUG COMPANY

Stockholders' Equity:

Capital stock of Rexall Drug Company	
Authorized, 5,000,000 shares, par value $2.50 each	
Issued, 3,501,120 shares	$ 8,752,800
Other paid in capital per accompanying statement	12,249,504
Earnings retained and used in the business per accompanying statement	38,847,444
(Of the 1958 amount $2,384,249 is reserved for a 3% stock dividend (103,663 shares) payable March 6, 1959)	
	$59,849,748
Less cost of treasury stock, 46,671 shares	447,831
Total Stockholders' Equity	$59,401,917

HUDSON PULP AND PAPER CORP.

Stockholders' Equity—Note F $48,223,562

Statement of Stockholders' Equity

Capital Stock:	Number of Shares	
Cumulative Preferred Stock, par value $25 per share (redeemable at $27.00 to $25.00 per share):		
Authorized—474,400 shares		
Outstanding:		
5% Series A (less 14,440 shares held for retirement)	72,560	$ 1,814,000
5.12% Series B (less 6,360 shares held for retirement)	99,240	2,481,000
5.7% Series C	144,000	3,600,000
6¼% Series D	102,000	3,000,000
Cumulative Second Preferred Stock, $1.41 Series, par value $24.50 per share (redeemable at $25.00 to $24.50 per share):		
Authorized—248,653 shares		
Outstanding (convertible, share for share, into Common Stock, Class A)	198,653	4,866,998
Common Stock, par value $1 per share:		
Authorized (of which 198,653 shares are reserved for conversion)—1,500,000 shares		
Issued:		
Class A	638,347	638,347
Class B	500,000	500,000
		$16,900,345
Capital Surplus		6,825,921
Retained Earnings		24,566,135
		$48,292,401
Less: 2,463 shares of Common Stock, Class A, in treasury, at cost		68,839
Stockholders' Equity as at August 31, 1958—Note F		$48,223,562

Note F: The shares of Common Stock, Classes A and B, are equal in all respects except that, in any calendar year prior to January 1, 1965, cash dividends on the Class A may be declared in excess of those declared on the Class B, but such excess may be not more than $1.50 per share, annually.

During the year, of options for 6,500 shares of Common Stock, Class A, granted in the fiscal year ended August 31, 1956, under the Company's Stock Option Plan of 1951, options for 4,500 shares expired and options for 1,000 shares were exercised. Options for 1,000 shares, exercisable until November 10, 1958, are outstanding. No additional options may be granted under this Plan.

Under the Stock Option Plan of 1957, options for the purchase of 25,000 shares of Common Stock, Class A, may be granted to executives until December 31, 1961. Options for 6,600 shares were granted during the year at $22.27 per share, being 95% of the fair market price on the date the options were granted. Options for 16,600 shares, granted in 1957 and 1958, are outstanding. Options for an additional 8,400 shares may be granted under this plan.

TEXTRON INC.

Capital Stock and Surplus:

Capital stock and surplus:	Shares outstanding	
Capital stock (Note F):		
$1.25 convertible preferred	422,796	$10,569,900
4% preferred—Series A	10,227	1,022,700
4% preferred—Series B	39,450	3,944,940
Common	4,349,366	2,174,683
Total capital stock		$17,712,223

Surplus:	
Paid-in surplus	50,181,222
Capital surplus	4,323,353
Earned surplus	22,561,716
Total surplus	$77,066,291
Less—Treasury stock at cost (588 shares 4% preferred stock—Series B)	48,584
Total capital stock and surplus	$94,729,930

Note F: Capital Stock—$1.25 Convertible Preferred Stock (cumulative) no par value, authorized, issued and outstanding 422,796 shares. This stock is entitled in the event of voluntary liquidation or redemption to $26 per share and accrued dividends, and in the case of involuntary liquidation to $25 per share and accrued dividends. It is convertible into Common Stock at a conversion price of $23.18, which is equivalent to 1.078 shares of Common Stock for each share of Preferred Stock.

4% Preferred Stock (cumulative) par value $100. Subject to the prior rights of the $1.25 Convertible Preferred Stock, this stock is entitled to the benefits of sinking funds requiring quarterly deposits aggregating $353,863, such funds to be used for the purchase of 4% Preferred Stock tendered by holders at prices not in excess of $100 per share. This stock is callable upon 30 days' notice at $100 per share and accrued dividends.

Series A—authorized and issued 13,672 shares, held for retirement 3,445 shares, outstanding 10,227 shares.
Series B—authorized and issued 47,856 shares, held for retirement 8,406 shares, outstanding 39,450 shares

$4 Preferred Stock (cumulative) no par value, authorized 108,453 shares, issued —none.

$5 Preference Stock (cumulative) no par value, authorized 500,000 shares, issued—none.

Common Stock, par value 50¢, authorized 7,500,000 shares, issued and outstanding 4,349,366 shares.

The shares of Common Stock reserved at January 3, 1959, were as follows:

For issuance on exercise of stock options	400,000
For conversion of $1.25 Convertible Preferred Stock	455,993
For conversion of 5% Convertible Subordinated Debentures due January 1, 1971 at present conversion price	785,256
	1,641,249

R. J. REYNOLDS TOBACCO COMPANY

Capital and Earnings Retained:

Preferred Stock—Par $100	
Authorized and issued 490,000 shares 3.60% Series (Note B)	$ 49,000,000
Common Stock—Par $10	
Authorized and issued, 35,404 shares	354,040
New Class B Common Stock—Par $10 (Note C)	
Authorized 15,000,000 shares	
Issued, 9,964,596 shares	99,645,960
	$149,000,000
Earnings Retained for requirements of the business	299,890,703
	448,890,703
Less cost of Preferred Stock, 3.60% Series, in Treasury (117,152 shares)	9,739,682
Total Capital and Earnings Retained	$439,151,021

Note B: The Preferred Stock, 4.50% Series, was redeemed in full on October 1, 1958, and on October 15, 1958 the Company's Certificate of Incorporation was amended to reduce the authorized Preferred Stock from 750,000 shares to 490,000 shares of the par value of $100 each.

Note C: Of the authorized but unissued shares of New Class B Common Stock, 35,404 shares are reserved for issuance upon exchange of shares of Common Stock pursuant to the Exchange Option to Holders of Common Stock set forth in the Company's Certificate of Incorporation as amended. Of the 9,964,596 shares of issued New Class B Common Stock, 8,851 shares are held for exchange pursuant to said Exchange Option to Holders of Common Stock.

SUNSHINE BISCUITS, INC.

Shareholders' Equity:

Capital Stock of Sunshine Biscuits, Inc.:	
Authorized, 2,228,594 shares, par value $12.50 per share	
Issued, 1,184,080 shares	$14,801,000
Capital Surplus (increase in 1958 represented by excess of fair value over cost of treasury stock exchanged for businesses acquired during the year)	3,562,481
Earnings Invested in the Business	48,396,452
	$66,759,933
Less Cost of Shares Held in Treasury, 2,000 in 1958	138,542
Total Shareholders' Equity	$66,621,391

UNITED STATES PLYWOOD CORPORATION

Capital Stock and Surplus:

Cumulative preferred stock, par value $100 per share—	
Issuable in series—authorized less redeemed or converted, 61,611 shares at April 30, 1958—	
Series A, 3¾% (Sinking Fund)—Issued at April 30, 1958, 44,279 shares, less 2,745 shares in treasury	$ 4,153,400
Series B, 3¾% (Convertible—Note 1)—Issued at April 30, 1958, 17,332 shares	1,733,200
4½% voting second preferred stock, (Sinking Fund)—	
Authorized (less redeemed) and issued at April 30, 1958, 55,125.09 shares, less 662 shares in treasury	5,446,309
Common stock, par value $1 per share—Authorized 4,000,000 shares (Note 1)—Issued at April 30, 1958, 2,393,377 shares, less 3,451 shares in treasury at cost of $101,977	36,934,820
Earned surplus	52,552,468
Total capital stock and surplus	$100,820,197

Note 1: The Series B preferred stock is convertible into common stock at any time on or before August 31, 1961. The conversion rate in effect at April 30, 1958, was 2.35 shares of common stock for each share of Series B preferred stock. At April 30, 1958, 40,730 shares of common stock were reserved for conversion of Series B preferred stock.

Following are illustrations from the 1958 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, 139, 150, 192, 411 show in the balance sheet that the stock is extended at "stated value" while *Company numbers 112, 122, 126, 226, 236, 334, 335, 415, 472, 479, 481, 508, 522, 579 make no reference to this fact. An illustration of each follows:

*Refer to Company Appendix Section.

AMERICAN METAL CLIMAX, INC.
Stockholders' Equity:

Cumulative preferred stock, par value $100 per share, issuable in series, 4½ per cent series (Page 38)	$ 7,432,800
Common stock, $1 par value, authorized 20,000,000 shares; issued: 14,165,769 shares (Page 38)	73,920,277
Capital surplus (Page 38)	5,330,089
Earnings retained for use in the business, statements annexed	107,913,017
	$194,596,183
Deduct, Cost of stock in treasury: Preferred: 10,262 shares	1,001,739
Total stockholders' equity (Page 38)	$193,594,444

Notes to Financial Statements (Page 38)

Stockholders' Equity: Common Stock—Incident to the merger the stated amount of common stock of Climax Molybdenum Company was transferred to capital surplus. An action was brought against Climax Molybdenum Company on December 30, 1957 in the Delaware Chancery Court, originally to enjoin its merger with The American Metal Company, Limited, and as later amended to have the merger declared void on the basis that the required vote was not obtained. In the opinion of counsel for the Company the action is without merit.

Capital Surplus—The only material change in capital surplus during 1958 was a charge for expenses incident to the merger.

Cumulative Preferred Stock—There were 131,410 shares of cumulative preferred stock authorized at December 31, 1958 and 133,269 shares at December 31, 1957. Of these authorized shares there were 74,328 shares of the 4½ per cent series outstanding at December 31, 1958 and 76,187 shares at December 31, 1957.

The change during the year represents shares retired to satisfy sinking fund requirements for 1958. The Company is required, as and for a sinking fund, to acquire by purchase or redemption, at not in excess of $105 per share, a number of shares of the 4½ per cent series to permit annual retirement of 2 per cent of the 92,918 shares originally issued. The 4½ per cent series of preferred stock may be called for redemption in whole or in part at any time at $105 per share, plus accrued dividends. The holders of this series are entitled to like payment on voluntary liquidation of the Company and to $100 per share, plus accrued dividends, on involuntary liquidation.

WEST VIRGINIA PULP AND PAPER COMPANY

Preferred stock outstanding (Note C): 94,805 shares	$ 9,481,000
Common stock outstanding (Note C): 5,134,669 shares	80,514,000
Income reinvested or employed in the business	73,804,000
Total stockholders' interest	$163,799,000

Note C: Authorized capital at October 31, 1958, consisted of 7,500,000 shares of $5 par value common stock, of which 5,134,669 shares were issued, and 145,453 shares of cumulative preferred stock of $100 par value, of which 101,283 shares of a 4½% series (including 6,478 shares in the treasury) were issued. The company is required to retire 3,896 shares of this preferred stock annually, and may redeem the entire series at $105 a share.

TREASURY STOCK

Of the 600 survey companies, 274 referred to treasury stock in their 1958 reports as follows:

Two hundred and seventeen companies referred only to *common* treasury stock; 46 companies showed only *preferred* stock in treasury; 47 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 1950, 1955, and 1958 are given in Table 43.

"Treasury Stock"—Examples

(a) From the stockholders' equity section of the balance sheet, with "treasury" stock as a deduction from the total of capital stock and surplus; from the total of capital stock and capital surplus accounts; or from the retained earnings account:

PARKE, DAVIS & COMPANY
Stockholders' Investment:

Capital Stock, no-par value	
Authorized 20,000,000 shares at December 31, 1958 (Note D)	
Issued 14,801,889 shares at December 31, 1958—at stated capital amount, including $183,974 added in 1958 from exercise of stock options	$ 14,635,471
Additional paid-in capital, including $182,108 added in 1958 with respect to stock options	911,913
	$ 15,547,384
Less cost of Capital Stock in treasury (2,070 shares at December 31, 1958)	22,073
	$ 15,525,311
Earnings retained for use in the business:	
Balance at beginning of year	$101,773,763
Net earnings for the year	28,040,851
	$129,814,614
Less cash dividends declared ($1.05 a share in 1958, adjusted for stock split)	15,539,921
Balance at end of year	$114,274,693
Total Stockholders' Investment	$129,800,004

Note D: Stock Options—At December 31, 1958, 198,111 of the authorized but unissued shares of Capital Stock and the 2,070 shares of treasury stock were reserved for the Executive Stock Option Plan.

TABLE 43: TREASURY STOCK

Balance Sheet Presentation	"Common" Treasury Stock 1958	1955	1950	"Preferred" Treasury Stock 1958	1955	1950
Within Stockholders' Equity Section:						
Deducted from *total* of capital stock and surplus (*Co. Nos. 10, 84, 153, 289, 398, 466)	164	124	103	38	41	36
Deducted from *total* of capital stock and capital surplus (*Co. No. 422)	1	1	1	—	—	—
Deducted from *total* of capital surplus and earned surplus (*Co. Nos. 57, 259)	2	2	1	—	—	—
Deducted from retained earnings (*Co. Nos. 126, 546, 549, 585)	4	5	11	—	1	4
Deducted from issued stock of the same class (*Co. Nos. 1, 54, 104, 219, 356, 463)	78	77	97	51	48	53
Set forth with issued stock of the same class (*Co. No. 4)	1	1	4	—	2	2
In Noncurrent Asset Section:						
Separately set forth therein (*Co. Nos. 11, 32, 122, 254, 385, 460, 589)	12	10	10	1	1	1
Set forth therein as a part of various special funds (*Co. Nos. 4, 75, 211, 252)	4	8	2	2	1	1
Set forth in Notes to Financial Statements (*Co. Nos. 64, 276, 296, 517, 519)	8	10	6	4	8	3
Total Presentations	274	238	235	96	102	100
Basis of Valuation						
Per-Share Value shown at:						
Cost	169	133	113	43	44	36
Par value	68	49	56	45	38	38
Stated value	5	8	9	5	4	6
Cost or less than cost	3	2	2	—	—	—
Less than cost	1	1	2	—	—	—
Reduced value	—	1	1	—	—	—
Carrying value	1	—	—	—	1	—
Lower of cost or market	2	2	—	—	—	—
Liquidation value	—	—	—	—	1	1
Various other	3	—	4	—	—	1
Per-share value not shown	22	42	48	3	14	18
Total Valuations	274	238	235	96	102	100
Number of Companies presenting:						
Only "common" treasury stock	217	181	182	—	—	—
Both "common and preferred" treasury stock	47	49	48	47	49	48
Only "preferred" treasury stock	—	—	—	46	48	52
Total Treasury Stock	264	230	230	93	97	100
No treasury stock	336	370	370	183	199	204
No "preferred" stock class	—	—	—	324	304	296
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

CLARK EQUIPMENT COMPANY

Capital Stock and Retained Earnings:

Capital stock:	
Preferred 5% cumulative—par value $100 per share (redeemable at option of common shareholders at $102.50 per share)—authorized and issued at December 31, 1958—5,815 shares	$ 581,500
Common—authorized 5,000,000 shares of a par value of $15 per share, issued at December 31, 1958—2,381,001 shares	35,715,015
Capital in excess of par value of shares	2,812,951
Earnings retained and used in the business (including retained earnings of finance subsidiaries not consolidated), per statement attached	23,128,861
	$62,238,327
Deduct—Cost of common shares held in treasury—3,088 shares	64,848
Total capital stock and retained earnings	$62,173,479

THE AMERICAN SHIP BUILDING COMPANY

Shareholders' Equity:		
Capital stock:		
Preferred—7% noncumulative (par value $100 per share)		
Authorized and issued 1,256 shares (including 993 shares in treasury)		$ 125,600
Common—without par value:		
Authorized 210,000 shares		
Issued 127,144 shares (including 17,710 shares in treasury)		5,085,760
Capital surplus (no change during year)		1,022,323
Income retained for use in the business		4,189,829
		$10,423,512
Less cost of 993 shares of preferred stock and 17,710 shares of common stock held in treasury		764,823
		$ 9,658,689

GENERAL BAKING COMPANY

Capital Stock and Earnings Retained in Business:		
Preferred stock, $8 cumulative, non-callable, no par value ($100 liquidating preference)		
Authorized—100,000 shares		
Issued—90,775 shares		$ 9,077,500
Common stock, $5 par value		
Authorized—2,000,000 shares		
Issued—1,604,995 shares		8,065,759
		$17,143,259
Earnings retained in business		20,641,282
		$37,784,541
Less—Treasury stock, at cost:		
Preferred—8,534 shares	$1,069,205	
Common—25,990 shares	230,350	1,299,555
Total Capital Stock and Earnings Retained in Business		$36,484,986

WESSON OIL & SNOWDRIFT CO., INC.

Stockholders' Equity:		
Capital Stock:		
Preferred, $50 par value, cumulative dividend 4.8% per annum—		
Authorized and issued, shares 201,754		$10,087,700
Common, $2.50 par value—		
Authorized 2,245,000 shares		
Issued 1,262,674 shares		3,156,685
		$13,244,385
Capital Surplus		7,688,511
Earnings Retained in the Business, per statement	$57,415,187	
Deduct—Common stock reacquired, at cost—34,000 shares	251,108	57,164,079
		$78,096,975

(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:

CITY STORES COMPANY

Ownership:	
Preferred stock—$100.00 par value; 4¼% convertible—authorized 38,565 shares; outstanding 8,819 shares (after deducting 710 shares in treasury)	$ 881,900
Common stock—$5.00 par value—authorized 3,000,000 shares; outstanding 2,524,567 shares (after deducting 12,423 shares in treasury)	12,622,833
Other capital	18,403,593
Income reinvested in business	32,074,664
	$63,982,990

THE EASTERN MALLEABLE IRON COMPANY

Capital:		
Common stock, par value $25.00 per share:		
	Shares	
Authorized	160,000	$4,000,000.00
Deduct: unissued shares	55,844	1,396,100.00
Issued	104,156	$2,603,900.00
Deduct: treasury stock	1,096	27,400.00
Common Stock Outstanding	103,060	2,576,500.00
Capital surplus		1,628,468.63
Earnings retained for business needs		3,781,341.00
Total capital		$7,986,309.63

EATON MANUFACTURING COMPANY

Shareholders' Equity:	
Capital stock, par value $2.00 per share:	
Authorized 3,000,000 shares	
Outstanding 2,297,554 shares at December 31, 1958, after deducting 2,578 shares in treasury	$ 4,595,108
Capital in excess of par value	25,002,842
Earnings retained for use in the business	74,536,041
	$104,133,991

THE ELECTRIC AUTO-LITE COMPANY

Shareholders' Investment:	
Common shares—$5 par:	
Authorized 3,000,000 shares	
Outstanding 1,569,397 shares in 1958 (not including 32,000 Treasury shares)	$ 7,846,985
Additional paid-in capital	20,441,850
Retained earnings ($13,826,469 at December 31, 1958, unrestricted as to payment of cash dividends under terms of 3¼% Promissory Note)	79,829,462
	$108,118,297

ACME STEEL COMPANY

Share Owners' Equity:	
Preferred Stock, par value $100 a share:	
Authorized 150,000 shares; issued and outstanding 53,000 shares	$ 5,300,000
Common Stock, par value $10 a share:	
Authorized 5,000,000 shares; issued 2,782,727 shares (including shares in treasury 1958—17,559 (Note C)	27,827,270
Additional capital paid in on Common stock	16,025,314
Invested earnings—used for plant additions and working capital	26,052,752
	$75,205,336

Note C: Incentive Compensation Plan—Annual provisions under the Company's Incentive Compensation Plan for approximately 142 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 17,559 shares of Common Stock held in the treasury at December 31, 1958, included 17,084 shares allocated under the Plan and 475 shares held for future allocation. The cost ($508,736) of the 17,084 shares was deducted from the amount of the reserve for incentive compensation and the cost ($12,290) of the 475 shares was included as an asset in the statement of financial condition. The balance of the reserve ($372,019) is available for future allocation.

The amount ($441,000) by which future income taxes are expected to be reduced on account of payment of incentive compensation is a deferred charge and has been included in the statement of financial condition.

(c) From the noncurrent asset section of the balance sheet, with "treasury" stock set forth therein:

RADIO CORPORATION OF AMERICA

Investments:

Whirlpool Corporation Common Stock, 1,158,563 shares, at cost	$21,600,000
Wholly-Owned Foreign Subsidiaries, at or below cost	11,590,815
Other Investments, at cost (less reserve 1958, $3,987,235)	11,474,261
RCA Common Stock held in treasury, at cost, 189,007 shares (Note 8)	7,589,592
Total Investments	$52,254,668

Note 8: Stock Options—On May 7, 1957 the shareholders approved the RCA Stock Option Plan which provides that key employees, to be selected by a Committee of the Board of Directors, may be granted options to purchase Common Stock from the Corporation's treasury, not exceeding 300,000 shares in the aggregate, at a price not less than the fair market value on the date the option is granted. At December 31, 1958 options were outstanding on 242,200 shares at prices ranging from $28.88 to $40.38 per share, of which options on 95,800 shares were exercisable.

The options were granted in 1957 and 1958 and are exercisable in cumulative annual installments of 20%. Options with respect to 181,000 shares expire in ten years, and options on the remainder, 56,000 shares, expire in 5 to 10 years. At December 31, 1957 options on 233,000 shares were outstanding of which 46,600 were exercisable. In 1958 options for 21,000 shares were granted and options for 11,800 shares were cancelled.

On May 1, 1956 the shareholders approved the grant of a stock option on July 1, 1955 for the purchase of 100,000 shares of Common Stock on or before June 30, 1965 at $49.64 per share.

WESTINGHOUSE ELECTRIC CORPORATION

Investments:

Wholly and majority owned companies not consolidated	$62,486,692
Westinghouse Electric Corporation—Common stock (at lower of cost or market)	534,129
Other securities (at lower of cost or market)	11,978,026

(d) From notes to financial statements:

GULF OIL CORPORATION

Investments: Deposits, sundry investments, and long-term receivables include cash deposits equivalent to the estimated restricted earnings of two pipe line subsidiaries—$8,864,303 and the cost of 53,723 shares of the Corporation's capital stock held in connection with the Incentive Compensation Plan and to acquire properties, etc.—$4,383,273.

HOLLY SUGAR CORPORATION

As of March 31, 1958 the Corporation held 3,020 shares of its common stock for sale to its employees. These are included with other assets in the balance sheet.

"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.* This 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 states 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 1958 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 since 1955:

Date from Which Earnings Accumulated	Balance Sheets for: 1958*	1957	1955
1925-1927	—	—	1
1928-1930	—	—	1
1931-1933	—	—	5
1934-1936	2	2	7
1937-1939	—	—	6
1940-1942	—	1	4
1943-1945	2	3	4
1946-1948	1	1	1
1949-1951	1	1	1
1952-1954	1	1	1
1955-1957	2	2	—
	9	11	31

*Refer to Company Appendix Section, Nos. 17, 22, 123, 141, 182, 356, 445, 528, 563.

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 1958 annual survey reports disclosed 395 companies referring to such plans as compared with 251 companies for the year 1955.

Stock option plans were initially established during the year by 34 companies (*Co. Nos. 10, 20, 161, 258, 275, 341, 396, 402, 475, 529) and plans were amended or modified by 17 companies (*Co. Nos. 40, 95, 150, 252, 372, 437, 528).

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 pertaining to employee stock options.

Examples illustrating the disclosure of various types of information concerning employee stock option plans are given below (Plans which resulted in entries to surplus accounts during 1958 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	1958	1955
Option Price shown as a percentage, which was:		
Not less than 95% of market value	136	72
Exactly 95% of market value	69	51
Between 94% and 86% of market value	3	—
Not less than 85% of market value	10	8
Exactly 85% of market value	10	3
	228	134
Option Price shown in dollar amount only, which was:		
Above market value	3	5
Equal or approximately equal to market value	57	39
Below market value	6	4
Market value not shown or referred to	77	65
	143	113
Option Price not shown in either per cent or dollars, but stated to be:		
Above market value	1	—
Equal to market value	14	4
Below market value	1	1
	16	5
Neither Option Price nor Market Value stated or indicated	29	19
Total number of plans	416	271
Date of Option Price Determination		
Date of grant of option to employee	320	
Time plan initially established	4	
Time stock allotted to employee	1	
No reference to time of determination of price per share to employee	91	
Total	416	
Number of Companies:		
Referring to employee stock option plans	395	251
Not referring to employee stock option plan	205	349
Total	600	600

Initially Established During the Year

AMERICAN VISCOSE CORPORATION
Notes to Financial Statements

Note 5: Stock Options—At the 1958 annual meeting, the shareholders approved an increase in the capital shares to 175,000 which may be made subject to options. At December 31, 1957 options to purchase 112,844 shares were outstanding, and options had not been granted on 8,045 shares. During 1958 options to purchase 10,750 shares at $30.75 per share were granted to officers, executives and key managerial employees. In addition, options to purchase 356 shares at $28.60 per share were exercised and options to purchase 4,290 shares expired. Options to purchase 118,948 shares were outstanding at December 31, 1958 of which 41,205 shares were exercisable at that date at prices ranging from $27.00 to $47.70 per share representing the market price of the stock on the date the options were granted. At the year end options had not been granted on 46,674 shares.

One-seventh of the shares under each option is exercisable on and after each anniversary date of the option; or if the employee's retirement date occurs before seven years shall have elapsed, in equal amounts for each full year between the date of grant and the employee's retirement date. All options not exercised expire seven years after the date of the grant unless terminated earlier by retirement.

CONSOLIDATED CIGAR CORPORATION
Notes to Financial Statements

Note 5: Options, approved by the stockholders on April 14, 1958, have been granted to employees, including officers other than the President, to purchase 31,200 shares of the Common Stock of the Corporation at $30.375 per share, the quoted market value on December 19, 1957, the date on which the options were granted. Subject to certain conditions, the options are exercisable on or after May 1, 1959 and expire on December 19, 1962.

GENERAL SHOE CORPORATION
Notes to Financial Statements

Note 4: Stock Options—During the year ended October 31, 1958, the Company adopted a restricted stock option plan under which 125,000 shares of common stock are reserved for issuance to employees at not less than 85% of the quoted market value at date of grant. Under this plan options on 66,133 shares have been granted at $19.34, and 1,870 shares have been issued under the option agreement. Options expire approximately 8 years after date of grant.

In addition, 60,000 shares are reserved under a stock purchase plan for employees whereby they can acquire stock at 90% of market value but not less than book value.

*Refer to Company Appendix Section.

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Notes to Financial Statements

Note 3: On April 15, 1958, the stockholders approved the Restricted Stock Option Plan which authorizes the granting of options for a total of no more than 200,000 shares of capital stock to executives and key employees. On May 7, 1958, options were granted to twenty-seven persons at $22.25 a share for a total of 39,500 shares exercisable over a period of ten years. The exercise of these rights during the first five years is limited to amounts which would not exceed 20% annually on a cumulative basis. No options have been exercised.

S. H. KRESS & COMPANY
Notes to Financial Statements

Note 1: An employee's restricted stock option plan was approved in 1958. Under the plan the Company is authorized to issue options to purchase 125,000 shares of common stock at not less than 95% of the fair market value on the date granted. The options are not exercisable until one year after the date granted and no option period shall exceed ten years.

During the year options were granted to six employees for an aggregate of 59,000 shares of stock at purchase prices of $31.60 for 25,000 shares, $35.00 for 21,000 shares and $40.85 for 13,000 shares. None of the options were exercisable as of December 31, 1958.

The option for 5,900 shares that was outstanding at December 31, 1957, terminated without being exercised.

WARD BAKING COMPANY
Notes to Financial Statements

Note 2: Stock Options—At the annual meeting in 1958, shareholders of the Company approved a restricted stock-option plan under which options may be granted to key employees for the purchase of not more than 60,000 shares of common stock at a price equal to 95% of the market value on the date of grant. At December 27, 1958, options had been granted to twenty-eight key employees, including eight officers of the Company, for the purchase of 37,000 shares (excluding a cancelled option for 1,000 shares) at prices ranging from 11.46 to $12.47 per share, leaving 23,000 shares available for future options. None of the options had been exercised at December 27, 1958.

Amended or Modified During the Year

BUCYRUS-ERIE COMPANY
Notes to Financial Statements

Note G: Employee Restricted Stock Option Plan—Under the Company's Employee Restricted Stock Option Plan 50,000 shares of common stock are reserved for issuance of stock options to employees. Option prices as to options granted must be at least 95% of the fair market value on the date of grant. Such options may be exercised over a period of five years commencing with the first anniversary date of the grant at the rate of one-fifth of the optioned shares each year, provided the grantee is then an employee of the Company. The period over which options are exercisable may be accelerated when the optionee is within six years of his normal retirement date. At the beginning of the year options for 33,050 shares were outstanding and 16,950 shares were available for granting of options under the Plan. In 1958 options previously granted for 2,750 shares were terminated and additional options covering 9,765 shares were issued under the Plan so that at the end of the year options for 40,065 shares were outstanding and 9,935 shares were available for granting of options. None of the options granted have been exercised. Options outstanding at December 31, 1958 were as follows:

	Number of shares	Option price per share	Shares exercisable at Dec. 31, 1958
Granted August 15, 1957:			
95% of fair market value on date of grant	30,300	$28.50(A)	6,820
Granted August 15, 1958:			
95% of fair market value on August 15, 1957 .	4,175	36.575	—
95% of fair market value on date of grant	5,590	28.2625	—
	40,065		6,820

(A) Option price modified from $36.575 per share to $28.50 per share, effective October 31, 1958, in accordance with amendment of the Plan by the Board of Directors.

CHRYSLER CORPORATION
Shareholders' Investment:

Represented by	
Common Stock—par value $25.00 a share:	
Authorized 20,000,000 shares (150,000 shares reserved for the Thrift-Stock Ownership Program and 376,500 shares reserved for the Stock Option Plan for Salaried Officers and Key Employees)	
Issued 8,992,250 shares, of which 266,486 shares are in treasury and 8,725,764 shares are outstanding .	$218,144,100

Footnote to Balance Sheet

Subject to approval by the shareholders, options for 342,426 shares of Common Stock have been granted and are outstanding to officers and key employees in two lots at prices of $52.49 and $49.94 a share, the average being $52.06; and options previously granted for 309,051 shares have been surrendered for cancellation. The prices represent 95% of fair market values on the dates the options were granted. No other options remain outstanding, and none of the above options are presently exercisable.

HEYDEN NEWPORT CHEMICAL CORPORATION
Notes to Financial Statements

Note 10: A restricted stock option plan of Heyden Chemical Corporation was adopted on March 14, 1951 and ratified by the stockholders on April 26, 1951. Pursuant to this plan, options to purchase an aggregate of 28,850 shares of common stock are held by certain of the Corporation's officers and key employees at a price not lower than 95% of the closing price at which such stock sold on The New York Stock Exchange on the date of the grant of the option.

Pursuant to a restricted stock option plan of Newport Industries, Inc., adopted by its Board of Directors on May 17, 1956, options to purchase an aggregate of 11,600 shares of Newport common stock were granted to certain officers and employees. In accordance with action taken at the Special Meeting of Stockholders of Heyden Chemical Corporation held on December 27, 1956, the Corporation has issued to the holders of such options substituted options to purchase 17,400 shares of the Corporation's common stock at a price of $12.52 per share (equivalent to conversion of the original options at the ratio of 1½ shares to 1). Of these 17,400 options, 15,075 were outstanding on December 31, 1958.

A further restricted stock option plan of Heyden Newport Chemical Corporation was adopted on January 29, 1958 and ratified by the stockholders on April 24, 1958. Pursuant to this plan, options to purchase an aggregate of 28,200 shares of common stock were issued to certain of the Corporation's officers and key employees at a price not lower than 95% of the closing price at which such stock sold on The New York Stock Exchange on the date of the grant of the option. Of these 28,200 options, 150 were cancelled during 1958, leaving 28,050 outstanding on December 31, 1958.

A total of 71,975 shares of common stock were issuable under outstanding stock options on December 31, 1958.

No unoptioned shares were available at the beginning of the year for the granting of options under the option plans, but at the end of the year 21,800 unoptioned shares were available. There were no changes in the exercise price of outstanding options.

NATIONAL DAIRY PRODUCTS CORPORATION
Notes to Financial Statements

Employees' Stock Option Plan: Under the Employees' Stock Option Plan approved in 1952 there were 430,647 shares of the authorized and unissued common stock of the Company reserved at December 31, 1958, for sale to officers and other key employees. At that date 1,604 employees held options to purchase such number of shares at prices ranging from $25.975 to $38.60 per share, with an aggregate purchase price of $13,796,734. All such options were granted prior to April 17, 1957 inasmuch as, under the Plan, no grants were available after that date. Options became exercisable during 1958 with respect to 63,124 shares having an aggregate purchase price of $1,989,046. During the year, 49,478 shares were issued under the Plan and the proceeds of $1,436,010 were credited to the common stock and capital surplus accounts.

At the 1958 annual meeting of the stockholders of the Company, the Employees' Stock Option Plan was amended. Under the Plan as amended 300,000 additional shares of the authorized and unissued common stock of the Company were reserved for sale to officers and other key employees. On November 6, 1958 options to purchase 141,545 of said shares at $48.25 per share were granted to 1,027 employees.

All options become exercisable in cumulative periodic installments extending over the terms of such options (generally ten years or to earlier retirement date), commencing not earlier than one year from the date of grant.

ST. REGIS PAPER COMPANY
Notes to Financial Statements

Note 6: Employees' Stock Option Plans—At January 1, 1958, there were outstanding options granted by the company to employees, including officers, to purchase 4,390 shares of the company's authorized unissued common stock at approximately 95 per cent of quoted market prices at grant dates. During 1958 options relating to 720 shares, having an aggregate option price of $13,228, were exercised, leaving, at December 31, 1958, outstanding options relating to 3,670 shares, having an aggregate option price of $67,986. These options expire on February 11, 1960.

During 1958, the stockholders of the company approved the granting (prior to April 15, 1963) of stock options to officers and employees to purchase 250,000 shares of the company's authorized unissued common stock at a price of not less than 95 per cent of the fair market value of the stock at the time the options are granted, such options to be exercisable in whole or in part after the expiration of the second year of their seven-year terms. On August 20, 1958, options relating to 197,955 shares, having an aggregate option price of $6,958,118, were granted, leaving 52,045 shares available for future options.

At January 1, 1958, there were outstanding options granted by a consolidated subsidiary (prior to its acquisition by St. Regis in a share for share exchange of common stock) to its employees to purchase 12,435 shares of its authorized unissued common stock at approximately 95 per cent of quoted market prices at grant dates. During 1958, options relating to 1,700 of these shares, having an aggregate option price of $57,356, were exercised and options relating to the remaining 10,735 of these shares were either cancelled or surrendered upon grant of options under the 1958 stock option plan described above. The 1,700 shares of the subsidiary's common stock issued during the year were subsequently exchanged, on a share for share basis, for authorized unissued common stock of St. Regis.

There were also outstanding at January 1, 1958 options granted by another consolidated subsidiary to certain of its employees to purchase 36,500 shares of St. Regis common stock at approximately 95 per cent of the quoted market price at the grant date. During 1958 these options were surrendered upon the grant of options under the 1958 stock option plan described above. Inasmuch as the option price under the new plan exceeded the option price of the options surrendered, the subsidiary agreed to pay additional compensation to the employees involved of approximately $170,000, representing one-half of the difference between the aggregate option prices under the two plans.

STOCK PURCHASE PLANS

There were 54 survey companies that indicated in their 1958 annual reports the existence of various employee stock purchase plans. The information contained in the annual reports of the survey companies for 1958 and 1955 concerning the determination under these plans of the subscription price and its relation to the market value of the stock is summarized in Table 45.

Examples from 1958 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 1958 are presented extensively in Section 4 under "Employee Stock Plans"):

BELL AIRCRAFT CORPORATION
Notes to Financial Statements

Note 3: Pursuant to an Employes' Stock Purchase Plan which expires on December 31, 1961, 20,075 shares of the Corporation's common stock were reserved at December 31, 1958, for issuance to certain eligible employes at prices to be determined by the Board of Directors. Of such shares reserved, 9,175 were authorized for sale in 1959 and 1960 at $5 per share. During 1958, 7,125 shares were issued to employes at $5 per share under the Employes' Stock Purchase Plan.

TABLE 45: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1958	1955
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Co. Nos. 97, 120, 258, 537)	9	2
Subscription price shown in dollar amount only, and price set:		
At time stock offered for subscription (*Co. Nos. 9, 254, 472)	3	5
Not determinable from annual report (*Co. Nos. 89, 200, 255, 274, 408)	8	3
Subscription price not shown, but stated to be equal to market:		
At time stock offered for subscription (*Co. Nos. 271, 318, 341, 379, 401)	7	—
At time of purchase	—	1
On last business day preceding the offering	—	1
Neither subscription price nor market value stated or indicated (*Co. Nos. 32, 71, 172, 237, 349, 480, 589)	27	28
Total	54	40
Number of Companies with:		
Employee stock purchase plan	54	40
No employee stock purchase plan	546	560
Total	600	600

*Refer to Company Appendix Section.

THE DOW CHEMICAL COMPANY
Notes to Financial Statements

Note C: Sale of Common Stock to Employees—In October 1957, the Company made an offering of Common Stock to its employees and employees of its subsidiary and associated companies at a price of $42.25 a share, payable on an instalment basis generally through payroll deductions. At May 31, 1958 there were unfilled subscriptions under the offer for 138,186 shares. The subscriptions, which may be canceled at any time at the option of the employee but must be settled by August 1958, have not been recorded in the Company's books and are not reflected in these financial statements. However, partial payments on the subscriptions, aggregating $3,907,918, are included in current liabilities in the consolidated balance sheet at May 31, 1958.

The excess of the quoted market value on dates of delivery of stock sold over the selling price is deductible by the domestic companies in the computation of Federal income taxes but it is the practice of the Company not to record such excesses as a charge against income.

GRUEN INDUSTRIES, INC.

Within Shareholders' Equity:

Excess of subscription price over par value of company's capital stock issued under employee stock purchase plan	$28,000.00

Notes to Financial Statements

Note 9: Subscriptions under the employee stock purchase plan to 12,625 shares of the Company's capital stock were cancelled during the year and the amount due from subscribers was charged to—

"Capital stock"	$ 12,625
"Excess of subscription price over par value of Company's capital stock issued under employees stock purchase plan"	176,750
	$189,375

The 12,625 shares have been returned to the Company's treasury.

INLAND STEEL COMPANY

From Financial Review—Page 19

Page 19: Stock Purchase Plan Adopted—At the annual meeting in April, a Stock Purchase Plan for employees of the company was approved by the stockholders, and 500,000 shares were authorized for issue under this plan. Employees with at least two years service can authorize payroll deductions of up to 10% of their salaries or wages to be used to purchase stock of the company at the end of successive six-month periods at 90% of fair market value at the end of each period. At year-end, 10,331 employees, or 42% of those eligible, were participants in this Plan, which was first made effective on August 1, 1958. As the first six-month period had not ended at year-end, all of the authorized shares were still available for issue.

INTERNATIONAL BUSINESS MACHINES CORPORATION

From Report to Stockholders—Page 24

Page 24: IBM Employees 1958 Stock Purchase Plan—The IBM Employees 1958 Stock Purchase Plan, adopted by stockholders on April 29, 1958, was declared by the Board of Directors to be effective for the first plan year starting July 1, 1958. All regular employees not under the Stock Option Plan who have completed one year's continuous service are eligible to purchase IBM stock through payroll deductions not exceeding 10% of the employee's regular rate of pay, at a price 15% below the market price at the time the shares are bought.

Of the 325,000 authorized shares of IBM stock reserved for the plan, 3,996 shares had been issued for $1,459,777 through December 31, 1958. This amount has been credited to the capital stock account.

PITNEY-BOWES, INC.

Notes to Financial Statements

Note 5: Capital Stock—There are issued and outstanding 1,370,713 shares of common stock, and 16,948 shares of the 4¼% Series B cumulative preferred stock, which is callable at $51.50 per share up to January 2, 1961, and thereafter at amounts diminishing to par.

In March 1958, the Company paid a stock dividend of 2% on common shares outstanding at February 28, 1958. A total of 26,749 common shares was accordingly issued to stockholders of record and the amount of $1,497,944, representing the approximate fair market value of such shares, was transferred from earnings retained and employed in the business to capital stock accounts. In addition to $10,813,176 of earnings retained and employed in the business shown in the Consolidated Statements, $4,896,449 has been transferred from earnings retained to capital accounts by reason of stock dividends of 2% a year since 1955, totaling 101,886 shares.

Under the provisions of the Employees' Stock Purchase Plan, the stock dividend described above had the effect of increasing by 2% the number of shares reserved for purchase by employees and correspondingly reducing the purchase price per share. Transactions in 1958 under the Employees' Stock Purchase Plan are summarized below, appropriately adjusted for effects of the stock dividend:

	Number of Shares	Purchase Price Per Share	Purchase Price Total
Shares reserved at December 31, 1957, for purchase by employees, less 1,533 shares canceled in 1958	31,212	$20-$59	$1,490,924
Shares offered in 1958	6,229	$80	495,206
	37,441		1,986,130
Deduct—shares issued in 1958 under fully paid subscriptions (market at issue dates about $67 per share—total $460,227)	6,920	$20-$59	194,454
Shares reserved at December 31, 1958	30,521	$20-$80	$1,791,676

REYNOLDS METALS COMPANY

Notes to Financial Statements

Note K: Under the terms of a Stock Purchase Plan adopted in 1949, the Company granted to certain officers and employees of the Company and its subsidiaries the right to purchase shares of the Company's Common Stock. At December 31, 1958, 21,431 shares (as presently constituted) of unissued Common Stock were reserved for issuance at $2.94 per share, which was equivalent to the approximate market price at the date the rights were granted. The Plan provides that the total price shall be payable in ten equal installments commencing on December 1, 1949, but that the purchaser may defer payment of any installment (other than the first one) for a period of five years. No shares were purchased in 1958.

SYLVANIA ELECTRIC PRODUCTS, INC.

Within Stockholders' Equity:

Common stock, par value $7.50 per share; authorized, 6,000,000 shares; outstanding: 1958, 3,585,218 shares; 1957, 3,526,274 shares (stock option and purchase plans comments on pages 22-23)	$26,889,135

From Financial Report—Page 23

Page 23: Employees' Stock Purchase Plan—On June 27, 1958, 5,840 employees subscribed to purchase 59,081 shares of Sylvania common stock under a payroll deduction plan inaugurated in 1958. Under the Plan, employees will pay $33.725 per share (95% of the fair market value on June 27, 1958) or 100% of the fair market value at the close of the offering period, May 31, 1959, whichever is lower.

Total shares purchased cannot exceed 5% of stock outstanding, and an employee may not purchase shares for an amount in excess of 10% of his annual pay, nor can an employee acquire more than 50 shares through the Plan. On December 31, 1958, options for 57,096 shares were outstanding, options for 93 shares had been exercised by terminated employees, and 1,892 shares had been cancelled in accordance with the Plan.

CONTINGENCIES

In October, 1958, the committee on accounting procedure of The American Institute of Certified Public Accountants issued *Accounting Research Bulletin* No. 50—*Contingencies* which states that:

> In the preparation of financial statements presenting financial position or operating results, or both, it is necessary to give consideration to contingencies. In accounting a contingency is an existing condition, situation or set of circumstances, involving a considerable degree of uncertainty, which may, through a related future event, result in the acquisition or loss of an asset, or the incurrence or avoidance of a liability, usually with the concurrence of a gain or loss. A commitment which is not dependent upon some significant intervening factor or decision should not be described as a contingency.

Contingent Liabilities

Disclosures relating to the principal types of contingent liabilities revealed in the 1958 annual reports of the 600 survey companies have been segregated in this section as follows:

(a) Renegotiation: U.S. Government Contracts—Renegotiation and price redetermination, presentation of estimated liability (see Table 9)
(b) Long-term Leases: Disclosure by Lessees (See Table 19)
(c) Contingency Reserves: Balance Sheet presentation and terminology used (See Table 32)
(d) Contingent Liabilities—Other: Nature of (See Table 46)

Table 46 summarizes the nature and frequency of such other contingent liabilities as may arise from pending litigation, guarantees, possible tax assessments, purchase commitments, agreements, etc.

A total of 252 survey companies referred to such contingencies in their 1958 annual reports. In most cases (218 companies) the disclosure was made either in the notes to the financial statements or in the president's letter to stockholders. The remainder (34 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.

TABLE: 46: CONTINGENT LIABILITIES

Nature of Contingency	1958
Litigation:	
Non-government (*Co. Nos. 92, 188, 211, 344, 455)	76
Government (*Co. Nos. 61, 238, 254, 385, 487)	43
Not identified (*Co. Nos. 86, 136, 486, 541, 545)	21
Guarantees:	
Subsidiaries (*Co. Nos. 58, 67, 92, 123, 131)	45
Affiliated and associated companies (*Co. Nos. 53, 146, 346, 532)	24
Other (*Co. Nos. 19, 209, 251, 342, 426)	27
Possible tax assessments (*Co. Nos. 78, 97, 152, 198, 236)	42
Accounts or notes receivable sold (*Co. Nos. 37, 133, 145, 219, 256)	27
Purchase or repurchase commitments (*Co. Nos. 8, 114, 199, 391)	10
Miscellaneous agreements and contracts (*Co. Nos. 169, 253, 428)	6
Total	321
Number of Companies Referring to Contingent Liabilities:	
On the face of the balance sheet (*Co. Nos. 11, 86, 191, 342, 486, 537)	34
In notes to financial statements or in president's letter only	218
Total	252
Not referring to contingent liabilities	348
Total	600

*Refer to Company Appendix Section.

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 1958 reports:

Litigation

BEECH AIRCRAFT CORPORATION

Notes to Financial Statements

Note H: Contingent Liabilities—The Company is involved in litigation which has arisen out of operations in the ordinary course of business. While it is not possible to forecast the outcome of this litigation, it is the opinion of Counsel that it will not have a material adverse effect on the financial condition of the Company.

BENDIX AVIATION CORPORATION

Notes to Financial Statements

Note 8: Contingent Liabilities—During the year ended September 30, 1958 the Board of Directors of the Corporation authorized an investment up to $2,500,000 in a newly-organized affiliated company in Brazil. At September 30, 1958 approximately $657,000 had been invested in that company. The Corporation was contingently liable in the amount of approximately $498,000 as guarantor of loans made to and debenture stock issued by its non-consolidated Australian subsidiary company.

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.

BROWN SHOE COMPANY INC.

President's Letter

Anti-Trust Litigation—After two and one-half years of pre-trial proceedings, including the preparation and submission of many thousands of pages of answers to the Government's Interrogatories, the suit by the Justice Department challenging the Kinney merger came to trial on August 4 before Judge Weber in the Federal District Court for the Eastern District of Missouri. During the eight weeks of trial, in which the company and the Government each devoted about four weeks to the presentation of its case, the court heard a total of 68 witnesses and received in evidence hundreds of exhibits totaling thousands of pages. The Government's rebuttal has not been presented. Because of the size of the record—the transcript alone containing some 5,000 pages—several months will be required for the preparation of briefs. We cannot predict when the court will hand down its decision.

The company and its attorneys feel that the testimony and exhibits showed that the merger was not a violation of anti-trust laws and that it has not and will not lessen competition or tend to create a monopoly. The vast and varied nature of shoe retailing in America was shown, with evidence indicating that there are at least 70,000 outlets where shoes are sold today in a great variety of types of stores. We feel confident that the shoe business will continue to be characterized by vigorous competition at all levels with the resulting benefits of good shoe values for the American consumer.

THE PURE OIL COMPANY

Notes to Financial Statements

Note 2: The companies have various lawsuits pending against them; however, general Counsel of the company have reported that, while it is impossible to ascertain the ultimate liability in respect of such litigation as of December 31, 1958, it is their opinion that the aggregate amount thereof wll not be materially important in relation to the total assets of the companies.

A. G. SPALDING & BROS. INC.

Notes to Financial Statements

Note H: Federal Trade Commission Complaint—The Federal Trade Commission has charged that the Company's acquisition of Rawlings Manufacturing Company on December 8, 1955 is in violation of Section 7 of the Clayton Act. Counsel for the Company has filed an answer to the charges asserting that there is no violation.

UNITED STATES PLYWOOD CORPORATION

Notes to Financial Statements

Note 4: United States Plywood Corporation is a defendant in a suit instituted by former stockholders of Associated Plywood Mills, Inc. wherein plaintiffs seek to recover damages by reason of alleged fraud practiced in connection with the acquisition of the business of Associated Plywood Mills, Inc. by United States Plywood Corporation. In the opinion of counsel the suit is without merit and there is no reasonable possibility that plaintiffs will succeed therein.

The Company is one of ten distributors of Douglas fir plywood named in an indictment filed on May 27, 1957, in a United States District Court charging the defendants with an alleged conspiracy to fix wholesale out-of-warehouse prices on Douglas fir plywood in the greater Detroit area from 1949 until January, 1955. In the opinion of counsel, prosecution under said indictment, even if successful, will not materially affect the Company's operations.

CONSOLIDATED FOODS CORPORATION

Notes to Financial Statements

At June 30, 1958, the Corporation and its subsidiaries had various suits, claims, etc., pending against them. In the opinion of the management and its counsel the ultimate liability in these matters will not be material. . . .

CONTINENTAL CAN COMPANY, INC.

Notes to Financial Statements

Anti-Trust Suits—Two anti-trust suits brought against the Company in 1956 by the Department of Justice, claiming violation of the Clayton Act in connection with the mergers into the Company of the Hazel-Atlas Glass Company and the Robert Gair Company, Inc., are still pending. The Company has filed answers denying the material allegations of the complaints.

McKESSON & ROBBINS, INCORPORATED

Notes to Financial Statements

Note 8: Contingent Liabilities—The Company from time to time is involved in litigation incidental to its business, generally relatng to such matters as alleged product liability and claims of violation of anti-trust and similar laws, both Federal and state. Several such lawsuits are now pending, none of which in the opinion of counsel for the Company or management will involve the Company in any material liability. . . .

Guarantees

CORN PRODUCTS COMPANY

Notes to Financial Statements

Note 6: Contingent Liabilities—The parent company is guarantor on outstanding and possible future commitments of subsidiary companies in the amount of $9,385,957 at December 31, 1958, and the contingent liability as guarantor on such outstanding commitments was $6,986,172.

THE DAYTON RUBBER COMPANY

Notes to Financial Statements

Note 2: The Company has guaranteed payment of bank loans to one of the majority-owned foreign subsidiaries, not included in the consolidation, up to a maximum of £70,000 (British pounds). At October 31, 1958, this subsidiary had borrowed from banks £63,696, or $177,871 at currently quoted rates of exchange.

GENERAL DYNAMICS CORPORATION

Notes to Financial Statements

Contingencies—While a substantial portion of the sales for 1958 and 1957 were subject to renegotiation, the management believes that neither the Corporation nor its subsidiaries will be liable for refunds under the renegotiation acts of the United States and Canadian governments and consequently no provision has been made therefor.

There were other contingent liabilities at December 31, 1958 consisting of guarantees, discounted notes receivable, purchase commitments, etc., arising in the ordinary course of business but the financial risk involved, in the opinion of the management, was not material in relation to the consolidated financial position.

GULF OIL CORPORATION

Notes to Financial Statements

Contingent Liabilities—The companies were contingently liable for guarantees of loans payable by associated companies, owners of service stations, and others in the amount of $115,000,000. Officers of the Corporation are of the opinion no losses of any consequence will result.

UNITED MERCHANTS AND MANUFACTURERS INC.

Notes to Financial Statements

Note 1: Contingencies and Other Comments—Contingencies, commitments, etc., as at June 30, 1958, consisted of notes and trade acceptances receivable discounted approximating $2,646,000, commitments for the acquisition of fixed assets approximating $414,000, unused letters of credit approximating $1,279,000, and sundry guarantees, etc., approximating $1,338,000.

INTERNATIONAL HARVESTER COMPANY

Notes to Financial Statements

Note 9: . . . (b) Guaranties—As of October 31, 1958, the Company was contingently liable as guarantor of bank and other borrowings of certain subsidiaries amounting to $26,437,434.

STANDARD OIL COMPANY OF CALIFORNIA

Notes to Financial Statements

Contingent Liabilities and Commitments—At December 31, 1958 the Company and its subsidiaries had contingent liabilities of $55,019,245 as guarantor of notes of affiliated companies operating in foreign countries and $22,924,936 as guarantor of notes of others. The Company and its subsidiaries have certain other contingent liabilities in respect of litigation, claims, renegotiation, commitments, taxes and as guarantor of contracts. Officials of the Company are of the opinion that such contingent liabilities will not result in any significant financial liability in relation to the net assets of the Company and ts subsidiaries.

At December 31, 1958 the Company and its subsidiaries had long term charters and leases, expiring more than three years from such date, covering tankers, service stations and office space. The charter hire and net rentals under such agreements are estimated to average approximately $39,000,000 annually during the next three years.

Possible Tax Assessments

DOUGLAS AIRCRAFT COMPANY, INC.

Notes to Financial Statements

Note B: Income Taxes—The Internal Revenue Service has proposed to assess additional federal income and excess profits taxes for fiscal years 1951, 1952, and 1953, based largely on shifting of income and deductions between years. In 1958 the Company paid a portion of the proposed deficiencies; the payment was charged against provision previously made for income tax liability. If all remaining contentions of the Internal Revenue Service (with which the Company does not agree) are sustained, the deficiencies, excluding interest and after resulting tax benefits applicable to the years 1954 to 1958, inclusive, would be approximately $1,000,000 more than provided for in the accompanying statement of financial position at November 30, 1958. The Company has protested the deficiency proposals and in addition has filed tax refund claims for those years. The Company believes that, despite the uncertainties involved, the ultimate settlement will not materially adversely affect the reported financial position.

OWENS-ILLINOIS GLASS COMPANY

Notes to Financial Statements

Note 9: Contingencies—Two suits contesting additional assessments and seeking refunds of federal income and excess profits taxes are awaiting decision in the Tax Court of the United States. Counsel believe these suits should be successfully concluded, but if not, the maximum net additional tax liabilities through the year 1953 will exceed amounts provided in the accounts by about $1,200,000.

PENNSALT CHEMICALS CORPORATION

Notes to Financial Statements

Note 10: Federal Income Taxes—The Internal Revenue Service has assessed additional Federal income taxes for prior years against a liquidated subsidiary and a consolidated subsidiary. The Company does not agree with such assessments. The additional taxes involved in the issues in dispute, plus accrued interest thereon, total approximately $499,000 at December 31, 1958. Of this amount approximately $245,000 has been paid and is included as a deferred charge on the balance sheet. Suit for recovery of the amount paid has been filed. The Company has provided approximately $32,000 in its accounts for this possible liability, pending final settlement of the suit.

Claims for refund of Federal income and excess profits taxes have been filed with respect to an increase of excess profits credit and percentage depletion allowance for the years 1950 through 1953. The amount, if any, which ultimately may be refunded cannot accurately by determined at this time and accordingly such claims have not been recorded in the Company's accounts.

Accounts or Notes Receivable Sold

LINK-BELT COMPANY

Notes to Financial Statements

Contingent Liabilities: The company is contingently liable on notes receivable discounted in the amount of $4,927,000 at December 31, 1958.

J. J. NEWBERRY CO.

Current Assets:

Cash	$12,115,127
Short-term Government securities, at cost plus accrued interest (approximate market)	3,979,776
Customers' accounts receivable	1,807,227
Equity in $3,191,013 customers' accounts receivable sold with recourse	319,101
	$ 2,126,328
Less provision for doubtful accounts	35,000
	$ 2,091,328

RITTER COMPANY, INC.

Notes to Financial Statements

Note B: Contingent Liabilities—

1. The Company is guarantor of commitments of its Latin American agents (represented by collateral notes under discount with banks) in the aggregate amount of approximately $94,000, converted at the rates of exchange in effect at December 31, 1958.

2. Ritter Credit Corporation, a wholly-owned subsidiary consolidated herein, has a contingent liability to repurchase installment contracts sold to a bank if and when such contracts become ninety days past due.

J. P. STEVENS & CO. INC.

Notes to Financial Statements

Other Comments—The Company may be requested to purchase, in the event of default, certain mortgage notes receivable (arising from sales of mill village properties). These notes were sold in prior years to the Trustee of the Company's Retirement Pension Plan. The aggregate unpaid balance on these notes approximate $755,000 as at November 1, 1958.

Purchase or Repurchase Commitments

BLAW-KNOX COMPANY

Notes to Financial Statements

Acquisition of Assets—Approximately $13,000,000 has been committed for the acquisition of certain assets of The Aetna-Standard Engineering Company.

INTERCHEMICAL CORPORATION

Notes to Financial Statements

Note 11: 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. It is estimated that such price would have been about $2,200,000 if the contingency had occurred at December 31, 1958. Interchemical Corporation has a right to cancel the agreement upon 30 days notice.

LOCKHEED AIRCRAFT CORPORATION

Notes to Financial Statements

Note 11: The Company was contingently liable at December 28, 1958 as guarantor or endorser of customers' notes in the amount of $10,800,000 and has undertaken to repurchase certain aircraft for up to $16,200,000 if the purchasers thereof default on their obligations to banks arising from the financing of the aircraft.

MOTOROLA, INC.

Notes to Financial Statements

Note B: In connection with the financing of sales of products to consumers, Motorola, Inc. and consolidated subsidiaries are obligated under repurchase and other agreements with Motorola Finance Corporation and other financing agencies. It is believed that these obligations will have no material effect on the business of the companies.

THE WHITE MOTOR COMPANY

Notes to Financial Statements

Note E: Under the terms of certain agreements, the Company and its subsidiaries have agreed, under certain condition, (1) to repurchase certain notes and installment contracts for the sale of vehicles (secured by direct liens on, or retention of title to, vehicles sold) and certain export drafts, or (2) pursuant to a secondary liability, to reacquire certain vehicles sold by the Company, or (3) to reacquire certain vehicles and parts, sold by the Company, the new car and parts value of which has not been impaired. At December 31, 1958, the unpaid balances, subject to such agreements, aggregated $73,887,841 in category (1) and $20,889,683 in category (2) and $4,044,909 in category (3). Reserves, believed to be adequate, have been provided for all probable losses.

Contingent Assets

Accounting Research Bulletin No. 50—Contingencies, previously referred to, also states that:

> Contingencies which might result in gains usually are not reflected in the accounts since to do so might be to recognize revenue prior to its realization, but there should be adequate disclosure. Although disclosures discussed here should be made with respect to those contingencies which may result in material gains or assets as well as with respect to those which may result in material losses or liabilities, care should be exercised in the case of gains or assets to avoid misleading implications as to the likelihood of realization.

The comparatively few disclosures relating to contingent assets in the 1958 annual reports of the 600 survey companies refer generally to carry-forward losses, or to claims for refund of taxes resulting from favorable Federal court interpretations of the applicable provisions of the Internal Revenue Code or rulings of the Internal Revenue Service.

The following examples of the disclosure of contingent assets have been selected from the 1958 reports.

Carry-forward Losses

THE DUPLAN CORPORATION

Notes to Financial Statements

Note 2: Under the United States Revenue Code, operating and other realized losses aggregating approximately $4,050,000 incurred in the reorganization of the Corporation's activities may be offset to the extent of $3,700,000 against future income, if any, that would otherwise be taxable during the next three years and the remaining $350,000 may be offset during the next four to five years.

Under comparable provisions of the Canadian Income Tax Act, the Canadian subsidiaries have losses of approximately $550,000 which, in varying amounts, are available against future Canadian income, if any, that would otherwise be taxable during the next five years.

GOEBEL BREWING COMPANY

Notes to Financial Statements

Note E: Federal Income Taxes—By operation of special sections of the Internal Revenue Code, no income tax is payable for the current year. As of December 31, 1958, the Company has a carry-forward loss for Federal Income Tax purposes of approximately $410,000 (augmented by the change in lien date of real and personal property taxes as discussed in note B). The Company may use this amount to offset a like amount of taxable income up to five future years. Federal income tax returns for the years 1954, 1955, 1956 are currently being examined by the Internal Revenue Service.

Claims for Refund of Taxes

ALPHA PORTLAND CEMENT COMPANY

Notes to Financial Statements

Note E: The method prescribed by the Internal Revenue Service for computing the percentage depletion deduction allowed to cement companies for Federal income tax purposes has been successfully challenged in certain court cases during 1957 and 1958. For the years ended December 31, 1957 and 1958 the Company has computed its provision for Federal income taxes using the method that these court cases indicate will be allowed. Based on the additional depletion allowance computed under this method, claims and amendments thereto for refund of Federal income taxes aggregating approximately $6,500,000, exclusive of interest, have been filed by the Company for the years 1951 to 1956, inclusive. In order to protect certain of these claims, the Company has brought suits in the appropriate District Courts for recovery of approximately $2,000,000 of the above income taxes. As the percentage depletion computation used in the claims has not yet been agreed to by the Internal Revenue Service, the Company has not reflected the claims in the accompanying financial statements.

LEHIGH PORTLAND CEMENT COMPANY

Notes to Financial Statements

Note 2: Federal Income Taxes in Controversy—As explained on page 6 of this report the Company has filed claims with the Treasury Department for a portion of Federal income taxes, aggregating approximately $13,000,000 (excluding interest), paid for the years 1951 to 1955. The amount claimed has been determined by computing the deduction for depletion on a basis upheld in the Federal courts for other cement companies. Suits have been instituted for the recovery of taxes claimed, but it is impossible to estimate the amount of such recovery and, therefore, the claims have not been reflected in the statement of financial position.

In 1956, 1957 and 1958 the Company charged earnings with provisions for Federal income taxes based on the more favorable depletion allowance. Returns have been filed and taxes paid for 1956 and 1957 and will be filed for 1958 on the same basis. The Company also made precautionary special charges in these years, for the tax on the depletion in controversy, of $2,400,000, $1,800,000 and $1,900,000, respectively, a total of $6,100,000.

LONE STAR CEMENT CORPORATION

Notes to Financial Statements

Note 2: Claims for refund of Federal income taxes paid for the years 1951 through 1955 have been filed to recover such amounts (not taken into the accounts but presently estimated at approximately $10,000,000 plus interest) as the Corporation may be entitled to under the Federal Court interpretations.

McCALL CORPORATION

Notes to Financial Statements

Note 2: 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.

MacFADDEN PUBLICATIONS, INC.

Notes to Financial Statements

Note A: It has been the consistent policy of the company to defer subscription selling expenses over the life of the subscriptions secured. These deferred expenses are treated as reductions of "unexpired subscriptions." Under a 1957 ruling of the Internal Revenue Service having retroactive effect magazine publishers are required to deduct circulation expenses in the year incurred. However, the company continues to maintain its financial statements on a basis consistent with prior years. Tax credits attributable to the ruling have been applied to reduce the deferred subscription selling expenses. Refund claims for the years 1951, 1952 and 1953 totaling $315,779 are not reflected in these statements.

Other

NATIONAL-U.S. RADIATOR CORPORATION

Notes to Financial Statements

Note 8: The Corporation has certain claims against the United States Government for additional compensation of approximately $1,300,000 under a fixed price defense contract on which United States Radiator Corporation incurred substantial losses in prior years. No estimate can be made as to the ultimate recovery, and, accordingly, no amount is included therefor in the accompanying financial statements.

PARAMOUNT PICTURES CORPORATION

Notes to Financial Statements

Note A: Investments—. . . Not shown in the financial statements is an amount of $40,000,000 still to be received from the 1958 sale of feature length films as percentage payments of a major portion of the receipts of the films from all sources prior to December 31, 1973, of which $25,000,000 is guaranteed in specified instalments and the additional $15,000,000 is dependent upon the purchaser's revenue. The guaranteed instalments are receivable in the period January 30, 1960 to 1970.

RADIO CORPORATION OF AMERICA

Notes to Financial Statements

Note 6: . . . RCA has suits pending in the Court of Claims against the United States for recovery of excess profits taxes paid for the years 1940-44. These claims are contested by the United States and no recognition has been given to them in the financial statements.

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 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 survey showed that the principal considerations advanced for determining whether or not to include a subsidiary in the consolidated statements were:

(1) the degree of control by the parent company,
(2) the extent to which the subsidiary is an integral part of the operating group, and
(3) whether the subsidiary is a domestic or a foreign corporation.

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 525 companies having subsidiaries in 1958, 267 companies presented fully consolidated statements, 229 companies had some subsidiaries consolidated and some not consolidated, and only 29 reports disclosed all subsidiaries as unconsolidated.

The most significant factors in excluding certain subsidiaries from consolidation were: exclusion of all foreign subsidiaries (36 companies); geographic location of some foreign subsidiaries (52 companies); and non-homogeneous operations of domestic subsidiaries (38 companies).

Examples

The scope and nature of the information disclosed in the 1958 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 Financial Statements

Note A: Accounts of the domestic subsidiary and its foreign branch and those of the foreign subsidiaries are included in consolidation. The foreign accounts are translated into U.S. dollar equivalents at official or approximate current exchange rates prevailing at September 30, 1958. Consolidated retained earnings include $6,507,765, representing the Company's equity in the net assets of the subsidiaries in excess of the investment of $1,051,347 in such subsidiaries. Consolidated earnings include $1,101,095, representing the net earnings of the subsidiaries. In consolidation, intercompany transactions and accounts have been eliminated. Great Britain, Australia, New Zealand, 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.

CRANE CO.

Notes to Financial Statements

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all domestic and foreign subsidiaries. Earnings of Crane, Limited (Great Britain) for 1958 of $2,321,315 are included in the consolidated statement of earnings, and dividends paid by that subsidiary to its Canadian parent of $1,967,703 have been eliminated in the determination of consolidated net earnings.

Net assets of Crane, Limited (Great Britain) included in the consolidated balance sheet are as follows:

Net current assets	$ 8,445,321
Fixed and other assets	5,328,054
	$13,773,375

In converting the items carried in Canadian and English currencies, fixed assets were converted at U. S. dollar cost at dates of acquisition, less accumulated depreciation. Net current assets were converted at current rates of exchange at the year-end and the net gain on conversion is included in the consolidated statement of earnings under other income.

All Foreign Subsidiaries Excluded

RITTER COMPANY, INC.

Notes to Financial Statements

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, one of which, Liebel-Flarsheim Company, was merged into Ritter Company, Inc. on December 31, 1958.

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 in the amount of $107,619 were received from these subsidiaries in 1958.

The investments at December 31, 1958 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, 1957, converted at exchange rates then in effect, totaled $2,380,623, or $2,380,623 in excess of carrying value. Audits at December 31, 1958 have not been completed.

A. O. SMITH CORPORATION

Notes to Financial Statements

Note 1: Basis of Consolidation—The consolidated financial statements include the accounts of two wholly-owned subsidiaries engaged in domestic operations. The accounts of two wholly-owned subsidiaries organized to handle the foreign business of the Company are not consolidated. One of these subsidiaries is inactive; the other commenced operations during the 1958 fiscal year. Its net earnings for the year, before provision for U. S. income taxes which would be payable if such earnings were transferred to the Company, were approximately $250,000; it paid no dividends.

Exclusion of Foreign Subsidiaries Based on Geographic Location

THE BORDEN COMPANY

Notes to Financial Statements

Note 1: Basis of Consolidation, etc.—The financial statements for 1958 include all domestic subsidiaries and all Canadian operating subsidiaries, the accounts of the latter being converted at par.

The Company's equity in the net assets of its unconsolidated foreign subsidiaries at December 31, 1958 is approximately $20,000,000 more than its investment in these subsidiaries (after an adjustment of $160,000 to reflect a decline in the exchange value of the Brazilian Cruzeiro) and its equity in their net income for 1958 (based upon rates of exchange during the year) was about $3,400,000 which does not contain the above mentioned adjustment. Dividends received from unconsolidated foreign subsidiaries, less applicable U. S. Federal income taxes, are included in net income for 1958 and 1957, in the amount of $720,000 for each year.

The unamortized portion of the consideration paid for businesses acquired since January 1, 1955 in excess of the values assigned to net tangible assets, $1,131,815 is included with Deferred Charges.

JOY MANUFACTURING COMPANY

Notes to Financial Statements

Principles of Consolidation—All totally held North American subsidiaries were included in the consolidation.

Financial Review—During the year some changes were made in our method of reporting certain subsidiaries in our financial statements.

As described in the Foreign Operations section of this report, a new wholly-owned subsidiary, Joy International, S. A., was established during the year. The operating results of this new company are included in our consolidated statements.

Because of the close association between our country and Canada and between the parent company and our wholly-owned Canadian subsidiaries, we have since 1955 included the operating results of

TABLE 47: CONSOLIDATION OF SUBSIDIARY COMPANIES

Consolidation Policy	Location of Subsidiaries: Domestic Only	Domestic and Foreign	Foreign Only	Not Indicated	1958 Total Companies
Fully consolidated financial statements (a) (*Co. Nos. 162, 210, 394); (b) (*Co. Nos. 201, 249, 434); (c) (*Co. Nos. 115, 311, 465)	(a) 112	(b) 125	(c) 16	14	267
Partially consolidated financial statements**	34	189	5	—	229
Unconsolidated financial statements (d) (*Co. Nos. 90, 231, 412); (e) (*Co. Nos. 306, 475, 478); (f) (*Co. Nos. 45, 257, 537)	(d) 10	(e) 8	(f) 11	—	29
Total companies having subsidiaries	156	322	33	14	525
Companies having no subsidiaries					75
Total					600

**Partially Consolidated Financial Statements—Consolidation Policy	1958 Total Companies
Companies having domestic subsidiaries only:	
Wholly-owned, active subsidiaries consolidated (*Co. Nos. 441, 548, 574)	7
Significant, principal, and active subsidiaries included (*Co. Nos. 140, 177)	4
All subsidiaries consolidated except those with non-homogeneous operations (*Co. Nos. 17, 145, 391)	13
Other basis stated (*Co. Nos. 69, 372)	2
Basis not indicated (*Co. Nos. 50, 182)	8
Total companies having domestic subsidiaries only	34
Companies having domestic and foreign subsidiaries:	
All domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (68 companies):	
Exclusion of all (*Co. Nos. 383, 408, 460)	24
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 14, 31, 37, 287, 538)	33
Basis not indicated (*Co. Nos. 332, 395)	11
Wholly-owned, active domestic subsidiaries consolidated with following treatment of foreign subsidiaries (39 companies):	
Inclusion of all wholly-owned and active (*Co. Nos. 214, 299, 404, 438)	22
Exclusion of all (*Co. Nos. 92, 511)	8
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 195, 402, 550, 552)	7
Other basis indicated (*Co. Nos. 65, 528)	2
Non-homogeneous domestic subsidiaries excluded with following treatment of foreign subsidiaries (25 companies):	
Inclusion of wholly-owned and active (*Co. Nos. 129, 472)	3
Inclusion of all (*Co. Nos. 72, 130)	3
Exclusion of all (*Co. Nos. 42, 489, 589)	4
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 18, 63, 192)	9
Other basis indicated (*Co. Nos. 251, 439)	5
Basis not indicated (*Co. No. 281)	1
Other variations (57 companies):	
All subsidiaries based on voting control or fixed percentage of ownership (*Co. Nos. 40, 49, 331)	3
All significant, principal, and active subsidiaries included (*Co. No. 167)	9
Domestic, significant subsidiaries included with some foreign subsidiaries excluded on basis of geographic location (*Co. Nos. 70, 562)	3
Other basis stated (*Co. Nos. 141, 158, 359, 586)	14
Basis not indicated (*Co. Nos. 23, 181, 485)	28
Total companies having domestic and foreign subsidiaries	189
Companies having foreign subsidiaries only:	
Inclusion of wholly-owned and active (*Co. No. 263)	1
Exclusion based upon geographic location or geographic location plus other factor(s) (*Co. Nos. 353, 508, 595)	4
Basis not indicated (*Co. No. 396)	1
Total companies having foreign subsidiaries only	6
Total companies partially consolidating financial statements	229

*Refer to Company Appendix Section.

these subsidiaries in our consolidated figures. Because of similar close association with Mexico, operating results of our Mexican subsidiary are included in our consolidated statements for the first time in 1958. This change in accounting does not materially affect the financial statements.

In past years a pro-rata share of the operating results of the Craig Bit Company, in which Joy Manufacturing Co. (Canada) Ltd. owns a 52% interest had been combined with our wholly-owned unconsolidated foreign subsidiaries. All of our other unconsolidated foreign subsidiaries are wholly-owned. Therefore, beginning with our 1958 fiscal year, we decided to treat Craig Bit Company as an investment rather than include it on a pro-rata basis in the financial results of our unconsolidated foreign subsidiaries.

Subsidiaries with Non-homogeneous Operations Excluded

AUTOMATIC CANTEEN COMPANY OF AMERICA

Notes to Financial Statements

Note 1: Basis of Consolidation—The accompanying financial statements include all domestic and Canadian subsidiaries at September 27, 1958 except Canteen Car Company, 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.

CATERPILLAR TRACTOR CO.

Notes to Financial Statements

Note 1: Consolidation of Subsidiaries—The results of operations of all the Company's wholly owned subsidiaries, including for the first time the results of Caterpillar Credit Corporation, are included in the consolidated results of operations. Intercompany profits in inventories (less the applicable income taxes) have been eliminated.

The financial positions of the Company's wholly owned subsidiaries, except Caterpillar Credit Corporation, have been consolidated with that of the parent company. The investment in Caterpillar Credit Corporation is carried at cost plus the profit retained by the subsidiary.

In order to provide proper comparisons with this year's consolidated results, the data for prior years have been restated to include the appropriate data for Caterpillar Credit Corporation.

Inclusion of Wholly-Owned Subsidiaries

COMBUSTION ENGINEERING, INC.

Notes to Financial Statements

Note 1: All domestic and all wholly-owned foreign subsidiaries have been included in the consolidated financial statements. 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 only from the date of acquisition of control of such company. The Company's equity in the underlying net tangible assets of associated companies (including foreign subsidiaries not consolidated) at December 31, 1958, based on latest financial statements available was approximately $4,700,000 in excess of the carrying value of investments therein.

Inclusion Based on Voting Control or Fixed Percentage of Ownership

KIMBERLY-CLARK CORPORATION

Notes to Financial Statements

Consolidation—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.

Fixed assets, related reserves for depreciation, and long-term debt of foreign subsidiaries are stated at exchange rates prevailing at dates of acquisition; other assets and liabilities are stated at the exchange rates in effect at April 30, 1958. Operations of foreign subsidiaries are stated at the average exchange rates prevailing during the year, except that provisions for depreciation have been stated on the same basis as the related assets.

The current assets, current liabilities, net plant property, and earnings retained in the business of the foreign subsidiaries included in the consolidated totals amounted to $34,638,723, $8,797,722, $21,592,079, and $22,703,632, respectively, at April 30, 1958.

All Significant, Principal, and Active Subsidiaries Included

CONTINENTAL CAN COMPANY, INC.

Notes to Financial Statements

The financial statements include the accounts of all significant subsidiaries, all of which are wholly owned except Southern Paperboard Corporation, which is 60% owned.

THE ELECTRIC STORAGE BATTERY COMPANY

Notes to 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 1957 consolidated financial statements give effect retroactively to the acquisition.

The Australian and South African wholly owned subsidiaries have been included in the consolidation from January 1, 1958. This inclusion had no material effect upon the consolidated financial position or results of operations. All subsidiaries (except several insignificant in the aggregate) have been consolidated.

POST BALANCE SHEET DISCLOSURES

Events occurring or becoming known subsequent to the date of the balance sheet which may have a material effect on the related financial statements, require disclosure or adjustment to prevent such statements from becoming misleading.

In 1954 the committee on auditing procedure of the American Institute of Certified Public Accountants issued *Bulletin No. 25—Events Subsequent to the Date of Financial Statements,* which states in part:

> An auditor's report is ordinarily rendered in connection with financial statements which purport to show, on an accounting basis, financial position as at a stated date and results of operations for a period ended on that date. Although such financial statements may be used for subsequent guidance, they are essentially historical in character. Financial statements as of a given date and for a period ended on that date represent one instalment in the financial history of a business enterprise. They are so considered by the auditor in making his examination and in expressing his opinion with regard to the statements.
>
> However, events or transactions, either extraordinary in character or of unusual importance, sometimes occur subsequent to the balance-sheet date which may have a material effect on the financial statements or which may be important in connection with consideration of the statements. Such events or transactions may require adjustment or annotation of the statements. Any such adjustment or annotation becomes a part of the financial statements.

Table 48 classifies the significant disclosures of post balance sheet events taken from the annual reports for 1958 of the 600 companies covered by this survey.

Examples of such disclosures illustrating some of the above categories as presented in the notes to financial statements or president's letter or balance sheet follow:

TABLE 48: POST BALANCE SHEET DISCLOSURES

	1958
Capital stock:	
Changes in capital structure (*Co. Nos. 137, 210, 239)	13
Stock acquired for redemption or retirement (*Co. Nos. 25, 575)	6
Stock conversion (*Co. Nos. 37, 396)	6
Extra distributions declared in cash or stock (*Co. Nos. 42, 61, 162, 231, 304)	45
	70
Employees:	
Welfare pension and stock option plans (*Co. Nos. 94, 101, 294)	31
Union negotiations (*Co. Nos. 214, 294)	20
Profit sharing or other employee benefits (*Co. Nos. 11, 450)	7
	58
Fixed Assets:	
Purchased (*Co. Nos. 202, 210, 328)	8
Constructed (*Co. Nos. 31, 107)	2
Sold (*Co. Nos. 77, 153, 155, 563)	10
Catastrophe (*Co. Nos. 48, 60, 71, 379)	4
	24
Indebtedness—Long-Term:	
Incurred (*Co. Nos. 253, 307, 462)	12
Reduced (*Co. Nos. 2, 91, 214)	10
Refinanced (*Co. Nos. 73, 263, 397, 524)	4
	26
Litigation (*Co. Nos. 182, 487)	8
Subsidiary or affiliated companies:	
Mergers pending, proposed, or effected (*Co. Nos. 94, 195)	14
Acquired or holdings increased (*Co. Nos. 201, 212, 418, 543)	34
Sold or holdings decreased (*Co. Nos. 40, 482)	9
	57
Contracts entered into or cancelled (*Co. Nos. 309, 475)	7
Taxes—Refunds or assessments (*Co. Nos. 116, 502)	5
Various other (*Co. Nos. 30, 36, 237, 351)	12
Total	267
Number of Companies:	
Referring to post balance sheet events	156
Not referring to post balance sheet events	444
Total	600

*Refer to Company Appendix Section.

Capital Stock

REYNOLDS METALS COMPANY
December 31, 1958

Notes to Financial Statements

Note 1: Authorization and Sale of Additional Shares of Capital Stock—On February 9, 1959, the stockholders authorized 1,000,000 additional shares of Common Stock, and 1,000,000 shares of Second Preferred Stock. On February 11, 1959, 550,000 shares of Second Preferred Stock, 4½% Convertible Series, were sold at par value of $100 per share. The net proceeds to the Company (approximately $53,331,500) will be used to the extent required to finance the purchase of stock in The British Aluminium Company, Limited.

ADDRESSOGRAPH MULTIGRAPH CORPORATION
July 31, 1958

President's Letter

In September 1958, the shareholders amended the Certificate of Incorporation, changing the authorized common stock from 1,000,000 shares of $10 par value to 5,000,000 shares of $5 par value. The amendment became effective on September 15, 1958. On that date each issued share of $10 par value was reclassified and shall hereafter represent one share of $5 par value. Two additional shares were mailed on Septembr 16, 1958, for each share held of record.

The split increased the number of shares issued from 947,152 to 2,841,456 of which number 19,200 were treasury shares, leaving a total of 2,822,256 shares issued and outstanding.

Restated in terms of the shares outstanding after the split, 1958 net income of $9,168,000 amounted to $3.25 per share compared with $2.72 in 1957.

Extra Distributions Declared in Cash or Stock

AMERICAN MOTORS CORPORATION
September 30, 1958

President's Report

On November 24, the directors voted a 5 per cent stock dividend payable January 5 to stockholders of record December 5. Where the amount of stock issuable is less than one full share of stock, fractional shares will not be issued. Such fractional dividend interests will be computed in multiples of 20ths of a full share and will be paid in cash at the rate of $1.625 for each 20th of a full share.

THE AMERICAN TOBACCO COMPANY
December 31, 1958

President's Letter

The 214th dividend on the Common stock was declared on January 27, 1959, and is payable on March 2, 1959, to stockholders of record February 10, 1959. This payment includes a regular dividend of $1.00 per share and an extra dividend of $1.00 per share, making a total dividend of $2.00 per share to be paid on the Common stock on March 2, 1959.

HUNT FOODS AND INDUSTRIES, INC.
November 30, 1958

President's Letter

Since the close of the fiscal year, the Company declared a special 5% stock dividend on its common stock, in addition to its customary 5% distribution. Both dividends are payable March 16, 1959. The special dividend reflects the steady development in the Company's financial condition and management's continuing desire to increase shareholder participation when it is possible to do so without impeding the Company's future development.

INTERCHEMICAL CORPORATION
December 31, 1958

President's Letter

Stock Split—The Board, at a meeting held March 4, 1959, declared a 2½ for 1 split-up of Interchemical common shares, in the form of a distribution, on April 1, 1959, of 1½ additional common shares for each common share outstanding on the record date of March 16, 1959. It is expected that the stock distribution will result in a market price for the common shares suited to a wider circle of investors and should result in a broader distribution of shares.

Employees

BOHN ALUMINUM & BRASS CORPORATION
December 31, 1958

Notes to Financial Statements

Note D: Stock Options—On January 22, 1959, the Board of Directors adopted, subject to stockholders' approval, a Restricted Stock Option Plan covering 55,800 shares of Common Capital Stock (it is presently contemplated that treasury stock will be used for this purpose), and on that day granted options for such shares to 24 officers and key employees at $23.75 a share, which approximates 96% of the highest sale price of the stock on the day the options were granted.

THE ELECTRIC AUTO-LITE COMPANY
December 31, 1958

Notes to Financial Statements

Note B: Pensions—The unfunded past service liability for pension plans, that had not been provided for, as at December 31, 1958, after revision due to changes in actuarial assumptions, was approximately $18,600,000. This will be increased to approximately $23,000,000 by reason of increases to become effective March 1, 1959, in the benefits under certain of the plans, as a result of the 1959 labor agreements and the extension of comparable increases in benefits to certain other employees. It is estimated that the total annual cost of all pension plans now in effect, assuming minimum required funding of past service liabilities, will increase approximately $370,000 as a result of these changes.

JOSLYN MFG. AND SUPPLY CO.
December 31, 1958

President's Letter

Effective January 1, 1959 our comprehensive employee benefit program, including Profit Sharing, was made available to the employees of Pinco. We are quite confident that their participation in this program will be an important factor in the continued successful operation of Pinco.

REMINGTON ARMS COMPANY, INC.
December 31, 1958

President's Letter

The pension and retirement plan, which is paid for entirely by the company and covers all employees, was amended by action of the Board of Directors in February 1959, subject to approval of the stockholders at the 1959 annual meeting. The amendments, which are presented in detail in the proxy statement being mailed to stockholders with the formal notice of the meeting, aim to introduce greater flexibility into the plan similar to the pattern which has been developing in many industrial pension plans.

Fixed Assets

AMERICAN CHICLE COMPANY
December 31, 1958

Notes to Financial Statements

General: On January 12, 1959, the Board of Directors authorized an advance of up to $3,900,000 in Canadian funds to the Company's consolidated Canadian subsidiary for the purpose of erecting and equipping a new factory.

THE AMERICAN SHIPBUILDING COMPANY
June 30, 1958

Notes to Financial Statements

Note B: On July 3, 1958, the nearly completed gate lifter suffered a major marine casualty at the Lorain Yard. The casualty is believed to be adequately insured and management of the Company is of the opinion that any loss which may result therefrom will not have a material effect on the financial statements.

BRIDGEPORT BRASS COMPANY
December 31, 1958

President's Letter

Final arrangements were made in February, 1959 to transfer the Tubular Plumbing Goods Division from Bridgeport, Connecticut to Moultrie, Georgia where a new plant with 65,000 square feet will be built on a 20 acre site. Production in the new plant is expected to begin late in the summer of 1959. With this move, the Company will be more competitive in the plumbing trade and in a more favorable geographical location to supply the growing southeastern and south central markets.

COLORADO MILLING & ELEVATOR COMPANY
May 31, 1958

President's Letter

On June 23, 1958, following the close of the fiscal year, the Company purchased for cash from Flour Mills of America, Inc. the properties and assets that the latter company had theretofore employed in its milling business in St. Louis, Missouri. The purchase price of the land, buildings, machinery, furniture, fixtures and maintenance parts and supplies was $1,555,000. Included in such purchase price are flour mills with a rated daily capacity of 11,000 cwts.; concrete grain storage elevators with a capacity of 2,000,000 bushels; modern concrete bulk flour storage bins with a capacity of 53,000 cwts.; and a large warehouse and office building. The Company also purchased for cash certain inventories and other current assets necessary or desirable for the operation of the properties.

EMERSON ELECTRIC MANUFACTURING CO.
September 30, 1958

President's Letter

Acquisition—On November 1, 1958, after the close of the fiscal year, Emerson-Western Company, a new wholly-owned subsidiary of Emerson Electric, purchased the physical assets of the Colorado Springs plant of Universal Electric Corporation. The purchase included the leasehold on a 56,000 sq. ft. plant; the machinery, equipment and facilities; and certain tooling and inventories. The Company issued 18,368 shares of $4.00 par value Common Stock in exchange for all of the capital stock of Emerson-Western Company. The net assets of Emerson-Western Company totalled $900,000 and included a substantial amount of cash in addition to the physical assets of the Colorado Springs plant described above. The Colorado Springs facilities are capable of producing small horsepower motors of approximately $6,000,000 in annual sales value. The Emerson-Western operation is expected to be a valuable decentralized asset to the Company and the extra motor facility augments the commercial operation of the Company's St. Louis plants, and produces small electric motors used in Emerson-Pryne products.

MILLER MANUFACTURING CO.
September 30, 1958

Notes to Financial Statements

Note 4: Purchase of the Crawford Steel Foundry Company—On December 10, 1958 Miller Manufacturing Co. purchased all the outstanding stock of The Crawford Steel Foundry Company for $725,025. Subsequently Crawford's physical properties were substantially destroyed by fire. In the opinion of Miller management the insurance is adequate to cover the damage.

PITTSBURGH SCREW AND BOLT CORPORATION
December 31, 1958

Letter to the Shareholders

The land and buildings of the Neville Island plant were sold and the property conveyed to the new owners in January, 1959. The net proceeds of this sale have been applied as an additional payment on the long-term loans, reducing the total amount of this debt to $4,400,000.

Indebtedness—Long-Term

ACF INDUSTRIES INCORPORATED
April 30, 1958

President's Letter

Working Capital—Capital Expenditures—Working capital at April 30, 1958 amounted to $55,482,000 compared with $56,507,000 at the end of fiscal 1957.

Since the end of the fiscal year, ACF has concluded arrangements for the private placement with an insurance company of $25,000,000 of 5¼ per cent 20-year unsecured notes. Half of these funds will be taken down on April 30, 1959 and the other half on April 29, 1960. For some time management has been studying working capital requirements in relation to the Company's forward planning. Although ACF has no presently outstanding short-term bank loans, it has been a steady and substantial borrower from commercial banks during the last five years. A large part of the new long-term borrowing will be used to restore to working capital monies expended in recent years for fixed assets, including additions to the lease fleet of the Shippers' Car Line division. This better working capital position should improve the Company's ability to finance short-term and transactional needs through borrowing from commercial banks to handle anticipated business volume. . . .

BELL & HOWELL
December 31, 1958

Notes to Financial Statements

Note C: Long-Term Debt—. . . The 5% Convertible Debentures were retired in January, 1959, by payment of $500,000 in cash and issuance of 12,500 common shares of the Company.

EVANS PRODUCTS COMPANY
December 31, 1958

Notes to Financial Statements

Note H: Additional Financing—The Company has entered into an agreement to issue $10,000,000 of 5½% secured notes due February 15, 1974, with detachable stock warrants which expire 10 years from date of issuance for the purchase of 180,000 shares of Common Capital Stock at $23.50 per share (based on the market price at the date of negotiation).

The proceeds of this issue will be used to retire certain debts of the Company aggregating approximately $5,400,000, including the bank loan of Evans referred to in Note B, and the balance of the proceeds will be added to the Company's working capital.

The notes are payable in semiannual installments of $334,000 commencing on August 15, 1959, and an additional payment may be required on each February 15, based on timber cut during the preceding year. The Company's standing timber and deposits on timber-cutting contracts are pledged as collateral for these notes.

The indenture provides, among other covenants, that the Company will not pay dividends on its Common Capital Stock (except stock dividends) or purchase shares of such stock after December 31, 1958, in an aggregate amount which will exceed $1,000,000 plus consolidated net earnings of the parent and principal domestic subsidiaries subsequent to that date and that the consolidated working capital of those companies will be maintained at not less than $12,000,000.

THE GLIDDEN COMPANY
August 31, 1958

Long-term Debt:

3¼% notes payable to banks, due $1,500,000 annually 1959—1962	$ 6,000,000
4¼% notes payable to banks, due October 1, 1960	20,000,000
Total Long-term Debt	$26,000,000

Financial Review

Long-Term Debt—Long-term debt, at the fiscal year-end, amounted to $26,000,000, consisting of $6,000,000 3¼% and $20,000,000 4¼% notes payable to banks. Included in current liabilities was $1,500,000 of 3¼% notes payable due September 1, 1958, and $4,000,000 of short-term indebtedness to banks. During September and October of 1958 the current notes payable installment, the short-term indebtedness, and $5,000,000 of the 4¼% notes payable were repaid out of proceeds received from the liquidation of Chemurgy Division working capital and out of other company funds.

LESLIE SALT CO.
December 31, 1958

President's Letter

. . . During the latter part of the year, arrangements were made with our bondholders for the issuance of an additional $1,136,000 principal amount of 4.55% First Mortgage Bonds, increasing the bonded debt to a total of $7,300,000. This transaction was consummated as of February 1, 1959, and part of the proceeds were used for the purchase of the Salt Lake plant, the balance being reserved for future expansion and modernization of this plant, and for working capital purposes. . . .

NATIONAL COMPANY, INC.
December 31, 1958

5% Convertible Notes, due 1960-1965 (See Note)	$771,000
5% Convertible Debentures, due 1960-1965 (See Notes)	950,000

Note 1: Important transactions subsequent to December 31, 1958: (a) Arrangements have been made to refinance the 5% convertible debentures, and to amend certain terms of the 5% convertible notes, as more fully described under the heading "Financial" in the accompanying letter to stockholders.

J. P. STEVENS & CO., INC.
November 1, 1958

Long-term Debt—Note E:

2¾% Promissory Notes	$21,600,000
4½% Promissory Notes	30,000,000
Notes payable—banks	6,000,000
Notes payable—banks, interim financing	
	$57,600,000

Note E: The notes payable to banks (under Long-term Debt), amounting to $6,000,000 as at November 1, 1958, became the prime obligations of the Company upon the dissolution of Forstmann Woolen Co. (see Note B). On November 3, 1958, this indebtedness was replaced by the issuance of notes aggregating $6,000,000 maturing on November 1, 1962, and bearing interest at the rate of 4¼% per annum to November 1, 1960 and at 4½% per annum thereafter to maturity. The credit agreement covering the issuance of these notes incorporates, among other matters, the restrictions contained in the 4½% Promissory Notes.

THE ELECTRIC AUTO-LITE COMPANY
December 31, 1958

Long-term Debt, less current installments:

3¼% Promissory Note	$25,000,000
Other	292,000
	$25,292,000

President's Letter

Long-Term Debt—The Company's 3¼% Promissory Note payable to The Equitable Life Assurance Society of the United States was reduced during the year to $26,500,000. In addition to the required 1958 payments of $1,000,000, prepayments without premium of $500,000 and $4,000,000 were made on September 1, 1958 and December 29, 1958, respectively. The Company has also notified Equitable of its intention to prepay $500,000 in addition to the required instalment of $500,000 on March 1, 1959. This prepayment will also be made without premium.

Litigation

CITIES SERVICE COMPANY
December 31, 1958

Report on Operations

Following an unsuccessful appeal from the Order of the Securities and Exchange Commission requiring Cities Service Company and Arkansas Fuel Oil Corporation to eliminate the public minority stock interest in the latter or to dispose of the 51½ per cent stock interest held by Cities Service Company, a Plan for compliance was filed with the Commission on September 18, 1958. The Plan provided for the division of Arkansas Fuel Oil Corporation into two separate companies in proportion to the respective stock interests, of which one would be owned by Cities Service Company and the other by the minority shareholders. It became evident during hearings before the Commission that consummation of the Plan was doubtful. Accordingly, that Plan was withdrawn and on February 19, 1959 Cities Service Company filed a new Plan providing for an exchange of Common Stock at the ratio of one share of Cities Service Common Stock for each 2.4 shares of Arkansas Fuel Oil Corporation Common Stock. Hearings have not yet been held on the new Plan.

THE CURTIS PUBLISHING COMPANY
December 31, 1958

President's Letter

On February 18, 1959 Curtis Circulation Company and the publishers (including Curtis and American Home) of certain of the principal magazines for which it acts as national distributor for newsstand sales were served with complaints by the Federal Trade Commission. The complaints charge that certain commissions granted to Union News Company and other so-called "railway news agencies" operating concessions in railroad and bus terminals, airports, hotels and turnpike restaurants violate applicable provisions of the Clayton Act. Similar complaints were served on other national magazine distributors; also upon Union News Company and its parent, American News Company, as the recipient of the alleged discriminatory treatment. We consider our practices objected to by the Commission both legal and consistent with general trade practice. The complaints are under study by counsel.

Subsidiary or Affiliated Companies

UNITED WHELAN CORPORATION
December 31, 1958

Notes to Financial Statements

Note D: Other Comments—On February 2, 1959, the Corporation acquired all of the outstanding stock of Crawford Clothes, Inc., a manufacturer and retailer of men's clothing.

HOWELL ELECTRIC MOTORS COMPANY
December 31, 1958

President's Letter

On February 17, 1959 the stockholders approved an "Agreement and Plan of Reorganization" under which a newly organized wholly-owned subsidiary of Howell will exchange 230,556 shares of common stock of Howell Electric Motors Company for the net assets of The Ohio Electric Mfg. Company and its subsidiary, Kingston-Conley, Incorporated. Included in the net assets of Ohio are 28,800 shares of Howell stock carried at a cost of $170,880. This exchange will be considered a pooling of interests for accounting purposes and accordingly Ohio's and its subsidiary's capital surplus and retained earnings will be brought forward at their book amounts.

To show the effect of this exchange on the financial position of Howell, a condensed pro-forma consolidated financial position prepared from audited financial statements as at December 31, 1958 is set forth below:

Current assets less current liabilities of $1,517,357	$2,180,066
Properties less accumulated depreciation	2,205,860
Other Assets	101,931
	$4,487,857
Less: Long-term liabilities	536,373
Net assets	$3,951,484
Stockholders' Equity	
Common Stock:	
Authorized in February, 1959—1,000,000 shares of $1. par value	
To be issued and outstanding—469,601 shares	$ 469,601
Capital Surplus	221,141
Earnings retained for use in the business of which $1,406,975 is presently restricted for dividend purposes under applicable state laws	$3,431,622
Less: 28,800 shares of common stock held in Treasury, at cost	(170,880)
Stockholders' equity represented by net assets as above	$3,951,484

A brief summary of the combined operations of Howell and Ohio as they would have been for the year ended December 31, 1958 is shown below:

Net Sales	$9,615,852
Costs and expenses, including federal income taxes	9,527,705
Net Income for the year	$ 88,147

The statement of income of Howell for the year 1959 will include the results of operations of Ohio and its subsidiaries beginning January 1, 1959.

At the meeting previously referred to the stockholders also took favorable action on the following proposals:

1. Adoption of an amendment to the Articles of Incorporation of Howell providing for the increase of the number of authorized common shares of Howell, par value $1.00 per share from 300,000 to 1,000,000 shares.

The closing of the heretofore referred to "Agreement and Plan of Reorganization" by the formation of the new Ohio Mfg. Company, the transfer of the assets, and the issuance of the capital stock by Howell was effected May 1, 1959.

REYNOLDS METALS COMPANY
December 31, 1958

Notes to Financial Statements

Note D: Investment in The British Aluminium Company, Limited—The Company, in conjunction with Tube Investments Limited ("T. I."), a British company, is in the process of making a substantial investment in the ordinary stock of The British Aluminium Company, Limited. Through purchases made at various times by the Company and T. I., and through acceptances of an offer of T. I. to purchase such stock from the holders thereof, the Company and T. I. will together hold approximately 94% of such stock. The Company will have a 49% interest in such stock and the remaining 51% interest will be held by T. I. The cost to the Company of its share of the stock acquired through February 9, 1959, including shares purchased through December 31, 1958 (cost—$6,502,298), and the stock deposited under the offer of T.I., will be approximately $46,900,000. If the remaining stock is acquired at the offer price the total cost to the Company of its share of the stock would be approximately $50,000,000. See Note I as to sale of Second Preferred Stock in connection with financing the cost of this investment.

Contracts Entered into or Cancelled

A.S.R. PRODUCTS CORPORATION
December 31, 1958

President's Letter

During 1958 we continued to operate the government-owned shell loading Kingsbury Ordnance Plant at La Porte, Indiana, on a fixed fee basis although at a reduced rate compared to prior years. The government has now decided that this plant will cease operating on March 31, 1959, and be placed in standby condition. We have negotiated a supplement to our contract with the government to place the plant first in layaway status, and then to be responsible for its maintenance as a standby plan. We are proud of our accomplishments in the National Defense Program during the eight years that we actively operated this plant, and naturally are pleased that the government has chosen us to continue to be responsible for its upkeep and reactivation should the necessity arise.

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
December 31, 1958

Report from the Chairman

The effect of these vigorous measures, which at best could be expected to yield only minimum benefits in so short a time, was rudely offset by a change in military strategic concepts which led to termination of the Goose program in December and cancellation of the J-83 jet engine contract on January 2, 1959. When the Government cancels a program, such as the J-83, in which it had invested more than $60,000,000 of the taxpayers' money after encouraging your Company to build a $12,000,000 engine and test facility, a director is bound to be as astonished and depressed as any other stockholder.

RICHFIELD OIL CORPORATION
December 31, 1958

From Review of Operations

Early in 1959, the Department of the Interior approved a development contract under which Richfield will undertake oil and gas exploration of nearly 490,000 acres in the Katalla-Yakataga area in southeast Alaska. This area is one of the most promising in Alaska outside of the Kenai Peninsula.

Taxes—Refunds or Assessments

THE BUDD COMPANY
December 31, 1958
Other Matters

Income tax refund—. . . On February 12, 1959 the United States Treasury Department served the Company with a notice claiming a deficiency of 1944 income and excess profits taxes of $5,296,487 predicated on issues allegedly arising from the above decision. In the opinion of counsel the Treasury Department's claim is without merit and therefore no provision has been made in the accounts for the proposed deficiency.

ALLEN B. DU MONT LABORATORIES INC.
December 31, 1958
Current Assets

Federal taxes on income refundable under the carry-back provisions of the Internal Revenue Code (net of offsets of prior years' tax deficiencies and interest thereon) (collected on March 17, 1959)	$1,832,000

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
December 31, 1958

The President's Letter

On the basis of preliminary figures for the year 1958, the Corporation collected in February 1959, a carry-back refund of Federal income taxes of $5,840,000. An amended claim will be filed requesting an additional refund of $1,172,000 resulting from adjustments made during the year-end audit. No additional carry-back refunds are available to the Corporation. The Corporation's Federal income tax return for 1956 was examined by the Internal Revenue Service and cleared without substantial adjustment.

THE MAY STORES REALTY CORPORATION

BALANCE SHEET • JANUARY 31, 1958

ASSETS			
Cash:			
Demand deposits		$ 3,158	
Deposits with trustee		1,424,975	$ 1,428,133
Investments, at cost plus accrued interest:			
United States Treasury bills (quoted market prices $3,866,204)		$ 3,853,964	
Commercial paper		2,945,344	6,799,308
Accrued rents—The May Department Stores Company			1,463,747
Land, buildings and building equipment, at cost:			
Land		$ 3,073,286	
Buildings and building equipment on owned land (less accumulated depreciation of $7,032,805)	$15,642,986		
Building and building equipment on leased land (less accumulated amortization of $792,586)	454,292	16,097,278	19,170,564
Unamortized debt discount and expense			601,133
			$29,462,885
LIABILITIES			
Accrued interest and sundry expenses			$ 582,842
Federal taxes on income			418,000
Due to The May Department Stores Company			2,190,153
Long-term debt (including $500,000 to be retired within one year) (Note)			25,000,000
Stockholder's investment:			
Common stock, no par value:			
Authorized—12,500 shares Issued and outstanding—6,095 shares		$ 609,500	
Accumulated earnings retained in the business:			
Balance at beginning of year	$ 267,148		
Net earnings for the year ended January 31, 1958	395,242	662,390	1,271,890
			$29,462,885

assets less current liabilities

Consolidated statement of financial position:

		Nov. 1, 1958	Nov. 2, 1957
Current assets	Cash	$ 24,949,530	$ 15,583,268
	Accounts and notes receivable (less allowance for doubtful accounts $1,468,875 in 1958, $1,817,542 in 1957)	80,899,034	82,846,691
	Inventories—certain products valued at cost on basis of "last-in, first-out", balance of products and supplies either at the lower of cost or market or at market less allowance for selling expense.		
	Products—note 2	107,085,293	126,623,977
	Supplies	11,296,187	15,070,277
		$224,230,044	**$240,124,213**
Current liabilities	Notes payable	$ —	$ 27,249,134
	Accounts payable, including payrolls, interest, etc.	32,753,530	30,634,522
	Reserve for Federal income taxes	7,916,119	3,206,383
	General and social security taxes	4,484,989	4,898,984
	Long term debt and subordinated long term debt payable within one year—notes 5 and 6	3,633,246	6,718,409
		$ 48,787,884	**$ 72,707,432**
Working capital	Current assets less current liabilities	**$175,442,160**	**$167,416,781**
	Ratio of current assets to current liabilities	4.60	3.30
Investments	Foreign subsidiary companies—note 4	306,415	18,371,266
	International Packers Limited—note 4	16,187,276	—
	Funds deposited with trustees of first mortgage bonds	569,609	622,897
	All other investments (at cost or less)—note 8	4,241,771	4,385,460
		$ 21,305,071	**$ 23,379,623**
Plant and equipment	Land (At less than cost)	$ 22,426,322	$ 24,586,783
	Buildings, machinery and fixed equipment (At less than cost)	243,417,021	249,741,097
	Accumulated depreciation	(120,182,898)	(119,055,597)
	Refrigerator cars, delivery equipment, tools, etc.—at cost less accumulated depreciation	18,242,073	20,120,185
		$163,902,518	**$175,392,468**
Deferred charges		**3,058,269**	**3,721,225**
	Total assets—less current liabilities	**$363,708,018**	**$369,910,097**

(See Notes to Financial Statements)

long term debt and common stock equity

ARMOUR AND COMPANY AND CONSOLIDATED SUBSIDIARY COMPANIES

at November 1, 1958 and November 2, 1957

		Nov. 1, 1958	*Nov. 2, 1957*
Long term debt (note 5)	First Mortgage Twenty-Five Year 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	$ 42,500,000	$ 45,000,000
	First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	10,206,000	10,446,000
	3½% Sinking Fund Debentures, due September 1, 1968	26,000,000	28,000,000
	Purchase Money Notes, payments due in installments to 1968	1,006,977	1,145,223
		$ 79,712,977	**$ 84,591,223**
Subordinated long term debt (note 6)	3½% Cumulative Income Debentures (Subordinated), due November 1, 1972	16,954,000	18,339,000
	5% Cumulative Income Subordinated Debentures, due November 1, 1984	58,463,520	59,181,800
		$155,130,497	**$162,112,023**
Common stock (note 7)	Par value $5 per share—authorized 15,000,000 shares, issued 4,677,409 shares at November 1, 1958	$ 23,387,045	$ 23,387,052
Capital and paid-in surplus (note 7)	Parent company and consolidated subsidiary companies	39,370,463	39,370,463
	Foreign subsidiary companies (undistributed earnings)	—	149,296
Earnings employed in the business (note 1)		145,820,013	144,891,263
		$208,577,521	**$207,798,074**
	Total long term debt and common stock equity	**$363,708,018**	**$369,910,097**

Armour and Company:

NOTES TO FINANCIAL STATEMENTS

1. Earnings unrestricted for dividends

Under the most restrictive covenant of the indentures relating to long term debt, $11,123,932 of the earnings employed in the business was unrestricted for the payment of dividends, other than dividends in the Company's Common stock, at November 1, 1958.

2. "Lifo" inventories

During the fiscal year 1958, reflecting a continuation of the Company's planned program of effecting better control of inventories and as a result of closing certain plants and branches, the level of inventories was further reduced. As a consequence, a portion of the 1940 base "Lifo" inventory was liquidated and net earnings for the year were increased by approximately $1,500,000.

3. Federal income taxes

In its financial accounts the Company has followed the consistent practice of recording depreciation computed on the composite basis using straight-line rates. As allowed under the Internal Revenue Code of 1954, the Company has for Federal income tax purposes, on additions since January 1, 1954, deducted depreciation charges computed under the sum-of-the-years-digits method. During the fiscal year ended November 1, 1958, in accordance with the revised ruling issued in July 1958 by the American Institute of Certified Public Accountants, the Company for the first time provided for deferred Federal income taxes, deemed under this ruling to result from the difference between the tax and financial accounting for depreciation described above. As a result of this change, net earnings for the year were reduced by approximately $1,056,000.

4. Investments in foreign subsidiary companies, and investment in International Packers Limited

The Company disposed of substantially all of its investments in foreign subsidiary companies during the fiscal year ended November 1, 1958, either by exchange or sale.

The carrying value of the Company's previous investment in certain foreign subsidiary companies has been carried forward as the cost of 885,000 shares of capital stock of International Packers Limited acquired in exchange for those foreign subsidiary companies, since the equity of Armour and Company in the net assets of International Packers Limited is approximately equal thereto.

The 885,000 shares so acquired have been placed in trust with an independent trustee who has sole rights to vote the shares under a 10-year voting trust agreement. The voting trust agreement provides, among other things, that the Company will dispose of all its interest in such shares on or prior to December 31, 1967. In each of the years 1964, 1965 and 1966, if the average market value of the shares for any 30-consecutive business days shall be at least equal to the net current asset value thereof at the beginning of such 30 day period, the Company will dispose of at least 25% of the shares beneficially owned at December 31, 1963. The capital stock of International Packers Limited is traded on the New York Stock Exchange.

Certain other foreign subsidiary companies were sold during the year. The loss on those sales has been charged to earnings employed in the business.

5. Long term debt

Long term debt maturities and sinking fund requirements for the fiscal year 1959 aggregate $5,108,246. Of this amount $2,860,000 has been anticipated and paid in advance; the balance of $2,248,246 has been deducted from long term debt and included in current liabilities at November 1, 1958. The amount payable in 1960 will be $4,988,887, in 1961 $5,642,888, in 1962 $6,643,582, and in 1963 $6,644,305.

6. 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. Payment into the sinking fund is required to be made in 1959 for the redemption of $1,385,000 principal amount of 3½% income debentures, which amount has been deducted from subordinated long term debt and included in current liabilities at November 1, 1958.

The indenture under which the 5% income debentures were issued provides, under certain conditions, for required retirements through a sinking fund, and for optional retirements. No retirement is required to be made in 1959.

7. Common stock and capital and paid-in surplus

In connection with the redemption of the Company's $6 Prior Preferred stock on December 21, 1954, warrants were issued evidencing the right to purchase 500,000 shares of Common stock at prices ranging from $12.50 to $20.00 per share from date of issuance to December 31, 1964.

At the beginning of the year there were warrants outstanding for 311,244 shares. No warrants were exercised during the year. Warrants outstanding are exercisable as follows:

Jan. 1, 1957 to Dec. 31, 1959—$15.00
Jan. 1, 1960 to Dec. 31, 1961— 17.50
Jan. 1, 1962 to Dec. 31, 1964— 20.00

8. Stock options and treasury stock

The Board of Directors has granted certain officers and employes of the Company Restricted Stock Options to purchase shares of the Common stock of the Company as follows:

Date of grant	Number of shares	Option price per share
Mar. 1, 1956	25,000	$17.16
Mar. 7, 1957	33,000	14.49
May 2, 1957	5,000	13.42
Oct. 3, 1957	40,000	12.41
Sep. 2, 1958	25,000	18.11
Dec. 4, 1958	66,550	21.97
	194,550	

In each instance the option price per share is 95% of the fair market value on the date of the grant. Except for the option granted March 1, 1956, the options expire 10 years from the granting date. The options granted on September 2, 1958 and December 4, 1958 may be exercised only upon the attainment of specified incentive conditions. The option granted March 1, 1956 is exercisable only until January 31, 1961.

The Company has acquired, and on November 1, 1958 held in its treasury, 103,000 shares of its Common stock for options presently exercisable. These shares are included in other investments in the statement of financial position at the total option price of $1,470,670.

9. Authorized and unissued preference stocks

At a special meeting held July 17, 1946, the shareholders adopted an amendment to the Articles of Incorporation which provided for the authorization of 500,000 shares, without par value, of a class of stock designated "First Preference Stock" and 350,000 shares without par value, of a class of stock designated "Second Preference Stock." These shares are unissued.

HEATING ACCEPTANCE CORP.

Balance Sheet, DECEMBER 31, 1958 AND 1957

ASSETS	December 31, 1958	December 31, 1957
Current assets:		
Cash	$ 578,372	$ 5,000
Customers' installment notes receivable, including amounts due after one year	8,370,419	2,006,921
Less, Unearned finance income and allowance for doubtful accounts	1,207,466	396,766
	7,162,953	1,610,155
Prepaid expenses	41,383	
Total current assets	7,782,708	1,615,155
Investment in Royal American Life Insurance Company, a wholly owned credit life insurance subsidiary, at equity in underlying net assets (Note A)	243,799	
	$8,026,507	$1,615,155
LIABILITIES AND CAPITAL		
Current liabilities:		
Notes payable, banks	$5,000,000	
Accounts payable	68,776	
Accrued expenses	10,513	$ 750
Total current liabilities	5,079,289	750
Amounts due Holland Furnace Company, parent:		
Subordinated $5\frac{5}{8}$% note, due in 1968	1,000,000	
Open accounts (Note B)	914,693	1,603,360
	1,914,693	1,603,360
Capital:		
Common stock, $100 par value; authorized 20,000 shares, issued and outstanding 10,050 shares in 1958 and 50 shares in 1957	1,005,000	5,000
Earnings retained and used in the business	27,525	6,045
	1,032,525	11,045
	$8,026,507	$1,615,155

NOTES TO FINANCIAL STATEMENTS:

(A) In October 1958, the Company organized the Royal American Life Insurance Company, a wholly owned credit life insurance subsidiary.

(B) The amounts due Holland Furnace Company for both years were converted to capital stock and subordinated notes after the balance sheet dates.

(C) At December 31, 1958 the Company had outstanding commitments to purchase additional customers' installment notes in the amount of $1,646,340.

(D) The Company and its parent, Holland Furnace Company, expect to file a consolidated federal income tax return. No provision for federal income taxes is allocable to the Company.

Comparative Statement of

Net Assets of Foreign Subsidiaries*

As of November 1, 1958 and October 26, 1957

COMBINED

	1958	1957
CURRENT ASSETS:		
Cash	$ 923,460	$ 1,411,126
Receivables—less allowance for doubtful accounts	4,292,744	4,291,413
Inventories	8,875,958	11,344,621
Prepaid insurance, etc.	161,663	193,325
	$14,253,825	$17,240,485
CURRENT LIABILITIES:		
Notes payable	$ 4,322,915	$ 4,618,142
Accounts payable, accrued payrolls, taxes, etc.	4,552,559	4,639,134
	$ 8,875,474	$ 9,257,276
NET CURRENT ASSETS	$ 5,378,351	$ 7,983,209
MISCELLANEOUS INVESTMENTS	157,965	214,410
FIXED ASSETS—less depreciation	7,411,090	7,871,537
TOTAL NET ASSETS	$12,947,406	$16,069,156

Statement of Income

*and Undistributed Earnings of Foreign Subsidiaries**

For the 53 weeks ended November 1, 1958

Earnings before deducting items below		$ 2,588,375
LESS:		
Depreciation	$ 603,735	
Interest charges	219,568	
Provision for foreign income taxes	586,400	1,409,703
Net income (before exchange loss)		$ 1,178,672
Undistributed earnings at beginning of year		8,501,162
		$ 9,679,834
DEDUCT:		
Exchange loss on net current assets, principally in Brazil (Note 1)	$ 2,994,212	
Dividends ($1,189,432) and withholding tax on dividend remittances	1,250,600	4,244,812
Undistributed earnings of foreign subsidiaries at end of year		$ 5,435,022

*See Note 1 to financial statements as to basis of translation of foreign currencies into U. S. dollars.

WILSON & CO., INC.

Geographical Location of Net Assets

SOUTH AMERICA 1958	SOUTH AMERICA 1957	OTHER (Principally England and New Zealand) 1958	OTHER (Principally England and New Zealand) 1957
$ 907,113	$ 1,182,369	$ 16,347	$ 228,757
3,180,933	3,240,348	1,111,811	1,051,065
5,128,349	7,440,502	3,747,609	3,904,119
156,450	185,322	5,213	8,003
$ 9,372,845	$12,048,541	$ 4,880,980	$ 5,191,944
$ 1,247,798	$ 1,693,565	$ 3,075,117	$ 2,924,577
3,004,004	3,128,794	1,548,555	1,510,340
$ 4,251,802	$ 4,822,359	$ 4,623,672	$ 4,434,917
$ 5,121,043	$ 7,226,182	$ 257,308	$ 757,027
154,512	210,709	3,453	3,701
7,230,319	7,657,722	180,771	213,815
$12,505,874	$15,094,613	$ 441,532	$ 974,543

NOTES *to Financial Statements*

1—Investments in Foreign Subsidiaries

The investments in foreign subsidiaries are stated at cost, which is less than the book value of the underlying net assets of such subsidiaries. The net assets of the foreign subsidiaries at the end of the 1958 and 1957 fiscal years and the results of their operations for the 1958 fiscal year, expressed in U. S. dollars, are shown in the foregoing statements.

The foreign net assets at November 1, 1958 and October 26, 1957 and results of operations for the 1958 fiscal year, in U. S. dollars, have been summarized from audited financial statements of the subsidiaries, expressed in local currencies, which have been translated to U. S. currency on the following bases:

Fixed assets — At foreign currency costs translated to U. S. dollars at rates of exchange prevailing at time of additions —less depreciation based on such dollar cost.

Net current and other assets — At free rates of exchange prevailing at end of respective years.

Income and expenses (excepting depreciation)—At free rates of exchange prevailing at end of year.

The exchange loss of $2,994,212, shown as a special charge to undistributed earnings of foreign subsidiaries, represents primarily the write-down of working capital of the Brazilian subsidiaries to reflect the decline in the free exchange rate of Brazilian currency in 1958.

RETIREMENT SYSTEM FOR EMPLOYEES OF

R. H. Macy & Co., Inc.

AND AFFILIATES

STATEMENT OF NET ASSETS AS OF JULY 31, 1958
AND INCREASE THEREIN FOR THE YEAR THEN ENDED

	Pension Plan	Profit Sharing Plan	Total Retirement System
ASSETS:			
Marketable securities held by The Chase Manhattan Bank, Trustee—			
U. S. Government and Government Agency obligations	$ 2,249,015[1]	$ 3,060,769[2]	$ 5,309,784
Corporate bonds	3,520,286[1]	3,275,375[2]	6,795,661
R. H. Macy & Co., Inc.—			
Cumulative preferred stock, Series A	969,000[1]	1,087,150[2]	2,056,150
Common stock	168,648[1]	779,625[2]	948,273
Other (principally common stocks)	4,605,488[1]	6,962,902[2]	11,568,390
Investment in real properties at amortized cost—			
Radio and television properties leased to RKO Teleradio Pictures, Inc.[3]	1,901,961	1,267,973	3,169,934
San Francisco store property leased to R. H. Macy & Co., Inc.[4]	477,768	—	477,768
Cash	297,750	279,709	577,459
Income receivable	88,267	84,475	172,742
Total assets	$14,278,183	$16,797,978	$31,076,161
LESS:			
Benefits payable	$ —	$ 798,925	$ 798,925
Deferred rent income	61,250	—	61,250
Sundry accrued liabilities	10,125	8,600	18,725
	$ 71,375	$ 807,525	$ 878,900
Net assets of the Retirement System, July 31, 1958	$14,206,808	$15,990,453	$30,197,261
Net assets of the Retirement System, July 31, 1957	13,440,849	14,241,896	27,682,745
Increase in net assets for year ended July 31, 1958	$ 765,959	$ 1,748,557	$ 2,514,516
The increase in net assets for the year resulted from:			
Payments by the Corporation	$ 233,267	$ 1,548,169	$ 1,781,436
Net return from investments	705,787[5]	1,066,750[6]	1,772,537
Benefits paid or payable	*173,095*	*866,362*	*1,039,457*
Increase in net assets	$ 765,959	$ 1,748,557	$ 2,514,516

NOTES:

(1) At the lower of amortized cost or market value (aggregate market value of all marketable securities, $14,773,259).

(2) At market value as required by the Plan.

(3) After deducting proceeds of properties sold, $442,500, insurance proceeds of $170,096, and amortization of $717,470.

(4) The San Francisco store property is subject to a mortgage in the amount of $3,225,000 due serially to November 1, 1978, bearing interest at 3½% to November 1, 1969, and 3¾% thereafter.

(5) Including profits and losses realized on securities sold and unrealized losses on securities on hand.

(6) Including realized and unrealized profits and losses on marketable securities.

Italics denote deductions.

Employees' Retirement Income Trust

McCormick & Company, Incorporated

Trustee-The Equitable Trust Company, Baltimore, Maryland

The Fund Increased—

	Year 1958	Years 1943 - 1958
FROM A CONTRIBUTION BY THE COMPANY	$ 66,600	$ 1,842,804
EARNINGS FROM COMPANY INVESTMENTS	118,479	679,990
EARNINGS ON OTHER INVESTMENTS	22,016	110,321
TOTAL	$ 207,095	$ 2,633,115
EMPLOYEES' SHARE, BEGINNING OF YEAR	1,695,259	
TOTAL	$ 1,902,354	
LESS PAYMENTS TO EMPLOYEES	97,152	827,913
EMPLOYEES' SHARE, END OF YEAR	$ 1,805,202	$ 1,805,202

The Fund Owned at November 30, 1958—

	1958
CASH AND FUNDS RECEIVABLE	$ 33,679
COMPANY INVESTMENTS	
Net investment in Baltimore plant after deducting mortgage of $2,338,743 and prepaid rent of $115,000	$ 553,618
Common Stock at market	316,125
TOTAL COMPANY INVESTMENTS	$ 869,743
OTHER INVESTMENTS	
Government securities, mortgages, life insurance, etc.	$ 901,780
TOTAL, BELONGING TO EMPLOYEES	$ 1,805,202

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 1958 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, Revenue, Income, Profit, and Earnings" and *Bulletin No. 4*—"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.

The title and form of the income statement in general is discussed in Section 1.

SALES—PRESENTATION

The various methods of presenting income from sales and services by the 600 survey companies in their 1958 annual reports are summarized in Table 1. The table discloses that *net sales* continues to be the term presented by the majority of the companies in their 1958 annual reports (372 companies), although six of these companies used *net sales* with *operating revenue* (*Co. Nos. 10, 58, 167, 284, 388, 593). The term *sales* was used by 95 companies including 5 companies which used *sales* and *operating revenues* (*Co. Nos. 68, 70, 103, 122, 153). The terms *revenue* or *operating revenue* were employed by fourteen companies in their 1959 reports as being more appropriate in the circumstances.

In fifteen of the survey companies the initial item of income was either *gross profit* or *operating profit,* and four companies did not include an income statement in their 1958 annual reports.

Examples of the various methods used to present sales and revenues in the 1958 reports follow:

TABLE 1: SALES

Income Statement shows	1958	1957	1955	1950
Net Sales:				
Net Sales	372	365	347	307
Net Sales after deducting discounts, returns, etc.	7	6	10	12
Sales less discounts, returns, etc.	40	42	43	50
Gross Sales less discounts, returns, etc.	21	27	28	46
Both Gross and Net Sales	12	10	12	17
Gross Sales	20	24	21	28
Sales	95	96	105	97
Revenue (*Co. Nos. 40, 546)	5	5	1	1
Operating Revenue (*Co. Nos. 23, 59, 77)	9	2	6	1
No "sales"—initial item is:				
Gross Profit (*Co. Nos. 149, 274, 423)	9	10	14	23
Operating Profit (*Co. Nos. 216, 425, 453)	6	10	11	15
No income statement (*Co. Nos. 209, 266, 426, 577)	4	3	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

NET SALES

ROHM & HAAS COMPANY

Net sales	$176,588,813
Cost of products sold	122,879,072
Gross profit on sales	$ 53,709,741

THE RYAN AERONAUTICAL CO.

Net sales (including costs and fees under cost-plus-fixed-fee contracts)	$73,706,411

SACO-LOWELL SHOPS

Net sales	$27,253,688
Other income	81,363
	$27,335,051

SAFETY INDUSTRIES, INC.

Net sales and service revenues	$17,466,253
Other income	495,995
Total income	$17,962,248

Net Sales after Deducting Discounts, Returns, etc.

DECCA RECORDS INC.

Net sales and royalties, less cash discounts and provision for return privilege	$26,837,423
Cost of sales, excluding depreciation and amortization	15,817,040
Selling, general and administrative expenses	7,768,470
Depreciation and amortization	230,424
	23,815,934
Operating profit	$ 3,021,489

THE B. F. GOODRICH COMPANY

Net Sales (discounts, transportation and excise tax deducted)	$697,296,556
Other Income	5,145,755
	$702,442,311

SPRAGUE ELECTRIC COMPANY

Net Sales after deducting cash discounts of $465,427	$43,193,717
Other Income	344,392
Total Income	$43,538,109

Sales, Less Discounts, Returns, etc.

ANCHOR HOCKING GLASS CORPORATION

Sales, less discounts, returns, allowances and freight	$132,873,829

EASTERN STAINLESS STEEL CORPORATION

Sales less freight, returns and allowances	$49,301,571

THE EMERSON ELECTRIC MANUFACTURING COMPANY

Sales and other income:	
Sales, less cash discounts, returns, and allowances	$72,040,054
Other income	38,551
	$72,078,605

GEO. A. HORMEL & COMPANY

Sales (less returns and allowances)	$373,181,153
Less freight and express	12,221,343
Net Sales	$360,959,810

Gross Sales, Less Discounts, Returns, etc.

BRIGGS & STRATTON CORPORATION

Gross Sales, less returns, allowances and discounts	$71,334,235
Cost of Sales, Selling, and General and Administrative Expenses	57,251,771
Profit from operations	$14,082,464

HOFFMAN ELECTRONICS CORPORATION

Sales:	
Gross sales, less returns, allowances, discounts, royalties and excise taxes	$39,544,064
Cost of Goods Sold	30,447,361
Gross profit	$ 9,096,703

GROSS AND NET SALES

MEDUSA PORTLAND CEMENT COMPANY

Billings to customers	$40,712,240
Less freight, packaging, and discounts	7,400,073
Net sales	$33,312,167

NATIONAL PRESTO INDUSTRIES, INC.

Gross Sales	$38,519,330.70
Less sales of facilities to the U.S. Government at cost ($2,783,019.24), discounts, freight, returns and allowances	3,511,561.99
Net Sales	35,007,768.71
Cost of Sales	24,991,286.73
Gross Profit	$10,016,481.98

SUNSHINE BISCUITS, INC.

Gross Sales	$189,278,800
Less discounts and allowances	8,484,781
Net Sales	180,794,019
Cost of Sales	116,097,173
Gross Profit	$ 64,696,846

REVENUES

AMERICAN METAL CLIMAX, INC.

Revenues from sales and services	$534,264,944
Cost of sales and services, exclusive of items deducted separately below	492,351,497
	$ 41,913,447

TIME INCORPORATED

Revenues:	
From publishing, broadcasting, paper products and miscellaneous sources—less discounts, commissions, allowances, returns, etc.	$245,107,397
Costs and Expenses:	
Production, distribution, selling, editorial and general	228,847,765
Operating Income	$ 16,259,632

OPERATING REVENUE

ANDERSON-PRICHARD OIL CORPORATION

Gross operating revenue	$69,389,794
Other income	144,225
	$69,534,019

BARBER OIL CORPORATION

Income:	
Operating revenues	$ 9,484,140
Dividends and interest on investments	248,606
Net profit from sales of investments and fixed assets	250,738
Miscellaneous, net	53,384
	$10,036,868

OTIS ELEVATOR COMPANY

Gross Profit from Operations	$59,059,855
Selling, general and administrative expense	28,903,637
Net Operating Profit	$30,156,218

OPERATING PROFIT AS INITIAL ITEM

ELECTROLUX CORPORATION

Profit from operations, before provision for depreciation, etc.	$6,436,561
Miscellaneous income	44,006
	$6,480,567

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 362 companies in the current survey disclosed a separate caption and amount for either cost of goods sold or cost of manufacturing, only 122 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 (195) 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, 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 in this section under "Cost of Materials—Presentation."

Table 2 summarizes the various presentations of cost of goods sold and gross profit as shown by the survey of the 1958 annual reports.

Examples illustrating some of the methods used are as follows (including the variation of terms such as "cost of sales," "cost of products sold," etc.):

COST OF GOODS SOLD PRESENTED AS A SEPARATE SINGLE TOTAL AMOUNT

CROWN CENTRAL PETROLEUM CORPORATION

Gross operating income	$73,222,177
Cost of sales and operating expenses (exclusive of depreciation, depletion, etc.):	
Cost of sales	$66,267,539
Selling and administrative expense	4,449,123
	$70,716,662
Operating Profit Before Depreciation, Depletion, etc.	$ 2,505,515

MACK TRUCKS, INC.

Total sales	$268,603,032
Less excise taxes	14,815,108
Net sales	253,787,924
Cost of goods sold	222,970,674
Selling, general and administrative expenses	17,778,254
	240,748,928
	$ 13,038,996

UNITED SHOE MACHINERY CORPORATION

Gross Operating Income:	
Machine and merchandise sales and other operating income, including sales of machines outstanding under lease, $4,273,474	$61,358,814
Leased machinery revenues	26,607,734
	87,966,548
Cost of Sales	39,649,410
Other Costs and Expenses	34,642,795
(Depreciation, $6,103,337)	74,292,205
Profit from Operations	$13,674,343

WILSON & CO., INC.

Net Sales and Operating Revenues	$683,671,204
Dividends received from foreign subsidiary companies	1,189,432
Miscellaneous other income	172,601
	$685,033,237
Less:	
Cost of goods sold, including outgoing freight and provision for replacement of "last-in, first-out" inventories but excluding items below	$622,820,488
Selling, general and administrative expenses	40,538,090
Depreciation	2,797,647
Taxes (other than federal taxes on income)	3,468,515
Interest charges	1,022,506
Provision for federal taxes on income	6,625,000
	$677,272,246
Net Income for the Year	$ 7,760,991

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold	1958	1957	1955	1950
Income Statement Presentation—				
Single total amount for:				
Cost of goods sold (*Co. Nos. 5, 25, 33, 264, 357, 445)	347	338	318	354
Manufacturing cost of goods sold (*Co. Nos. 112, 208, 244, 463)	15	20	22	15
Cost of goods sold together with other expenses (*Co. Nos. 225, 242, 313, 338, 342, 435)	195	213	226	175
Cost of goods sold shown in:				
Separate elements of cost (*Co. Nos. 10, 169, 238, 280, 321)	23	5	5	13
Detailed section therefor (*Co. No. 279)	1	1	2	2
	581	577	573	559
Not shown in statement—				
Initial item is:				
Gross profit (*Co. Nos. 149, 256, 417, 423, 491)	9	10	14	23
Operating profit (*Co. Nos. 216, 453, 575)	6	10	11	15
No income statement (*Co. Nos. 209, 266, 426, 577)	4	3	2	3
	19	23	27	41
Total	600	600	600	600
Gross Profit				
Income Statement Presentation—				
As initial item of gross profit (*Co. Nos. 48, 96, 256, 417)	9	10	14	23
With single total amount:				
Designated "gross profit" (*Co. Nos. 88, 227, 255, 377, 445, 579)	90	99	110	123
Identifiable as "gross profit" (*Co. Nos. 60, 118, 224, 283, 452, 465)	32	27	26	25
	131	136	150	171
Not shown in statement (*Co. Nos. 95, 191, 245, 535, 578, 593)	459	451	437	411
Initial item is operating profit (*Co. Nos. 66, 425, 575)	6	10	11	15
No income statement (*Co. Nos. 209, 266, 426, 577)	4	3	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

COST OF GOODS SOLD AND GROSS PROFIT

FALSTAFF BREWING CORPORATION

Sales	$142,593,421
Less federal excise tax	40,337,925
Net sales	$102,255,496
Cost of goods sold	67,310,811
Gross profit	$ 34,944,685

METAL & THERMIT CORPORATION

Sales, less discounts and allowances	$35,282,290
Cost of sales	27,257,986
Gross profit	$ 8,024,304

PFEIFFER BREWING COMPANY

Sales	$23,646,979
Less, Federal and state excise taxes	8,856,107
Net sales	14,790,872
Cost of sales	11,102,324
Gross profit	$ 3,688,548

PIPER AIRCRAFT CORPORATION

Sales	$27,108,550
Cost of sales	20,549,694
Gross profit from sales	$ 6,558,856

PITTSBURGH BREWING COMPANY

Sales	$24,944,869
Less: Federal and State excise taxes	9,495,511
Net sales	$15,449,358
Cost of sales	10,609,619
Gross profit	$ 4,839,739

COST OF GOODS SOLD INCLUDED IN COSTS AND EXPENSES

LIGGETT & MYERS TOBACCO COMPANY, INC.

Costs and Expenses:	
Cost of goods sold, selling, administrative and general expenses	$480,839,626
Provision for depreciation	3,707,895
Interest and amortization on funded debt	2,641,303
Interest on bank loans	1,371,583
Miscellaneous	16,231
Provision for Federal income tax	34,100,000
Provision for State income and franchise taxes	2,589,000
Total Costs and Expenses	$525,265,638

P. LORILLARD COMPANY

Revenues:	
Net sales	$479,120,409
Other	358,192
Total	479,478,601
Costs and Expenses:	
Cost of goods sold, selling, advertising, and administrative expenses	417,838,982
Interest	4,009,536
Federal and State income taxes	30,593,000
Total	452,441,518
Net Earnings	$ 27,037,083

McCORMICK & COMPANY, INCORPORATED

Net sales	$38,912,707
Other income	186,532
	$39,099,239
Deductions from Income:	
Cost of sales, selling, and general administrative expenses	$37,421,372
Interest on notes and debentures	178,212
Contribution to Employees' Retirement Income Trust	66,600
Miscellaneous deductions	9,329
Provision for Federal and State taxes on Income	715,000
	$38,390,513
Net income for the year	$ 708,726

PFAUDLER PERMUTIT INC.

Net Sales	$33,287,418
Cost of Products Sold and Operating Expenses	31,814,173
	$ 1,473,245
Other Income:	
From foreign subsidiaries not consolidated and foreign associated corporations:	
Dividends	40,569
Commissions, license and management fees	430,338
Earnings of wholly-owned German subsidiary before German taxes on income	929,185
From domestic associated corporation—dividends	50,000
Interest and discounts earned, commissions and sundry other income	203,489
	$ 1,653,581
Other Deductions:	
Interest charges—long-term debt	123,518
Interest charges—other	19,390
Sundry other charges	114,149
	$ 257,057
Earnings Before Taxes on Income	$ 2,869,769

COST OF GOODS SOLD SHOWN IN DETAILED SECTION THEREFOR

HAMILTON WATCH COMPANY

Sales, net of returns, allowances and discounts		$22,281,112
Cost of goods sold:		
Inventories, beginning of year	$ 7,094,155	
Materials, labor and overhead	17,687,584	
Depreciation and amortization	328,736	
	25,110,475	
Inventories, end of year	8,750,007	
		16,360,468
Gross profit		$ 5,920,644

COST OF GOODS SOLD SHOWN IN SEPARATE ELEMENTS OF COST

ALCO PRODUCTS, INCORPORATED

Net sales	$138,368,697
Cost of products sold and operating expenses:	
Materials and services from others	87,078,902
Wages, salaries, life, health and unemployment insurance, pension and old age benefits, etc.	40,472,778
Wear and obsolescence of facilities (depreciation)	1,809,152
	129,360,832
Operating income	$ 9,007,865

UNITED STATES GYPSUM COMPANY

Income:	
Net sales	$265,763,385
Interest income	2,111,556
Royalties and miscellaneous income (net)	1,344,482
Total income	$269,219,423
Costs and Expenses:	
Cost of products sold—	
Plant wages and salaries	$ 48,778,409
Materials, services and other costs	104,216,703
Provision for depletion and plant depreciation	8,077,205
Total	$161,072,317
Selling, general and administrative expenses	28,694,725
Total costs and expenses	$189,767,042
Earnings Before Taxes on Income	$ 79,452,381

GROSS PROFIT AS INITIAL ITEM

THE AMERICAN SHIP BUILDING COMPANY

Gross income after deducting costs and expenses and estimated contract losses exclusive of expenses shown below		$1,390,038
Deduct:		
Administrative and general expenses	$1,698,280	
Provision for depreciation and amortization	462,590	
Taxes—state, county, and miscellaneous including payroll taxes	548,224	
Workmen's compensation and hospitalization benefits	440,059	
Other deductions	94,922	3,244,075
		($1,854,037)
Other income		55,859
		($1,798,178)

THE BILLINGS & SPENCER COMPANY

Gross operating profit from sales	$2,045,288.16
Selling, administrative and general expenses	1,434,600.58
Net Operating Profit	$ 610,687.58

THE COCA-COLA COMPANY

Gross Profit	$174,511,277
Selling, administrative and general expenses	107,004,427
Operating Profit	$ 67,506,850

GENERAL RAILWAY SIGNAL COMPANY

Gross operating income, before deduction of depreciation	$5,574,736
Deduct:	
Depreciation of buildings, machinery and equipment	218,703
Selling, general and administrative expenses	2,443,387
	2,662,090
Net operating income	$2,912,646

THE PARKER PEN COMPANY

Gross Income on Sales (Net sales less manufacturing cost of products sold)	$13,679,665
Selling, and general and administrative expenses	12,407,847
Income from Operations	$ 1,271,818

GROSS PROFIT PRESENTED WITH A SINGLE TOTAL AMOUNT IDENTIFIABLE AS "GROSS PROFIT"

BURLINGTON INDUSTRIES, INC.

Net Sales	$651,461,056
Cost of Sales, exclusive of depreciation and amortization	554,926,727
	96,534,329
Selling, Administrative, and General Expenses	44,789,269
Depreciation and Amortization	19,785,090
	64,574,359
	31,959,970

EX-CELL-O CORPORATION

Sales and gross income from leased machines	$123,844,102
Cost of sales, including costs relating to leased machines	94,555,057
	29,289,045
Selling, administrative and general expenses	10,536,347
	18,752,698
Other income—net	359,192
Interest charges	(783,303)
Earnings before taxes on income	18,328,587
U.S. and foreign taxes on income, estimated	9,600,000
Net earnings	$ 8,728,587

THE RELIANCE ELECTRIC AND ENGINEERING COMPANY

Net sales	$70,590,510
Cost of products sold	49,081,318
	$21,509,192
Selling, engineering, administrative, and general expenses	14,335,590
	$ 7,173,602
Other income:	
Adjustment of certain reserves and miscellaneous items—net	238,335
Interest earned	197,260
	$ 7,609,197
Interest expense	147,608
Income Before Taxes on Income	$ 7,461,589

COST OF MATERIALS—PRESENTATION

Of the 600 survey companies, 178 referred to the cost of materials in their 1958 reports. The methods of presentation used by the survey companies to show the cost of materials in their 1958 reports are summarized in Table 3. Only two of the survey companies referred to the inventory figures in their annual reports. *Company numbers 130 and 279 presented the opening and closing inventory figures on the Income Statement.

The trend over the past eight 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:

Presentation in Income Statement

CATERPILLAR TRACTOR CO.

Sales	$585,163,522
Costs:	
Inventories brought forward from previous year	$230,937,886
Materials, supplies, services purchased, etc.	275,459,476
Wages, salaries and contributions for employee benefits	163,977,657
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation and amortization)	27,710,165
Interest on borrowed funds	4,640,021
United States and foreign taxes based on income	26,123,106
	$728,848,311
Deduct: Inventories carried forward to following year	175,387,896
Costs allocated to year	553,460,415
	$ 31,703,107
Profit of Caterpillar Credit Corporation	536,724
Profit for Year—Consolidated	$ 32,239,831

MARSHALL FIELD & COMPANY

Net Sales	$219,011,532
Deduct:	
Materials and services purchased from others	$142,764,889
Wages, salaries and employe benefit costs	54,080,855
Provision for depreciation and amortization	3,573,023
Taxes, other than social security and Federal income taxes	2,786,845
Net interest expense	187,810
Federal income taxes	8,041,000
	$211,434,422
Net Income for the Year	$ 7,577,110

*Refer to Company Appendix Section.

TABLE 3: COST OF MATERIALS

Presentation in Income Statement	1958	1957	1955	1950
With single total amount for—				
Materials and services purchased (*Co. Nos. 11, 80, 138, 280, 321, 460)	15	20	23	15
Materials purchased (*Co. Nos. 276, 378, 414, 441, 516, 517)	6	9	6	6
Materials used (*Co. Nos. 238, 548)	3	5	5	3
Materials, together with other costs (*Co. Nos. 86, 94, 169, 289, 427, 560)	32	21	22	22
	56	55	56	46
Disclosed Elsewhere in Report				
In notes to financial statements	—	—	1	2
In supplementary statements or schedules (*Co. Nos. 47, 105, 232, 315, 412, 430)	67	59	66	91
	67	59	67	93
In Graphic Presentation				
With dollar amount shown therein (*Co. Nos. 70, 228, 254, 322, 339, 512)	10	16	20	18
With dollar amount not shown therein (*Co. Nos. 15, 132, 235, 278, 515, 581)	45	44	51	66
	55	60	71	84
Number of Companies				
Referring to material costs	178	174	194	223
Not referring to material costs	422	426	406	377
Total	600	600	600	600

*Refer to Company Appendix Section.

FOREMOST DAIRIES, INC.

Costs and Expenses:	
Cost of materials	$260,076,820
Manufacturing labor and expense	35,644,003
Selling and delivery expense	75,702,096
General and administrative expense	17,615,012
Total	$389,037,931

STANDARD OIL COMPANY (INDIANA)

Income:	
Sales and operating revenues	$1,863,989,636
Dividends, interest, and other income	18,451,373
Total income	$1,882,441,009
Deductions:	
Purchased crude oil, petroleum products, and other merchandise	$ 869,045,374
Operating, selling, and administrative expenses	647,277,885
Taxes, other than income taxes (not including taxes amounting to $368,861,000 collected from customers for government agencies)	56,433,142
Depreciation, and amortization of emergency facilities	102,572,016
Depletion, amortization of drilling and development costs, and retirements and abandonments	66,121,101
Interest expense	12,370,943
Federal and other taxes on income	8,313,000
Total deductions	$1,762,133,461
Net earnings before special charges	$ 120,307,548

HAMILTON WATCH COMPANY

Sales, net of returns, allowances and discounts	$22,281,112
Cost of goods sold:	
Inventories, beginning of year	$ 7,094,155
Materials, labor and overhead	17,687,584
Depreciation and amortization	328,736
	25,110,475
Inventories, end of year	8,750,007
	16,360,468
Gross profit	5,920,644
Selling and administrative expenses (including depreciation of $18,970)	4,564,320
Profit from operations	1,356,324
Other income or (deductions), net	20,720
Income before provision for taxes on income	$ 1,377,044

RADIO CORPORATION OF AMERICA

Products and Services Sold	$1,176,094,398
Cost of Operations:	
Wages and salaries	425,536,404
Pensions, social security taxes, insurance and other employee benefits	26,731,613
Total Employment Costs	452,268,017
Materials and Services Bought from Others	625,614,923
Depreciation and Patent Amortization	22,157,341
Interest on Long Term Debt	8,329,884
State, Local and Miscellaneous Taxes	7,282,484
	$1,115,652,649
Profit Before Federal Taxes on Income	$ 60,441,749

UNITED-GREENFIELD CORPORATION

Sales, less returns and allowances	$39,037,600
Costs and expenses:	
Cost of materials, labor, supplies, etc.	24,055,706
Depreciation and amortization	1,375,267
Selling, general and administrative expenses	9,039,255
Taxes, other than Federal taxes on income	1,214,270
Federal taxes on income	1,717,000
	37,401,498
Net income for the year	$ 1,636,102

In Supplementary Statements or Schedules

NORTH AMERICAN AVIATION, INC.

Review and Comments

Costs and Expenses— . . . Approximately $385,000,000 was paid for goods and services purchased from other firms. During the 1958 fiscal year, the company placed purchase orders with more than 10,000 firms throughout the nation. Of these firms, 8,500 were in the small business category employing 500 or fewer people.

PARKE, DAVIS & COMPANY

Operations in Brief

We paid out or provided	
For wages and salaries, including employee benefit plans and payroll taxes	$ 50,653,330
For materials, services, supplies, and other expenses	64,745,324
For depreciation and obsolescence	3,379,658
For taxes other than payroll taxes	29,604,615
Total costs	$148,382,927

PENNSALT CHEMICALS CORPORATION

Disposition of Gross Income

	Dollar Amount	Per Share
Gross Income	$78,461,997	$61.02
The above was disposed of as follows:		
1. Compensation to Employees	$19,644,431	$15.28
2. Pensions to Former Employees	302,800	.24
3. Taxes to Federal, State, and Local Governments	4,944,673	3.85
4. Purchase of Raw Materials and other operating costs	43,269,526	33.64
5. Amount set aside to replace buildings, equipment and other capital assets (i.e., depreciation)	6,624,819	5.15
Sub-total	$74,786,249	$58.16
Net Earnings	$ 3,675,748	$ 2.86

EMPLOYMENT COSTS—PRESENTATION

Wages or employment costs were presented in the income statements by only 46 of the 600 survey companies in their 1958 annual reports. Most of the companies which indicated such costs in their income statements also referred to pension or retirement costs (*Co. Nos. 86, 153, 202, 378, 460, 560).

TABLE 4: EMPLOYMENT COSTS

Presentation in Income Statement	1958	1957	1955	1950
With single total amount for—				
Wages and salaries (*Co. Nos. 289, 324, 444, 460, 511, 565)	10	12	10	13
Wages, salaries, and employee benefits (*Co. Nos. 28, 103, 169, 280, 378, 589)	15	13	16	13
Wages and salaries together with certain unrelated costs (*Co. Nos. 26, 29, 50, 238, 427, 560)	11	8	15	10
In separate section detailing employee costs (*Co. Nos. 63, 153, 321)	10	9	11	6
	46	42	52	42
Disclosed Elsewhere in Report				
In notes to financial statements	—	1	3	3
In supplementary statements or schedules (*Co. Nos. 47, 57, 221, 268, 301, 414)	157	140	154	151
In letter to stockholders (*Co. Nos. 115, 267, 270, 309, 459, 558)	27	34	17	25
	184	175	174	179
In Graphic Presentation				
With dollar amount shown (*Co. Nos. 275, 339, 398, 512, 551, 593)	11	13	23	17
With dollar amount not shown (*Co. Nos. 9, 43, 152, 354, 433, 536)	26	34	30	54
	37	47	53	71
Number of Companies				
Showing employment costs	267	264	279	292
Not showing employment costs	333	336	321	308
Total	600	600	600	600

*Refer to Company Appendix Section.

Employment costs were presented by 221 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, 63, 153, 172, 569) referred to supplemental unemployment benefit plans.

The various methods of presentation of employment costs used by the survey companies in their 1958 annual reports are summarized in Table 4.

Examples

The following examples illustrate the various presentations of employment costs found in the annual reports for 1958.

Income Statement Presentation

ALCO PRODUCTS, INCORPORATED

Net sales	$138,368,697
Cost of products sold and operating expenses:	
Materials and services from others	87,078,902
Wages, salaries, life, health and unemployment insurance, pension and old age benefits, etc.	40,472,778
Wear and obsolescence of facilities (depreciation)	1,809,152
	$129,360,832
Operating income	$ 9,007,865

CONTINENTAL OIL COMPANY

Receipts:	
Sales and services (including excise taxes)	$665,934,803
Dividends, interest and other income	5,535,095
	$671,469,898
Costs, Expenses and Taxes:	
Crude oil, products, materials and services purchased	$379,655,113
Federal, state and other taxes	92,358,406
Salaries, wages and employee benefits	69,744,642
Intangible development costs	33,904,717
Depreciation and retirements	28,198,439
Surrendered leases	8,310,783
Depletion	2,799,185
Interest and debt expense	5,033,242
Provision for loss on foreign investments and advances	4,000,000
	$624,004,527
Net Income	$ 47,465,371

*Refer to Company Appendix Section.

CLEVITE CORPORATION

Revenues:	
Sales of product	$63,354,991
Royalties, interest and other revenues	1,365,798
Total revenues	$64,720,789
Costs:	
Wages, salaries, and company contributions for group, hospital and unemployment insurance and old age and retirement benefits (Note 7)	$30,544,358
Raw materials, supplies and services purchased, and other expenses	24,564,416
Portion of cost of buildings, machinery and equipment applied to operations as depreciation	2,784,526
Real estate and other taxes	928,243
Federal and foreign taxes on income	2,790,000
Total costs	$61,611,543
Profit for Year	$ 3,109,246

Note 7: Retirement Income Plans—The Corporation and its Canadian operating subsidiary have in effect contributory, trusteed retirement income plans for salaried employees and non-contributory, trusteed plans for hourly employees. In 1958, an amount of $1,024,128 was paid into the trusts and charged against income. The unfunded past service liability at December 31, 1958 was estimated to be $4,909,000.

UNITED STATES STEEL CORPORATION

Products and services sold	$3,472,177,091
Costs:	
Employment costs:	
Wages and salaries	1,344,531,193
Pensions and other employe benefits (details on page 21)	143,992,032
	1,488,523,225
Products and services bought	1,085,609,337
Wear and exhaustion of facilities	204,899,055
Interest and other costs on long-term debt	11,471,668
State, local and miscellaneous taxes	95,115,575
Estimated United States and foreign taxes on income	285,000,000
Total	$3,170,618,860

Pages 20-21: Group Insurance Benefits—Under the U. S. Steel group insurance plans, beneficiaries of active and retired employes received death benefits of about $13.0 million in 1958 and $13.1 million in 1957. At the year end approximately 227,000 active and retired employes were insured for about $1,479 million of life insurance. Accident, sickness, hospital, surgical, in-hospital medical and major medical benefits of $31.2 million were received during 1958 by employes or their families under the U. S. Steel insurance plans.

Cost of Employe Benefits

Pension costs	
Non-contributory part of pension plan	
Funding of current service cost (including interest on past service cost)—see below	$ 85,502,658
Funding of portion of past service cost	—
Funding of past service cost in prior years used for current service cost (included in $85,502,658 above)	60,984,345
Total non-contributory pension costs	24,518,313
Contributory part of pension plan—current service cost	8,777,821
Total pension costs	33,296,134
Social security taxes	34,669,605
Insurance costs	26,291,921
Supplemental unemployment benefit costs	12,419,192
Savings fund costs	11,065,077
Payments to industry welfare and retirement funds and other employe benefit costs	26,250,103
Total cost	$143,992,032

HARBISON-WALKER REFRACTORIES COMPANY

Revenues:	
Products sold	$79,161,939
Dividends, interest and other income	345,950
	$79,507,889
Costs:	
Wages, salaries, social security taxes, pensions and insurance (Note 2)	$27,997,132
Materials, supplies and services purchased	29,687,653
Depreciation and depletion	4,424,870
Interest	292,249
Foreign, state and local taxes	1,948,749
Federal income taxes, less refund in 1958	5,806,119
Minority interest in subsidiaries' income	620,026
	$70,776,798
Net Income for the Year	$ 8,731,091

Note 2: Pension Plans—The Company contributed $1,369,945 for 1958 service cost and $147,523 for interest on unfunded past service cost under its pension plans. The unfunded past service cost of the plans at December 31, 1958 was actuarially estimated at $5,440,000.

HERCULES POWDER COMPANY

Gross Sales and Operating Revenues	$245,419,343
(Net Sales and Operating Revenues: 1958—$236,512,725)	
Other Income—Net	935,298
Total	$246,354,641
Costs:	
Purchased materials and services	121,054,869
Wage and salary costs	69,960,051
Depreciation and amortization	14,573,129
U.S. and foreign taxes on income	19,059,942
Other taxes	4,197,703
Total	$228,845,694
Net Income	$ 17,508,947

THE E. KAHN'S SONS COMPANY

Net Sales	$39,027,236
Expenses:	
Livestock, merchandise and supplies	$29,985,409
Wages and salaries	4,846,651
Employee benefits including fringes	1,358,371
Depreciation and repairs	684,767
Taxes—city, county and state	117,161
Federal income tax	276,793
Other costs and expenses	1,456,772
Total Expenses	$38,725,924
Net Income for the Year	$ 301,312

SPRAGUE ELECTRIC COMPANY

Net Sales after deducting cash discounts of $465,427		$43,193,717
Other Income		344,392
Total Income		$43,538,109
Costs and Other Charges:		
Raw materials, power, fuel and other purchased items and services	$17,651,642	
Wages and salaries	20,019,574	
Taxes, including Federal income taxes of $1,406,400	2,487,799	
Depreciation of plant and equipment and amortization of intangible assets	1,551,418	
Interest on borrowed money	65,957	41,776,390
Net Income after All Costs and Taxes		$ 1,761,719

Disclosed Elsewhere

FANSTEEL METALLURGICAL CORPORATION

1958 in Brief

Consolidated net sales amounted to	$25,982,767
We provided for federal taxes on income	1,436,000
Per share of stock	1.71
We earned for our stockholders	1,357,480
Per share of stock	1.62
We paid our stockholders in dividends per share of stock:	
In cash	1.00
In stock	3%
Earnings reinvested in business	542,462
We paid our employees in wages, salaries, group insurance, and other benefits	11,085,692
Long-term debt at December 31 amounted to	6,500,000
Net working capital at December 31 was	13,282,417
Plant and equipment at December 31 had a book value of:	
Gross	19,622,498
Net after depreciation reserve	13,045,513
Backlog of unfilled orders, including research contracts, at December 31 amounted to approximately	$ 7,800,000

PHILLIPS PETROLEUM COMPANY

Source and Disposition of Funds

We received from	
Sale of products and services, and other income	$1,072,867,267
We paid out for	
Materials, products, and services	653,571,800
Federal, state, and local taxes	45,545,666
Wages, commissions, and employee benefits	161,804,921
Total costs and expenses before depreciation, depletion, amortization, and retirements	860,922,387
We had left from operations	$ 211,944,880

THE TORRINGTON COMPANY

To the Stockholders

Wages, salaries, pensions, group insurance, and other payments made to or for the benefit of our employees in the United States and Canada amounted to $23,955,989 for the year. This figure includes $934,697 paid into our pension trust funds.

PENSION AND RETIREMENT PLANS

The 600 survey companies included 393 which indicated that there were pension or retirement plans in operation during 1958; the remaining 207 companies made no reference to the existence of such plans. Fourteen of the survey companies stated in their 1958 reports that they had adopted new pension plans during the year (*Co. Nos. 7, 31, 70, 136, 409, 558), and 38 companies disclosed new plans which either supplemented or replaced pension plans previously in effect (*Co. Nos. 14, 122, 192, 341, 406, 527).

Twenty-nine of the companies that had referred to pension plans in their 1957 reports made no reference to such plans in their 1958 reports. Approximately 63% of the plans mentioned in the 1958 reports were described as being funded or partially funded. Approximately 4% of the plans were stated to be unfunded; the remaining 33% gave no descriptive information.

*Refer to Company Appendix Section.

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 1958 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 1958 reports. Extensive references are given at the foot of the table to companies disclosing various pension plans.

Examples

The following examples illustrate the various presentations and data supplied by the survey companies in their 1958 annual reports concerning pension and retirement plans.

Current Service Costs Funding With Installment Funding of Past Service Costs

THE MEAD CORPORATION

Notes to Financial Statements

Note H: Employees' Retirement Plans—The liability of the Corporation and an unconsolidated subsidiary for unfunded past service obligations is estimated at $1,050,000 at December 28, 1958 and $90,000 was paid for funding thereof during 1958.

THE NEW YORK AIR BRAKE COMPANY

Notes to Financial Statements

Note C: The Stockholders in 1958 approved contributory pension plans for salaried employees of the Company and union employees of one of its divisions. At December 31, 1958 the unfunded past service cost of these plans was approximately $2,000,000. Charges to income in 1958 under these plans amounted to $252,000, of which $108,000 was applicable to the past service cost. Also in 1958 the Stockholders approved a Contributory Savings and Profit Sharing Plan for eligible employees. In accordance with the terms of the Plan, the Board of Directors authorized a contribution of $25,000 in 1958, although no contribution was called for under the formula.

SOCONY MOBIL OIL COMPANY, INC.

Financial Review

Employee Benefit Plans—We made no changes last year in our domestic employee benefit plans. During the year, we paid $6.9 million as the second annual installment of past-service costs arising from domestic Retirement Annuity Plan changes made in 1957. These costs are being funded over a period of 20 years.

In foreign countries, various company-administered, non-funded, non-contributory plans and a few insured plans are in effect. These plans (some of which were modified in 1958) provide benefits for employees not eligible to participate in the company's domestic plans. In general, the estimated costs under these plans, to December 31, 1958, are provided for in the Reserve for Retirement and Separation Benefits. Estimated costs of a few plans have been funded or are being funded (amounts not significant) over a period of years.

TEXTRON INC.

Notes to Financial Statements

Note H: Pension and Profit Sharing Plans—Textron and certain of its consolidated subsidiaries are parties to a non-contributory pension plan to provide eligible employees with retirement and death benefits. Eligible employees include salaried employees of certain divisions and subsidiaries who are exempt from the overtime provisions of the Fair Labor Standards Act of 1938 and certain other salaried employees who became eligible under the plan as previously in effect. The Textron Pension Plan is fully funded and no payments are required for 1958.

Six divisions have separate non-contributory pension plans for the benefit of certain of their divisional employees who are not covered by the Textron Pension Plan. With respect to the divisional plans, the unfunded past service cost at January 3, 1959, was estimated at $8,176,000. The annual cost is estimated at $935,000, including past service costs.

Textron has a profit sharing plan which was established in 1951. Employees of divisions and subsidiaries which are included in the plan by action of the Board of Directors are entitled to participate provided that such persons do not receive compensation at more than regular rates for overtime work under the Fair Labor Standards Act of 1938. Three divisions (none of which is included under Textron's Profit Sharing Plan) have separate profit sharing plans for the benefit of their divisional employees.

With Funding for Past Service Costs Completed

ALPHA PORTLAND CEMENT COMPANY

Other Assets:

Unamortized payments under retirement plans, etc. (Note B) $405,245

Note B: During 1958 benefits under the non-contributory retirement plan for hourly employees were increased. After considering a 1958 prepayment of $127,967, unamortized at December 31, the estimated amount necessary to fund past service costs of this plan at December 31, 1958 was $892,000.

The past service cost of the contributory retirement plan for salaried employees has been paid in full under a group annuity contract and is being amortized over the period, ending in 1960, in which it is deductible for Federal income tax purposes. The balance to be amortized at December 31, 1958 with respect to this plan was $203,337. The Directors have adopted, subject to stockholder approval, an amendment to this plan, which among other things will increase benefits under the plan, giving rise to additional past service costs estimated by the actuary to be approximately $1,000,000.

Pension costs charged to income were $738,274 for 1958 and $669,494 for 1957.

AMERICAN CHICLE COMPANY

Other Assets:

Deferred Charges and Insurance Deposits (Note C) $2,343,168

Note C: Supplemental Pension Plan—On March 25, 1958, the stockholders approved a Supplemental Pension Plan designed to provide additional retirement benefits for eligible employees, which plan has since been approved by the Treasury Department. In this connection, the Company made a payment to the Trustee of $782,316 for accrued past service liability and $15,903 for future service cost to December 31, 1958. The past service cost is being amortized over a period of ten years. The unamortized past service cost, as at December 31, 1958, of $704,085 is included in deferred charges on the accompanying consolidated balance sheet. The future service cost and the amount of $78,231 past service cost amortization was charged to current year's operations.

THE GILLETTE COMPANY

Other Assets:

Prepayments under Retirement Plan (page 12) $1,344,575

Page 12: Retirement Plan—The Company and its domestic subsidiaries have in effect a non-contributory retirement income plan. Substantially the entire amount of past service liabilities under the Plan as determined by the actuaries has been paid to the Trustee. Such payments have been charged to income only to the extent allowable for tax purposes under Federal income tax law. The balance not yet charged to income, $1,344,575, is carried in the balance sheet as a prepaid account and will be charged against income in future years as and to the extent allowable for Federal income tax purposes. Various pension and retirement plans are in effect for certain subsidiaries operating in foreign countries.

TABLE 5: PENSION AND RETIREMENT PLANS

	Charge to Income Set Forth for †:						
	Current and Past Service Costs:						
Funded or Partially Funded Plans	Shown Combined	Shown** Separately	Current Service Costs	Pension Costs	Pension Costs With Other Expenses	Charges Not Set Forth	Total 1958 Plans
A. Current funding of current service costs with installment funding of past service costs	82	34	6	4	2	7	135
B. Current funding of current service costs with funding completed for past service costs	6	2	6	1	—	7	22
C. Current funding of current service costs with past service costs not to be funded	6	0	14	1	2	2	25
Basis of funding not disclosed	11	3	2	42	3	18	79
	105	39	28	48	7	34	261
D. *Unfunded plans* with related costs to be absorbed at time of retirements or as benefits are paid	2	7	1	4	—	2	16
Unidentified plans with no reference made to funding or nonfunding of related costs	6	4	1	58	13	51	133
Total	113	50	30	110	20	87	410
†Charge to Income Set Forth in:							
E. Statement of Income	25	7	7	43	14	—	96
F. Notes to financial statements	77	38	22	38	0	—	175
G. Supplementary schedules	2	1	—	10	3	—	16
H. Letter to stockholders	9	4	1	19	3	—	36
Charges Not Set Forth for:							
Funded pension or retirement plans	—	—	—	—	—	34	34
Unfunded pension or retirement plans	—	—	—	—	—	2	2
Unidentified pension or retirement plans	—	—	—	—	—	51	51
Total	113	50	30	110	20	87	410

Number of Companies	1958
Referring to pension or retirement plans:	
Disclosing related costs	299
Not disclosing related costs	94
	393
Not referring to pension or retirement plans	207
Total	600

Number of Pension or Retirement Plans	1958
Adopted during year	14
Amended during year	38
Continued as adopted in prior year	358
Total	410

*Refer to Company Appendix Section—
A: *Co. Nos. 18, 299, 410, 585
B: *Co. Nos. 32, 211, 382
C: *Co. Nos. 24, 323, 562
D: *Co. Nos. 151, 430, 463
E: *Co. Nos. 47, 189, 569
F: *Co. Nos. 124, 220, 406
G: *Co. Nos. 164, 259, 576
H: *Co. Nos. 18, 128, 267

**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.

EASTMAN KODAK COMPANY
Notes to Financial Statements

Note: 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 respect to earnings of most employees with twelve or more years of service. For United States employees, the total cost in 1958 was $21,600,000, which includes certain supplemental payments made by the company.

With Past Services Not Funded

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
Notes to Financial Statements

Note 5: Contributions toward the cost of the Non-Contributory Pension Plan totaled $3,174,545 in 1958 and $2,937,750 in 1957. Amendments in 1958 raised the minimum benefits, thereby increasing the estimated unfunded past service cost to $20,000,000. No provision has been made in the accounts of the Company for unfunded past service cost.

THE CARPENTER STEEL COMPANY
Notes to Financial Statements

Note E: Retirement and Pension Plans—Each of the companies has a General Retirement Plan and a Pension Plan, under which the benefits are generally in conformance with those prevailing in the industry. In accordance with the terms of the respective plans, charges against income have been made which provide for full funding of current service and the payment of interest on prior service liability at the rate of 3¼% per annum (2½% per annum on the Pension Plan of the parent company). The assets of the funds are in the custody of independent trustees appointed under the plans.

The prior service liability under the plans at June 30, 1958 based upon estimates by the consulting actuary for the companies, is as follows:

The Carpenter Steel Company	$4,729,250*
Carpenter Steel of New England, Inc.	1,130,214
Total	$5,859,464

*This amount has increased $1,576,670 since the end of the last fiscal year as a result of increased pension benefits negotiated in the steel industry, effective November 1, 1957.

The aggregate charges against income under these plans were as follows:

The Carpenter Steel Company	$854,854
Carpenter Steel of New England, Inc.	39,693
Total	$894,547

COLLINS RADIO COMPANY
Notes to Financial Statements

Note 8: Retirement Plan—The parent company has a non-contributory pension plan covering all of its employees and the salaried employees of Communication Accessories Company. During the year, those companies made a provision of $1,475,000 to cover current service cost and interest on the unfunded cost of past service requirements. At July 31, 1958, the unfunded cost of past service requirements amounted to $1,236,000. Payments to the trust fund are at the discretion of the parent company.

HARBISON-WALKER REFRACTORIES COMPANY

Wages, salaries, social security taxes, pensions and insurance (Note 2)	$27,997,132

Note 2: Pension Plans—The Company contributed $1,369,945 for 1958 service cost and $147,523 for interest on unfunded past service cost under its pension plans. The unfunded past service cost of the plans at December 31, 1958 was actuarially estimated at $5,440,000.

Unfunded Plans

THE AMERICAN TOBACCO COMPANY
Notes to Financial Statements

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 $1,000,140 in 1958 and $922,509 in 1957. Substantially larger annual expenditures would be required to fund the Plan.

BLAW-KNOX COMPANY
Costs and Expenses:

Retirement plans	$2,175,781

Notes to Financial Statements

Note: Retirement Plans—Costs are charged to operations and paid to the trustees of the plans as determined by the Board of Directors.

CONSOLIDATION COAL COMPANY

Supplemental retirement fund payment—Note F	$130,000

Note F: Supplemental Retirement Fund—The Company and certain subsidiaries have established a special fund known as the "Supplemental Retirement Account" to be used to pay such supplemental retirement benefits to such employees as may be determined by the Company's Board of Directors or its Executive Committee within the limits prescribed by the Board's resolutions. The Board of Directors of each of the companies has reserved the right to amend or rescind the aforementioned resolutions or any action taken pursuant thereto. At December 31, 1958, the unexpended balance in the Supplemental Retirement Account, which is not included in the balance sheet, amounted to $3,663,332.

DEPLETION

Annual Charge

An annual charge for depletion was disclosed by 116 survey companies in the 1958 reports. An additional six companies presented accumulated depletion accounts in their balance sheets but made no reference to an annual depletion charge in their income statements (*Co. Nos. 140, 247, 332, 430, 435, 454). 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, 102 companies made no reference to the method or basis used in the determination of the amount provided. Twenty-three companies disclosed both basis and method used for computing depletion, of which eight companies indicated use of the unit-of-production method (*Co. Nos. 23, 59, 62, 438, 450, 456, 501, 534) while six companies indicated use of the cost method (*Co. Nos. 56, 123, 341, 353, 519, 530) and nine companies indicated use of the percentage method for tax purposes (*Co. Nos. 20, 147, 323, 341, 353, 402, 433, 441, 449). One company (*Co. No. 553) mentioned that depletion rates, based upon estimated productive or useful life expectancies, were applied under various methods. Three companies reported net income for the year "without deduction for depletion" of metal mines.

The treatment of intangible drilling and/or development costs, or exploration costs, was discussed by approximately 20% of the survey companies which referred to depletion in their reports.

Examples

Examples selected from the 1958 annual reports illustrating the methods used to disclose depletion in the accounts are as follows:

Presentation in Income Statement

AMERICAN SMELTING AND REFINING COMPANY
Deductions:

Selling and administrative expenses	$ 8,863,436
Research expenses and exploration expenses for new mines	4,589,096
State income and franchise taxes	447,709
Depreciation	9,157,600
Depletion	1,108,055
Total Deductions	$24,165,896

*Refer to Company Appendix Section.

TABLE 6: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement	1958	1957	1955	1950
Listed among other costs with single total amount for—				
Depletion (*Co. Nos. 24, 49, 56, 123, 169, 177, 195, 222, 257, 311, 438, 441, 532)	14	13	16	24
Depletion and depreciation (*Co. Nos. 10, 307, 321, 341, 353, 433, 446, 459, 479, 521, 534, 565, 586)	36	33	32	35
Depletion, amortization, and depreciation (*Co. Nos. 14, 299, 302, 373, 404, 414, 428, 449, 450, 516, 540, 551, 568)	29	33	30	12
Depletion and amortization	—	3	4	4
Combined with other costs or expenses (*Co. Nos. 23, 144, 276, 494, 501, 505, 517)	7	1	1	—
Disclosed within income statement in note or schedule (*Co. Nos. 165, 296, 363, 401, 452, 566)	6	5	6	2
Disclosed at foot of income statement in note or schedule (*Co. Nos. 147, 179, 235, 255, 263, 345, 375, 464, 472, 485, 556)	11	13	13	14
	103	101	102	91
Disclosed Elsewhere in Annual Report				
In notes to financial statement (*Co. Nos. 29, 68, 79, 301, 318, 331, 385, 419, 546)	9	7	5	12
In letter to stockholders (*Co. No. 131)	1	1	1	1
Depletion not deducted from net income (*Co. Nos. 56, 142, 328)	3	2	2	2
	13	10	8	15
Number of Companies Referring to				
Annual depletion charge	116	111	110	106
Accumulated depletion but not referring to annual depletion charge	6	7	7	8
Not referring to depletion	478	482	483	486
Total	600	600	600	600

*Refer to Company Appendix Section.

LONE STAR CEMENT CORPORATION

Costs and Expenses:

Manufacturing, packing and loading costs (exclusive of depreciation and depletion) and cost of purchased cement sold	$52,480,460
Provision for depreciation and depletion (Note 2)	9,098,806
Selling and administrative expenses	7,228,745
Tax expense (other than income taxes separately stated below and taxes which are charged directly to costs or other accounts)	1,789,631
Interest expense	1,755,500
Retirement pension and group insurance expense	2,074,540
Miscellaneous charges	471,565
Net foreign exchange adjustments for realized losses	113,109
	$75,012,356

Note 2: In the accounts of the Corporation and in the statements herewith depletion reserves are on the basis of cost but, in providing for Federal income taxes, deductions for percentage depletion have been taken into account. Such Federal income tax deductions have been computed since 1956 in accordance with Federal court interpretations of the applicable provisions of the Internal Revenue Code.

Claims for refund of Federal income taxes paid for the years 1951 through 1955 have been filed to recover such amounts (not taken into the accounts but presently estimated at approximately $10,000,000 plus interest) as the Corporation may be entitled to under the Federal Court interpretations.

HOLLY SUGAR CORPORATION

Costs, Expenses, and Deductions:

Cost of goods sold	$58,612,843
Selling, general, and administrative expenses	5,306,969
Interest expense (long-term notes $116,372)	515,257
Federal and state income taxes	1,510,000
	65,945,069
Net Income (provisions for depreciation and depletion, $1,439,669)	$ 1,484,784

HOUDAILLE INDUSTRIES, INC.

Costs and Expenses:

Cost of sales (excluding depreciation)	$47,665,348
Selling, administrative, and general expenses (excluding depreciation)	5,245,729
Depreciation, depletion, and amortization	3,659,493
Loss on assets retired, less gains	401,716
Interest expense	487,599
	$57,459,885

UNITED CARBON COMPANY

Depreciation and depletion included in costs and expenses amounted to $5,050,461.73

SKELLY OIL COMPANY

Costs and Expenses:

Costs; operating, selling and general expenses; and taxes other than taxes on income	$177,545,430	
Interest on funded debt	92,946	
Exploratory costs and delay rentals	9,468,151	
Depletion, depreciation, and surrendered oil and gas leases	35,768,150	222,874,677
Net income before provision for taxes on income		$ 32,786,553

Set Forth in Notes to Financial Statements

OWENS-ILLINOIS GLASS COMPANY

Fixed Assets:

Buildings and equipment, at cost	$313,608,442
Less accumulated depreciation	133,469,709
	180,138,733
Land and timberlands, at cost less depletion	17,346,395
	$197,485,128

Notes to Financial Statements

Note 7: Depreciation and Depletion—Depreciation of buildings and equipment and depletion of owned timberlands amounted to $18,196,439 in 1958 and $17,319,474 in 1957.

Set Forth in Letter to Stockholders

CELANESE CORPORATION OF AMERICA

Fixed Assets, at Cost:

Factory sites and improvements	$ 9,102,351
Buildings	65,518,012
Machinery and equipment	254,137,366
Plant under construction and mechanical and other supplies	7,060,781
	$335,818,510
Less accumulated depreciation, amortization and in 1957 general plant reserve	172,282,117
	$163,536,393

Letter to Stockholders

Depreciation, depletion of fixed assets and amortization of deferred expenses amounted to $6,675,766. The amounts of depreciation claimed for Federal tax purposes have been only those sufficient to minimize tax payment. The cumulative amount by which the depreciation provided in the accounts exceeds that claimed for tax purposes is approximatly $13,600,000 which may be applied in future years against otherwise taxable income.

Depletion Not Deducted from Net Income

CHILE COPPER COMPANY

Property, Plant and Equipment:

Mines and mining claims, water rights and lands for metal producing plants—see note D		$ 99,689,518
Buildings and machinery at mines, reduction works, power plants, railroads and scows—see Note D	$234,216,736	
Less depreciation, obsolescence and amortization	115,467,421	118,749,315
		$218,438,833

Note D: Property, Plant and Equipment—Basis of Valuation—

(a) Property, plant and equipment are included in the Consolidated Balance Sheet on the basis of cost to the consolidated group either in cash or in stock of the parent company at par value.

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

(b) As required by the United States Treasury Department, valuations of mining properties, determined for depletion purposes in connection with Federal income taxes, have been recorded on the books but these values have not been reflected in the published accounts of the Company.

The Company has consistently followed the practice of publishing its accounts without deduction for depletion of metal mines, and no such deduction is included in these financial statements.

Statement of Consolidated Income

Consolidated Net Income, without deduction for depletion	$12,218,938

DEPRECIATION

Annual Charge

Table 7 summarizes the manner in which the annual charge for depreciation is treated by the survey companies in their 1958 annual reports.

Depreciation was disclosed by all 600 survey companies. However, 20 companies made this disclosure only to the extent that the report showed accumulated depreciation in the balance sheet or in a supplemental schedule. Of the remaining 580 companies, 491 presented the annual charge for depreciation in the income statement, and 89 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 under certain circumstances 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 property 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 and the need for accounting recognition for such changes in methods. Among other things this bulletin states in part—

When a change to the declining-balance method is made for general accounting purposes, and depreciation is a significant factor in the determination of net income, the change in method, including the effect thereof, should be disclosed in the year in which the change is made.

There may be situations in which the declining-balance method is adopted for income-tax purposes but other appropriate methods are used for financial accounting purposes. In such cases, accounting recognition should be given to deferred income taxes if the amounts thereof are material....

Where it may reasonably be presumed that the accumulative difference between taxable income and financial income will continue for a long or indefinite period, it is alternatively appropriate, instead of crediting a deferred tax account, to recognize the related tax effect as additional amortization or depreciation applicable to such assets in recognition of the loss of future deductibility for income-tax purposes.

Of the 600 survey companies, only 101 referred to the method of depreciation used. Yearly comparisons as to the number of companies using certain methods of depreciation could not be made as it appears that often companies disclose new methods adopted during the year but thereafter make no further disclosure.

In the 1958 annual reports, 25 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. 34, 192, 213, 278) (**179, 374)	11
Sum-of-the-years-digits method (*Co. Nos. 99, 224, 226) (**202, 369)	9
Accelerated depreciation method (*Co. Nos. 178, 463) (**303)	4
Sum-of-the-years-digits and accelerated depreciation methods (*Co. No. 489)	1

An additional 29 companies did not reveal the meth- of 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. 372, 385, 485, 544) (**53, 167)	12
Accelerated depreciation method (*Co. Nos. 237, 310, 493) (**84, 145, 244, 358)	14
Declining-balance method (*Co. No. 237) (**167)	3

In the 1958 reports of 47 survey companies, the method of depreciation was given simply as follows:

Straight-line method (*Co. Nos. 23, 56, 198, 208, 342, 399)	31
Straight-line and production methods (*Co. Nos. 131, 307, 438, 501)	7
Accelerated depreciation method (*Co. Nos. 233, 331)	3
Production method (unit of production) (*Co. Nos. 123, 450)	5
Annual composite rate method (*Co. No. 591)	1

Examples

Examples of the various methods used have been selected from the 1958 annual reports and are as follows:

(Refer also to the discussion which follows under the caption "Amortization of Emergency Facilities under Certificates of Necessity" and to the comments under the caption "Allocation of Income Taxes" presented in this section.)

Straight-Line

THE EAGLE-PICHER COMPANY

Balance Sheet

Property, Plant and Equipment, at Cost	$64,908,016
Less: Allowance for depreciation, depletion, etc.	40,899,088
	$24,008,928

Statements of Consolidated Profit and Loss and Earned Surplus

Costs and Expenses:

Provision for depreciation, depletion and patent amortization	$ 3,296,731

President's Letter

The Company continued its policy of straight-line depreciation, and as a result, even with lower volume of production, provision for depreciation and depletion exceeded that of the previous year.

*Refer to Company Appendix Section.

**Companies using alternative methods for tax purposes only.

TABLE 7: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement	1958	1957	1955	1950
Listed among other costs with single total amount for—				
Depreciation (*Co. Nos. 24, 42, 53, 61, 143, 151)	144	147	159	237
Depreciation and amortization (*Co. Nos. 18, 26, 34, 65, 141, 145)	115	110	124	68
Depreciation, amortization, and depletion (*Co. Nos. 62, 180, 236, 302, 404, 568)	31	34	30	12
Depreciation and depletion (*Co. Nos. 307, 372, 475, 479, 534, 552)	35	33	32	35
Depreciation and unrelated costs (*Co. Nos. 23, 46, 57, 324, 370, 501)	11	5	3	2
Segregated within income statement in note or schedule (*Co. Nos. 165, 281, 423, 477, 543, 544)	55	58	38	18
Presented at foot of income statement in note or schedule (*Co. Nos. 330, 337, 377, 412, 447, 472)	100	99	92	114
	491	486	478	486
Disclosed Elsewhere in Annual Report				
In notes to financial statements or in supplementary schedules (*Co. Nos. 29, 44, 68, 117, 139, 160)	81	79	82	66
In letter to stockholders (*Co. Nos. 123, 246, 293, 335, 408, 567)	8	12	15	17
	89	91	97	83
Number of Companies Referring to				
Annual depreciation charge	580	577	575	569
Accumulated depreciation but not referring to annual depreciation charge	20	23	25	31
Total	600	600	600	600

*Refer to Company Appendix Section.

Sum-of-the-Years-Digits

PITTSBURGH STEEL COMPANY
Balance Sheet

Property, plant and equipment, at cost	$179,397,222
Accumulated depreciation	77,770,166
	$101,627,056

Statement of Income and Accumulated Earnings
Costs and Expenses:

Provision for depreciation (Note B)	$ 7,705,900

Note B: 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 $7,705,900 for 1958 is $1,429,045 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 $692,000. Depreciation computed on the sum of the years-digits method has been provided on depreciable property acquired since January 1, 1956.

Declining-Balance

THE DOW CHEMICAL COMPANY
Balance Sheet
Property—At cost:

Plants and other properties	$1,038,412,683
Less—Accumulated depreciation, amortization, and depletion	474,450,205
	$ 563,962,478

Statement of Earnings
Costs and Other Charges:

Provision for depreciation, amortization, and depletion	$ 82,383,709

Financial Review

The provision for depreciation and amortization of property amounted to 82.4 million for the year ending May 31, 1958. The Company uses the declining balance method of computing depreciation wherever applicable.

AMERICAN ENKA CORPORATION
Statement of Financial Condition
Fixed Assets, at cost:

Land	$ 587,295
Buildings and structures	32,884,883
Machinery and equipment	89,195,822
Construction work in progress (estimated cost to complete nylon plant expansion—$8,200,000)	1,232,475
	$123,900,475
Less accumulated depreciation, amortization and obsolescence	64,491,155
Net fixed assets	$ 59,409,320

Consolidated Statement of Income

Depreciation and amortization	$ 7,870,499

Review of the Year

Depreciation—The policy adopted by the company in 1954 of using the declining-balance method of computing depreciation on new facilities was continued in 1958.

CONSOLIDATED PAPER COMPANY
Balance Sheet
Fixed Assets (at cost):

Property, plant and equipment	$26,823,308.58
Less accumulated depreciation (Note A)	13,539,878.20
	$13,283,430.38

Note A: For the years beginning with 1954, the Company has used, for income tax purposes only, an accelerated method of depreciating additions to its plant and equipment which effected reductions in income taxes aggregating $227,961.99 at December 31, 1957. In 1958 the Company adopted the same method for accounting purposes and, consequently, the financial statements reflect additional depreciation of $183,726.17 for 1958, $173,833.13 for 1957, and $264,555.31 for the years 1954 through 1956.

Presented at Foot of Income Statement

Depreciation amounted to $1,157,018.86 for 1958.

President's Letter

In 1954 the Company adopted for tax purposes the declining-balance method of computing depreciation as permitted under the Revenue Act of that year, but continued to use the straight-line method for cost purposes. The trend since that time indicates that most companies now believe that some form of accelerated depreciation represents true cost. Consequently, we have adopted the declining-balance method in order to provide a more realistic approach to the problem of depreciation.

DEERE & COMPANY
Balance Sheet

Property and equipment—at cost	$200,166,020
Less reserves	109,397,165
Property and equipment—net	$ 90,768,855

Financial Review

Depreciation: The provision for depreciation totaled $13,446,507 compared with $13,544,436 in 1957. Depreciation is calculated on the "declining balance" method for substantially all depreciable assets acquired since 1953. All other assets are depreciated on the "straight-line" method, except for the portion of the chemical plant which is covered by a Certificate of Necessity.

Straight-Line and Unit-of-Production

PHELPS DODGE CORPORATION
Balance Sheet

Property, Plant and Equipment—Note C .. $148,792,366

Note C: Property, Plant and Equipment—

Property, plant and equipment consists of:

Mining properties, water rights and lands	$217,204,243
Less allowance for depletion	172,951,993
	$ 44,252,250
Buildings, machinery and equipment	$226,445,913
Less allowance for depreciation	121,905,797
	$104,540,116
Net property, plant and equipment—per Consolidated Balance Sheet	$148,792,366

Statement of Income

Depreciation of plant and equipment—Note F $8,155,421

Note F: Depreciation Policy—The major portion of depreciation for the year has been computed on a "unit of production" basis, although straight-line depreciation has been applied where considered more appropriate. It has been the practice to amortize Emergency Facilities, covered by Certificates of Necessity, on a five year basis to the extent permitted for income tax purposes. As of January 1, 1958, accelerated amortization with respect to the greater part of such facilities was discontinued for both corporate and tax purposes and the unit of production method of depreciation applied to the unamortized cost thereof. The effect of this is not material in relation to consolidated net income.

Accelerated Depreciation Method for Tax Purposes Only

BURROUGHS CORPORATION
Statement of Financial Condition

Cost of Land, Buildings, Equipment and Patents used in connection with the production, sale and lease of products, reduced by the estimated cost of wear and exhaustion (depreciation and amortization) $97,526,628

Statement of Operations and Income Invested in the Business

Portion of the cost of facilities and patents applicable to the year's operations (depreciation and amortization) $10,668,118

Notes to Financial Statements

Note 4: Depreciation—The Parent Company and its subsidiary in Great Britain have used accelerated depreciation for computations of income taxes since January 1, 1954 and December 1, 1956, respectively, but have not used accelerated depreciation for financial statement purposes. The Parent Company and its subsidiary in Great Britain adopted the policy, effective August 1, 1958 and December 1, 1957, respectively, of recognizing deferred income taxes by increasing the provision for income taxes charged to income by the amount of the tax reduction attributable to such excess depreciation. As a result of this change, net income for 1958 was reduced by $836,000.

DAYSTROM, INCORPORATED
Balance Sheet

Property, plant and equipment (Note 3) .. $17,518,247

Note 3: Property, Plant and Equipment—Property, plant and equipment, summarized below, is stated at cost:

	1958
Land	$ 592,450
Buildings	12,980,839
Machinery and equipment	13,044,912
	26,618,201
Less accumulated depreciation and amortization	9,099,954
	$17,518,247

Results of Operations
Costs:

Wear and exhaustion of property, plant and equipment $1,652,427

Notes to Financial Statements

Note 5: Federal Taxes on Income—Federal income and excess profits tax returns of the Company and its subsidiaries have been examined by the Internal Revenue Service up to and including the fiscal year ended March 31, 1953. Any additional assessments have been paid or provided for in the accompanying financial statements.

Depreciation on certain of the Company's plant facilities is being taken on an accelerated basis for income tax purposes, 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.

DRESSER INDUSTRIES, INC.
Balance Sheet
Property, Plant, and Equipment—at cost:

Land, land improvements, and leaseholds	$ 9,843,053
Buildings	26,893,341
Machinery and equipment, etc.	61,947,162
	98,683,556
Less allowances for depreciation and amortization	31,617,227
Total Properties—Net	$67,066,329

Statement of Consolidated Earnings

Depreciation and amortization included above $8,065,041

Notes to Financial Statements

Note B: Deferred Federal Income Taxes—Provision has been made for possible future federal income taxes of an amount equal to the current tax deferred to later years because of accelerated depreciation methods used for tax purposes. Net earnings for the year ended October 31, 1958, were $894,000 less under this new policy than would have been reported if no such provision had been made.

NEPTUNE METER COMPANY
Statement of Financial Position

Property, Plant and Equipment, at cost less Accumulated Depreciation (Note 8):	
Land	$ 528,128
Buildings	4,339,951
Machinery and equipment	9,214,925
	14,083,004
Less accumulated depreciation	5,429,445
	8,653,559
Construction in progress	618,781
	$ 9,272,340

Statement of Income and Accumulated Earnings

Operating Costs and Expenses (including depreciation—1958, $764,825—Note 8)	
Costs of goods sold and other operating costs	$23,758,952
Selling and general administrative expenses	7,296,940
	$31,055,892

Note 8: Beginning in 1954 the Corporation and certain of its subsidiaries have used accelerated methods of depreciation, for tax purposes only, on certain assets acquired each year. Deferred income taxes resulting from the excess of tax depreciation over book depreciation were not booked until 1958, when accumulated earnings was charged $198,096 for the amount applicable to prior years and $44,648 was charged to current operations. The comparative figures for 1957 vary from those previously submitted to stockholders as the 1958 charge to accumulated earnings has been applied retroactively to operations, accumulated earnings and the statement of of financial position as applicable.

SYLVANIA ELECTRIC PRODUCTS, INC.
Balance Sheet

Property, plant and equipment:	
Land, buildings, machinery and equipment, at cost	$135,157,445
Less, allowances for depreciation and amortization	57,334,085
	$ 77,823,360

Statements of Income and Earnings Retained for Use in the Business

Depreciation	$9,528,479

Financial Review

Depreciation policy: Beginning in 1954, the more rapid depreciation of facilities acquired after December 31, 1953, as permitted under the Revenue Code, was used for tax purposes, but was not used in arriving at reported net income because it was believed that the total amount of depreciation and the amortization of defense facilities reflected a sufficiently conservative depreciation policy.

Amortization of defense facilities expired in significant amount during 1957, and beginning January 1, 1958, the book depreciation rates were adjusted to offset the amortization decline and yield an aggregate annual amount which approximates the accelerated tax deduction, thus continuing the Company's conservative depreciation policy.

AMORTIZATION OF EMERGENCY FACILITIES UNDER CERTIFICATES OF NECESSITY

Table 8 shows that 80 survey companies referred to the amortization of emergency facilities under certificates of necessity in their 1958 annual reports. Of these companies, 52 deducted accelerated amortization for both tax and accounting purposes. An additional 24 companies deducted the accelerated amortization for tax purposes only, and accordingly, provided for the resulting deferred tax benefit. One company deducted the accelerated amortization for tax purposes only, but failed to state whether the resulting tax benefit had been recognized in the accounts. Three 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.

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.

See also extract from *Accounting Research Bulletin No. 44 (Revised)—Declining-balance Depreciation* which is referred to in this section under the caption "Depreciation" (relative to the deferment of income taxes where accelerated depreciation methods are used for income-tax purposes only).

Examples

Examples illustrating the various presentations of the amortization of emergency facilities are as follows:

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

ALAN WOOD STEEL COMPANY

Costs and Expenses:

Provision for depreciation and depletion (Note 2)	$3,822,587

Note 2: Property, Plant and Equipment—The certified portion of the cost of properties acquired under current certificates of necessity amounting to $10,037,477 at December 31, 1958, is being depreciated for financial accounting and for income tax purposes at the rate of 20% per year. Of the accumulated depreciation of $8,850,755 at December 31, 1958, $1,307,093 was provided in 1958 and $1,506,152 in 1957.

The unexpended balance of appropriations for plant improvements and replacements authorized by the Board of Directors aggregated $2,497,000 at December 31, 1958.

THE ANACONDA COMPANY

Provision for depreciation, obsolescence and accelerated amortization	$42,733,241

Financial Review

Provision for depreciation and obsolescence during 1958 totaled $42,733,241, including $3,587,837 for accelerated amortization of certified facilities.

UNITED AIRCRAFT CORPORATION

Fixed Assets, at cost (see Page 11):

Land, buildings and improvements	$160,300,784
Machinery, tools and equipment	105,173,259
Under construction	5,890,942
	$271,364,985
Less—Reserves for depreciation, amortization and retirement	147,573,757
	$123,791,228

Page 11: Fixed Assets—. . . Amortization and depreciation for 1958 aggregated $23,375,179 compared with $18,890,636 in 1957, including amortization in excess of depreciation at regular rates amounting to $6,363,402 in 1958 and $5,956,682 in the prior year. Additions to fixed assets in recent years for the most part have been covered by certificates of necessity as provided for under the Internal Revenue Code. The portion of the cost covered by such certificates is amortized on the books and for tax purposes over a five-year period. . . .

TABLE 8: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1958	1955	1952
Deducted for both Book and Tax purposes, with charge for Accelerated Amortization of Emergency Facilities—			
Separately set forth in:			
Statement of income (*Co. Nos. 94, 172, 177, 307, 430, 520)	8	20	25
Notes to statements (*Co. Nos. 10, 117, 130, 345, 469, 572)	19	37	28
Letter to stockholders or financial review (*Co. Nos. 44, 100, 328, 478, 555)	5	20	16
Schedule of fixed assets	—	3	4
Combined with normal depreciation on regular facilities, set forth in:			
Statement of income (*Co. Nos. 14, 32, 56, 92, 350, 582)	16	7	7
Notes to statements (*Co. No. 81)	1	14	21
Letter to stockholders or financial review (*Co. Nos. 537, 544)	2	1	15
Schedule of fixed assets (*Co. No. 397)	1	1	6
	52	103	122
Deducted for Tax Purposes Only, with no evidence of Deferred Tax Benefit in accounts—			
Referred to in:			
Notes to financial statements (*Co. No. 531)	1	5	1
Letter to stockholders or financial review	—	1	—
	1	6	1
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. 60, 78, 159, 242, 311, 452)	14	19	7
Notes to statements (*Co. Nos. 63, 187, 189, 291, 448, 554)	8	14	5
Letter to stockholders or financial review (*Co. Nos. 446, 464)	2	3	—
	24	36	12
Number of Companies Referring to:			
Emergency facilities not completed or application pending	—	—	33
Certificates of necessity and amortization of emergency facilities	77	145	135
Certificates of necessity in letter to stockholders, in financial review, or in notes to financial statements but not referred to in statements (*Co. Nos. 180, 404, 409)	3	2	—
Not referring to certificates of necessity	520	453	432
Total	600	600	600

*Refer to Company Appendix Section.

Amortization of Emergency Facilities Deducted for Tax Purposes Only

GRANITE CITY STEEL COMPANY
Statement of Financial Position

Income Tax Savings to be used as a Reduction of Income Tax Expense in Future Years	$21,143,000
Statement of Operations	
Net income before federal income taxes	$19,500,580
Estimated provision for federal income taxes:	
Current year	$ 9,930,000
Income tax savings applicable to current amortization and accelerated depreciation of facilities, to be used as a reduction of income tax expenses in future years	980,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income tax expense	(783,000)
	$10,127,000
Net income for the year	$ 9,373,580

PITTSBURGH STEEL COMPANY
Statement of Income and Accumulated Earnings

Provision for depreciation (Note B) $7,705,900

Note B: 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 $7,705,900 for 1958 is $1,429,045 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 $692,000. Depreciation computed on the sum of the years-digits method has been provided on depreciable property acquired since January 1, 1956.

RAYONIER INCORPORATED
President's Report to Stockholders

Depreciation and Depletion—The company's total depreciation charges for 1958 amounted to $9,901,945, in comparison with $8,061,324 for 1957.

These charges did not include accelerated depreciation of $1,950,000 which the company is permitted to take beyond normal depreciation on the first mill built at Jesup under a Certificate of Necessity that extends through 1959. The accelerated portion of depreciation on that mill is deducted from income only in the Federal income tax return but not in the statement of income presented to stockholders. This deduction reduced the 1958 tax liability by $1,014,000 which was added to the reserve for future taxes.

Depletion charges were $2,373,205, compared with $2,236,631 in 1957.

HIGHER PLANT REPLACEMENT COSTS

Reserves for higher plant replacement costs continue to decline. Only four such reserves were disclosed by the 600 survey companies in their 1958 annual reports. The reserve balance of one company (*Co. No. 110) was increased by an appropriation of retained earnings. The reserve balances of the other three companies remained unchanged.

*Refer to Company Appendix Section.

TABLE 9: HIGHER PLANT REPLACEMENT COSTS

Presentation in Report	1958	1955	1952
Income statement, separate last section	—	—	1
Transfer from other reserves	—	—	1
Charge to Retained Earnings	1	2	4
	1	2	6
Credit to Retained Earnings	1	—	3
Number of Companies with Reserves for Higher Plant Replacement Costs:			
At beginning of year	5	9	21
Established during year	—	—	2
Eliminated during year	(1)	—	(4)
At end of year*	4	9	19
No reserves for higher plant replacement costs	596	591	581
Total	600	600	600

*Refer to Company Appendix Section—Co. Nos. 110, 267, 525, 573

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, although in most cases, the amount of the company's annual contribution is not stated.

Of the 600 survey companies, there were 24 companies that disclosed the existence of such foundations in their 1958 reports. Four companies (*Co. Nos. 62, 301, 344, 427) made the disclosure in the notes to financial statements; and the remaining 20 companies (*Co. Nos. 165, 192, 256, 302, 494) in the president's letter or the financial review section.

Examples from the 1958 annual reports illustrating the nature of the disclosures given with regard to charitable foundations follow:

In Notes to Financial Statements

PENN FRUIT CO., INC.

Note 3: Investment in and Advances to Market Center Realty Co.—This corporation acquires real estate, constructs supermarkets, contributes to the development of shopping centers, and engages in related activities. The Company owns 45% of the Class A 6% Cumulative voting stock, the remaining 55% being owned by Penn Fruit Foundation, a charitable organization. The Company also owns 100% of the Class B non-voting stock, acquired at a nominal cost and entitled to receive, on liquidation, 80% of the assets remaining after distributing to the holders of the Class A stock assets equal to the par value thereof plus accrued and unpaid dividends thereon. The voting stock is entitled as a class to receive 20% of such remaining assets. At August 30, 1958 the total of the Company's investments in and advances to Market Center Realty Co. is $2,589,532.

*Refer to Company Appendix Section.

HUDSON PULP AND PAPER CORP.

Note G: The Company contributes for eleemosynary purposes approximately 5% of its net taxable income. During the year, contributions amounted to $222,909, of which $217,113 was made to The Abraham Mazer Family Fund, Inc., a nonprofit philanthropic corporation.

In President's Letter or Financial Review

CARRIER CORPORATION

Carrier and its people continued to support generously United Fund and similar drives in all plant and office locations. The new community hospital which is to be built in Syracuse received pledges totaling more than $1 million from The Carrier Foundation, Inc. and the employees of the Corporation.

Because of substantial gifts by the Corporation to The Carrier Foundation, Inc. in the past, no contribution in 1958 was deemed necessary. During the year gifts in the amount of $475,695 were made by the Foundation, with unpaid pledges totaling $507,000. Ample funds to meet these obligations are on hand.

COLUMBIA BROADCASTING SYSTEM, INC.

CBS Foundation Inc.—The Foundation completed, in 1958, its first five years as the agency through which charitable and educational contributions are now made on behalf of CBS and its Divisions. It expanded contributions of unrestricted funds to include five additional graduate schools of universities in the United States. These were from among the privately supported institutions which set the standards of higher education and in large measure supply our leading educators and researchers. During 1958, the second group of eight Fellows began their studies under the annual News and Public Affairs Fellowships established by the Foundation at Columbia University. The Paul W. Kesten Memorial Fellowship in Advertising and Marketing continued successfully at the Harvard Business School, established there by the Foundation in 1957 as a memorial to the late Vice Chairman of the Board of Columbia Broadcasting System, Inc.

INLAND STEEL COMPANY

Foundation Makes Major Grants

Inland and its subsidiaries and divisions contributed $650,000 to the Inland Steel-Ryerson Foundation in 1958. The Foundation reports that it, in turn, made contributions totaling $999,266 from these funds and previously acquired resources to various institutions during the year, continuing its program of support to community welfare and educational activities. The Foundation has committed itself to contribute $1,500,000 toward the cost of a much-needed new wing for St. Catherine's Hospital in East Chicago, Indiana. This gift will be a memorial to Messrs. L. E. and P. D. Block, founders of the Inland Steel Company who were responsible for much of the early growth of the company and of the city of East Chicago. It is expected that this grant will be paid during 1959 and 1960.

Inland Steel-Ryerson Foundation Grants:

Community Welfare Agencies	$543,676
Hospitals, Health Agencies & Medical Research	62,425
Educational Institutions & Activities	319,765
Fine Arts, Civic Activities & Support of Public Administration	73,400
	$999,266

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 1958 survey reports. Of the 600 survey companies, 538 presented estimated federal income taxes. Of these, 144 included the estimates among other costs, while 394 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 284 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	1958 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	74	225	299
"Federal income" and various other income taxes	57	134	191
"Income taxes" not further designated	13	35	48
Total	144	394	538
Not shown or not required:			
No provision for income taxes although income statement shows profit			11
Operating loss carry-forward or carry-back eliminates estimate			36
Operating loss shown in statement			12
No income statement presented			3
			62
Total			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	8	48	56
"State income" and other income taxes	21	41	62
"State and foreign income taxes"	4	16	20
"Foreign income taxes"	8	26	34
Various other	33	79	112
Total	74	210	284

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

BROWN & SHARPE MANUFACTURING COMPANY

Sales, less discounts, returns and allowances	$20,077,476
Other income	336,756
Total	20,414,232
Manufacturing cost of goods sold	15,766,754
Selling, general and administrative expenses	3,461,503
Payments to retirement plan trust fund	30,143
Other charges	43,504
Provision for federal income taxes—$500,000 in 1958, less excess accruals in prior years $193,020	306,980
Total charges	19,608,884
Net Income	$ 805,348

BOEING AIRPLANE COMPANY

Sales		$1,711,929,576
Other income		306,017
		$1,712,235,593
Cost of sales (excluding applicable portion of certain items set forth below in the amounts incurred amounts during the year)	$1,571,122,930	
Research and developmental expenses	31,755,947	
Depreciation and amortization	18,737,833	
General and administrative expenses	17,611,879	
Interest and debt expense	5,021,232	
Incentive compensation for officers and employees	2,975,000	
Other expenses	3,450,759	
Federal taxes on income	32,200,000	1,682,875,580
Net Earnings for the Year		$ 29,360,013
Provision for 1955 renegotiation fund, net of taxes on income (gross amount $6,000,000)		2,750,000

CENTURY ELECTRIC COMPANY

Income:		
Net sales		$22,369,668
Rental income, less expense of rental property		28,405
Interest		20,605
		$22,418,678
Costs and Expenses:		
Cost of products sold, exclusive of depreciation and amortization	$18,333,406	
Selling, administrative and general expenses	2,691,604	
Provision for depreciation and amortization	788,426	
Interest	24,627	
Sundry	17,288	
Taxes on income—estimated:		
Federal normal and surtax	295,000	
State	5,000	22,155,351
Net income		$ 263,327

THE NATIONAL SUGAR REFINING COMPANY

Earnings:	
Net Sales and Other Operating Revenue	$194,381,199
Other Income	117,933
Total	$194,499,132
Costs and Expenses:	
Cost of goods sold (including depreciation: $1,522,030)	$180,981,306
Selling, general, and administrative expenses	8,073,151
Interest	352,238
Other	41,528
Federal taxes on income	2,530,000
State taxes on income	199,000
Total	$192,177,223
Net Earnings for the Year	$ 2,321,909

Set Forth in Last Section

THE AMERICAN TOBACCO COMPANY

Net Sales	$1,103,023,397
Cost of sales, selling, general and administrative expenses	969,662,731
Operating Profit	133,360,666
Other income	769,918
	134,130,584
Interest and related charges	8,005,598
Other deductions from income	1,517,142
Total deductions	9,522,740
Income, before taxes on income	124,607,844
Federal and other taxes on income	65,762,000
Net Income	$ 58,845,844

DICTAPHONE CORPORATION

Earnings before Income Taxes	$2,466,333
United States and foreign income taxes	1,188,444
Net Earnings for the Year	$1,277,889

HOUDAILLE INDUSTRIES, INC.

Income Before United States and Canadian Taxes on Income	$3,857,912
United States and Canadian Taxes on Income	1,860,000
Net Income	$1,997,912

McKESSON AND ROBBINS, INCORPORATED

Net Income Before Federal Income Taxes	$21,177,009
Provision for Federal Income Taxes—Note 4	11,299,751
Net Income	$ 9,877,258

Note 4: Taxes—The accompanying consolidated financial statements include a provision of $103,717 for deferred Federal income taxes computed at current rates on additional depreciation of $200,376 deducted for Federal income tax purposes under the accelerated depreciation method.

The accompanying consolidated financial statements are subject to final determination of Federal, state and local taxes.

J. J. NEWBERRY CO.

Net Earnings before Federal taxes on income	$10,806,566
Provision for Federal taxes on income	5,559,000
Net Earnings for the Year	$ 5,247,566

SPERRY RAND CORPORATION

Net Income, Before Federal and Foreign Income Taxes	$44,381,239
Provision for Federal and Foreign Taxes on Income:	
Federal	$ 7,683,000
Foreign	9,217,000
	$16,900,000
Net Income	$27,481,239

UNITED ENGINEERING AND FOUNDRY COMPANY

Statement of Operations and Retained Earnings

Net Income Before Provision for Taxes on Income	$14,869,111
Provision for Taxes on Income:	
State Income Taxes	500,000
Federal Income Tax	7,460,000
Total	$ 7,960,000
Net Income	$ 6,909,111

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 105 of the 600 survey companies that presented a total of 119 income tax adjustment items in their 1958 annual reports. Table 11 summarizes the various methods of presentation of the tax adjustments as shown by the survey companies. Of the 119 income tax adjustments, 86 items were set forth in the income statement; 22 were disclosed either in the footnotes, president's letter to the stockholders, or parenthetically in the balance sheet; the remaining 11 items were shown in the retained earnings statement. The income account was utilized for 108 income tax adjustments by 96 companies, and the retained earnings account for 11 items by 9 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 1958 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 105 of the 600 survey companies in their 1958 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 1958 net income, computed without regard for either income tax adjustments or extraordinary items. Table 12 shows that 34 of such adjustments did not exceed a materiality percentage of 10%; 12 items were within 11-20% range of materiality; 21 items varied from 21-50%; and 32 items exceeded 50% of materiality. In the case of 20 of the 119 adjustments for prior year income taxes and deferments of current income tax benefit, the reports did not contain sufficient information for determination of the materiality.

Examples

Adjustments for Prior Year Income Taxes

The following examples, taken from the 1958 reports, illustrate the presentation and treatment of adjustments in connection with prior year income taxes:

CONSOLIDATED FOODS CORPORATION

Current Liabilities:	
Taxes, payable and accrued:	
Federal taxes on income (Note 2):	
Current year	$3,934,349
Prior years' reserve	591,428

Note 2: Federal Taxes on Income—A subsidiary of the Corporation is using a stepped-up property basis for computing depreciation and profit or loss on the sale of property and equipment. It resulted from the subsidiary's purchase of the stock of its predecessor company and subsequent liquidation of the predecessor. The Internal Revenue Service has not agreed to this basis and the liability for additional federal income taxes and California franchise taxes for 1958 and prior years which may result from final interpretation of tax laws and regulations is not presently determinable. Based on deficiencies proposed by the Internal Revenue Service the maximum liability for federal income and California franchise taxes and interest is approximately $687,000. The reserve for prior years' income taxes at June 30, 1958, amounted to $591,428.

COLONIAL STORES INCORPORATED

Profit before Income Taxes	$9,905,427
Provision for income taxes:	
Federal (including possible future taxes $510,100)	4,930,000
State	370,000
	5,300,000
Net Profit before Special Credit	4,605,427
Special credit:	
Refund of Federal taxes on income paid in prior years by predecessor company	243,135
Net Profit and Special Credit	$4,848,562

E. I. DU PONT DE NEMOURS & COMPANY

Operating Income:	
Net Sales	$1,829,249,758
Other Operating Revenues	29,727,433
	1,858,977,191
Less:	
Cost of Goods Sold and Other Operating Charges	1,112,604,606
Selling, General and Administrative Expenses	201,762,711
Provision for:	
Depreciation and Obsolescence	130,789,061
"B" Bonus (credited to Fund)	27,533,000
Federal Taxes on Operating Income (Note 4)	173,820,000
	1,646,509,378
Operating Income—Net	$212,467,813

Note 4: Taxes—Federal tax returns for all years prior to 1955 have been audited by the Internal Revenue Service and proposed adjustments involving additional tax have been settled. Comments with respect to the provision for Federal taxes on income appear on pages 14 and 15.

TABLE 11: INCOME TAX ADJUSTMENTS AND ALLOCATION—1958

	Presentation in Reports*								
	A: Income								
	Income Statement				Shown Elsewhere				
	Among Other Costs:		In Last Section:						
Nature of Income Tax Adjustments	With tax estimate	Special item	With tax estimate	Special item	In Foot-notes	In Letter to Stock-holders	Income Total	B: Retained Earnings	1958 Total Items
Prior year tax accrual adjustment	1	1	3	9	2	1	17	4	21
Additional tax assessment or payment	—	—	1	—	—	—	1	—	1
Refunds under Sections 721, 722, etc.	1	1	2	6	1	—	11	3	14
Carry-back: Operating loss	4	3	9	21	3	—	40	—	40
Carry-forward: Operating loss	2	1	2	2	5	1	13	—	13
Interest received on tax refund	—	1	—	1	—	—	2	2	4
Tax adjustments not identified	2	1	3	6	1	4	17	—	17
Tax adjustment—other items	—	—	1	2	1	3	7	2	9
Adjustments—Total	10	8	21	47	13	9	108	11	119
Allocation of Current Income Taxes, with:									
Extraordinary item shown net of related tax	—	2	6	42	13	2	65	12	77
Extraordinary item shown in full amount	1	12	—	11	2	—	26	1	27
Only tax effect of extraordinary item shown	1	4	1	3	3	1	13	2	15
Deferment of income tax benefit	3	2	14	11	24	3	57	3	60
Allocation—Total	5	20	21	67	42	6	161	18	179
Total	15	28	42	114	55	15	269	29	298

Number of Companies Presenting Special	1958
Income tax adjustment items only	57
Income tax allocation items only	110
Both adjustments and allocation items	48
	215
Number of Companies not presenting special items	385
Total	600

*See Table 12 for Percentage of Materiality.
See Tables 13 and 14 for Extraordinary Items.

President's Letter

The taxes for 1958 reflect a reduction for prior years of $12.5 million resulting from a 1958 ruling by the Internal Revenue Service that profits from certain installment sales of patents are taxable as capital gains; a prior ruling, now revoked, had held such profits to be taxable as ordinary income.

ELGIN NATIONAL WATCH COMPANY

Retained Earnings:

Balance, March 2, 1957		$11,508,437
Deduct:		
Net loss after special charges	$6,982,076	
Provision for Federal income taxes applicable to prior years, less assets of $114,845 capitalized in connection therewith	242,890	
Provision for loss of future tax benefits applicable to vacation accruals	334,705	
Cash dividends ($.35 per share)	319,441	7,879,112
Balance, March 1, 1958		$ 3,629,325

H. J. HEINZ COMPANY

Operating Profit (after provision for depreciation of $4,335,838)	$20,064,671
Other Income, Net (including interest on recovery of prior years' Federal taxes on income, $179,477)	510,279
	20,574,950
Other Deductions—interest	2,113,533
	18,461,417
Provision for Taxes on Income:	
Federal normal and surtax (less net recovery of $356,050 applicable to prior years)	1,468,156
Foreign income taxes	6,877,600
	8,345,756
	10,115,661
Deduct Income applicable to minority interests	778,748
Net Income for the year	$ 9,336,913

THE MARTIN COMPANY

Income Before Federal Taxes on Income	$23,925,555
Provision for Federal Taxes on Income	12,200,000
Net Income for the Year	$11,725,555
Special Item—renegotiation refund for the year 1954 less applicable Federal taxes of $3,051,526 (Note B)	2,816,793
Balance Transferred to Earned Surplus	$ 8,908,762

Note B: The Company has received clearance from The Renegotiation Board for 1952 and prior years. The Renegotiation Board has made unilateral determinations that the Company's profits were excessive in the amounts of $3,162,759 ($3,500,000 before adjustment for state income taxes) for 1953 and $5,868,319 ($6,250,000 before adjustment for state income taxes) for 1954 which, after Federal tax credits, would result in net refunds of $1,526,192 and $2,816,793 respectively. The amount of $3,162,759 for 1953 having been paid under protest, the Company has a claim for Federal income tax refundable in the amount of $1,636,567. The Company has posted a bond with The Renegotiation Board in lieu of payment of the 1954 refund. The Company believes that no excessive profits were realized for the years 1953 and 1954 and has appealed to the Tax Court for a redetermination of the Board's findings for these years. Sales and profits for 1955 and subsequent years are also subject to renegotiation. The Company has no basis for anticipating the final actions of The Renegotiation Board and intends to take such actions as may be required to sustain its position that no excessive profits have been realized for any year. Accordingly, no provisions have been made in the accounts for 1955 or subsequent years.

Tax Assessments, Refunds and Refundable Taxes

BEECH AIRCRAFT CORPORATION

Income Before Taxes on Income	$ 7,294,663
Federal and state ($110,000) taxes on income—estimated	3,970,000
Net Income	$ 3,324,663
Earned surplus:	
Balance at beginning of year	7,588,210
Recovery of income taxes—Note D	3,315,585
	$14,228,458
Less:	
Cash dividends paid—$.30 quarterly dividends plus $.30 special dividend	$ 1,235,331
Earned Surplus at End of Year	$12,993,127

Note D: Income Taxes—Federal tax returns filed by the Company have been examined by the Internal Revenue Service through the year ended September 30, 1955, and settled through fiscal year 1951. Additional assssments proposed for the fiscal years 1952 through 1955 are being contested by the Company. It is expected that final settlement of the proposed assessments will have no material effect upon the financial position and operating results of the Company.

Settlement of a suit in the United States Court of Claims, relating to overassessments of federal income and excess profits taxes for 1949 and prior years, resulted in the recovery (including interest) of $3,315,585, after deducting legal fees and other expenses.

TABLE 12: INCOME TAX ADJUSTMENTS AND ALLOCATION—1958

Percentage of Materiality*

	Income Account							Retained Earnings Account							1958
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	7	3	1	4	—	2	17	1	1	—	2	—	—	4	21
Additional tax assessment or payment	—	—	—	—	1	—	1	—	—	—	—	—	—	—	1
Refunds under Sections 721, 722, etc.	1	2	—	3	3	2	11	—	2	—	—	1	—	3	14
Carry-back: Operating loss	1	1	6	6	22	4	40	—	—	—	—	—	—	—	40
Carry-forward: Operating loss	1	1	2	2	3	4	13	—	—	—	—	—	—	—	13
Interest received on tax refund	1	—	—	—	—	1	2	—	—	—	—	—	2	2	4
Tax adjustments not identified	6	3	2	3	—	3	17	—	—	—	—	—	—	—	17
Tax adjustment—other items	3	—	—	1	2	1	7	—	—	1	—	—	1	2	9
Adjustments—Total	20	10	11	19	31	17	108	1	3	1	2	1	3	11	119
Allocation of Current Income Taxes, with:															
Extraordinary items shown net of related tax	9	11	9	14	9	13	65	1	1	2	2	3	3	12	77
Extraordinary item shown in full amount	3	8	2	5	8	—	26	—	—	—	1	—	—	1	27
Only tax effect of extraordinary item shown	6	3	1	1	1	1	13	—	—	1	1	—	—	2	15
Deferment of income tax benefit	16	14	7	6	3	11	57	1	1	—	1	—	—	3	60
Allocation—Total	34	36	19	26	21	25	161	2	2	3	5	3	3	18	179
Total	54	46	30	45	52	42	269	3	5	4	7	4	6	29	298

	Accounts Adjusted for Special Items:		
Number of income tax adjustments	Income	Retained Earnings	1958 Total
For prior year accruals, etc.	108	11	119
For allocation arising from special items	161	18	179
Total	269	29	298

*See Table 11 for Presentation of Income Tax Adjustments. See Tables 13 and 14 for Extraordinary Items.
N—Percentage of materiality not determinable.

THE BUDD COMPANY

Income before taxes on income	$1,680,930
Estimated federal, state and foreign taxes on income	1,225,000
Net income before special credit	$ 455,930
Refund of portion of 1947 federal income taxes and interest net of associated expenses and income taxes	1,555,946
Net income for year	$2,011,876

Notes to Financial Statements

Income Tax Refund—In February 1957 the United States District Court decided in favor of the Company for the full amount of its claim for refund of 1947 federal income taxes in the amount of $2,688,000 plus interest. The government acquiesced with respect to $1,384,000 of this and paid it plus interest to the Company in 1957. The balance of $1,304,000 of the claim was appealed to the United States Court of Appeals which ruled against the government, and that amount plus interest was paid to the company in 1958. On February 12, 1959 the United States Treasury Department served the Company with a notice claiming a deficiency of 1944 income and excess profits taxes of $5,296,487 predicated on issues allegedly arising from the above decision. In the opinion of counsel the Treasury Department's claim is without merit and therefore no provision has been made in the accounts for the proposed deficiency.

W. T. GRANT COMPANY

Sales	$406,337,450
Cost of merchandise sold and operating expenses	381,966,558
	$24,370,892
Add:	
Interest earned	77,084
Other income	283,034
	$ 360,118
	$ 24,731,010
Deduct:	
Depreciation and amortization	5,406,787
Interest paid	864,098
Other deductions	201,493
Provision for federal taxes on income—	9,313,000
	$ 15,785,378
	$ 8,945,632
Refund of federal taxes on income for the years 1943—1945 under Section 722 and interest (including interest on LIFO refund) less related income taxes of $472,657	771,942
Net Earnings for the Year	$ 9,717,574

JOHNSON & JOHNSON

Stockholders' Equity:

Par value of common stock at $5.00 per share	$ 26,739,338
Earnings capitalized and other additions to capital (Note 6)	16,445,260
Balance of earnings retained in the business	92,336,211
	135,520,809
Less cost of common stock held in treasury	1,536,444
	133,984,365
Total liabilities and stockholders' equity	$152,686,414

Note 6: Earnings capitalized and other additions to capital increased $841,188 in 1958 representing gains of $730,670 on distribution of common stock to employees, and refund of income tax of $110,518 charged to this account in prior years.

KOPPERS COMPANY, INC.

Income Before Provision for Income Taxes	$11,994,413
Provision for Income Taxes:	
Federal income taxes	5,190,000
State and foreign income taxes	824,825
Refund of prior year's Federal income taxes	(629,669)
	5,385,156
Net Income for the Year	$ 6,609,257

NATIONAL PRESTO INDUSTRIES, INC.

Surplus Accounts:

Paid-in:		
Balance — October 1, 1957, and September 30, 1958		$ 5,426,118.79
Earned:		
Balance — October 1, 1957		12,656,654.62
Add:		
Net income — year ended September 30, 1957		667,861.10
		13,324,515.72
Deduct:		
Payment on account of renegotiation for the year ended September 30, 1953, less related tax refunds	$1,401,161.61	
Dividends paid	592,921.20	1,994,082.81
Balance—September 30, 1958		$11,330,432.91

Notes to Financial Statements

Profits of the companies for the current and prior years include those from transactions which are subject to the provisions of the Renegotiation Act of 1951. On May 14, 1958, the national office of the Renegotiation Board issued a unilateral order requiring the companies to refund $1,461,166.92, after federal tax credit, for the year ended September 30, 1953. This amount has been remitted under protest. Since the companies' counsel continues of the opinion that the board's decision is improper, suit has been filed before the Tax Court seeking withdrawal of the order. Pending a decision of the Tax Court, in the interest of conservative accounting, the refund has been reflected by a charge to earned surplus. The amount of this charge, $1,401,161.61, represents the payment of $1,461,166.92 less related tax refunds which will be receivable if renegotiation for 1953 is finally settled on the basis of the payment made. Management believes that the profits realized on transactions subject to the Renegotiation Act in years subsequent to 1953 have been reasonable, and that no refund on such transactions will be required.

Carry-back and Carry-forward of Operating Losses

Tables 11 and 12 summarize the number, report presentation, and materiality of carry-backs and carry-forwards of operating losses, as disclosed in the 1958 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 1958 reports of the survey companies.

Carry-Back of Operating Loss

AMERICAN VISCOSE CORPORATION

Operating Income	$9,600,000
Estimated Income Taxes, Note 4:	
State	$ 16,000
Federal	(636,000)
Deferred federal	1,153,000
Portion of loss on retirement from service of Roanoke plant facilities, Note 4	4,442,000
	$4,955,000
Net Operating Income	$4,645,000
Dividend from The Chemstrand Corporation, less income tax of $195,000	2,305,000
Net Income for the Year	$6,950,000

Note 4: Retirement of Plant from Service—Operations at the Corporation's textile rayon yarn plant at Roanoke, Virginia were discontinued late in 1958. The unrecovered cost of the plant facilities reduced by the estimated disposable value was $7,836,000. Of this loss $4,422,000 was charged against income, an amount equal to the reduction in income taxes resulting from the loss—and the balance, $3,414,000, was charged to the special depreciation reserve provided from earnings in prior years. This reserve for extraordinary losses in retiring plant facilities is included with depreciation in the statement of financial position. At December 31, 1958, the Roanoke plant facilities are included in land, buildings and equipment at their estimated disposable value. As a result of the loss on the Roanoke plant, there is a net operating loss for tax purposes which will be carried back and used to recover a small part of the federal income taxes paid for the year 1955.

BUCYRUS-ERIE COMPANY

Current Assets:

Refundable Federal taxes on income, arising from carry-back of operating loss	$1,590,000

Notes to Financial Statements

Note H: Federal Income Tax Credits—The federal income tax credits for 1958 consist of the following:

Refundable federal taxes on income of prior year arising from carry-back of operating loss		$1,590,000
Less deferred taxes on income:		
Provision applicable to the excess of depreciation permitted for income tax purposes over depreciation reflected in the financial statements	$395,000	
Reduction applicable to deferred pension costs	233,000	162,000
		$1,428,000

BUFFALO ECLIPSE CORPORATION

Loss before Provision for Taxes	$ (385,260)
Provision for Taxes:	
State franchise and city income taxes	13,262
Federal income taxes (refund in 1958 arising from loss carry-back)	(232,549)
	$ (219,287)
Net Loss	$ (165,973)

WALWORTH COMPANY

Income before provision for taxes on income	$1,955,933
Provision for taxes on income:	
Federal income tax less $1,203,000 recoverable under carry-back provisions	1,095,602
State and Canadian income taxes	49,678
Total provision for taxes on income	1,145,280
Consolidated net income for the year	$ 810,653

THE MURRAY CORPORATION OF AMERICA

Earnings (Loss*) Before All Direct Taxes and Before Loss on Idle Plant Facilities	$ 2,540,510*
Expenses and taxes on idle plant facilities, less rents received and net gains on disposal of idle machinery and equipment	532,867
	$ 3,073,377*
Direct taxes:	
Property, pay roll, and miscellaneous taxes, excluding taxes on idle plant	$ 989,333
Federal taxes on income (credit arising from carry-back of operating loss)	(1,980,000)
	$ (990,667)
Net Earnings (Loss*)	$ 2,082,710*

Carry-Forward of Operating Loss

SHARON STEEL CORPORATION

Income before provision for taxes on income	$ 34,942
Taxes on income:	
Federal:	
Current (net refund in 1958)	$ (890,000)
Deferred	700,000
	$ (190,000)
Net Income for the Year	$ 224,942
Special charge:	
Loss on sale of fixed assets, severance pay, etc., arising from discontinuance of operations at two plants of Brainard Steel Division—$1,066,850, less estimated refund of federal taxes on income of $555,000	(511,850)
Net Income and special charge for the year	$ (286,908)

THE CUDAHY PACKING COMPANY

Net Sales and Operating Revenues	$369,017,121
Costs and Expenses:	
Cost of sales and operating expenses, exclusive of items below	$347,953,218
Selling and administrative expenses	13,392,286
Provision for depreciation	1,449,118
Taxes, other than Federal income taxes	2,150,106
Contribution to employees' pension fund	325,688
Interest on long-term debt	400,447
Other interest	675,630
Provision for Federal income taxes (See Note)	—
	$366,346,493
Net Income for the Year, including the elimination of Federal income taxes of $1,300,000 (See Note)	$ 2,670,628

Note: By reason of prior years' losses, Federal income taxes were eliminated. Without benefit of loss carry-forwards, net income would have been $1,370,628 in 1958. Substantial loss carry-forwards remain for use in 1959.

DETROIT HARVESTER COMPANY

Earnings Before Federal Income Tax	$955,154
Federal income tax, estimated:	
Provision for the year, after reduction of $100,000 attributable to carry-forward of prior periods' losses of subsidiaries	425,000
Net Earnings before minority interest	530,154
Portion of net loss of subsidiary applicable to minority interest	20,062
Net Earnings	$550,216

PUROLATOR PRODUCTS, INC.

Earnings before taxes on income		$2,876,253
Taxes on income, estimated:		
Federal income tax		1,313,338
Canadian taxes		77,662
		1,391,000
Earnings before special tax credit		1,485,253
Special tax credit:		
Estimated Federal income tax credit applicable to net operating loss carry-forward of dissolved subsidiary company		135,000
Net earnings		$1,620,253

TEXTRON INC.
Notes to Financial Statements

Note K: Taxes—The Federal income and excess profits tax liability of Textron and its subsidiaries is substantially settled for the years prior to 1953. Management is of the opinion that there is no material net liability with respect to the open tax years. No provision for Federal income taxes was required with respect to 1958 income due to the availability of operating loss carry-overs.

At January 3, 1959, Textron and its subsidiaries had unused Federal tax loss carry-overs of approximately $19,400,000, of which $4,400,000 will expire at the end of 1959, $5,700,000 at the end of 1960, and $9,300,000 in the succeeding three years.

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 179 items of income tax allocation for extraordinary items and deferment of income tax benefits disclosed by the survey companies in their 1958 annual reports. In 77 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 16 of these cases. The extraordinary item was shown "in full amount" in 27 cases; however, all of these cases disclosed the amount of "the related tax effect." Allocation of current income taxes was reported by 60 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 the text relating to Table 8, this section, and, since deferment of income tax benefit arising from the adoption of new depreciation methods is now an important allocation item, reference is also made to the text relating to Table 7, "Depreciation.") In the remaining 15 instances, the amount of the extraordinary item was not clearly determinable in the 1958 reports, and the current year entry showed only "the related tax effect" thereof. During 1958, the income account and the retained earnings account were utilized to reflect 161 and 18 allocations, respectively.

Examples

Extraordinary Item Shown Net of Related Tax

ACME STEEL COMPANY

Current Assets:	
Cash	$ 7,482,036
Trade accounts receivable, less allowances	9,221,622
Prepaid insurance and other expenses	409,185
Inventories—Note A	32,823,524
Total Before Adjustment of Inventory Amount	$49,936,367
Amount to increase inventories, as above, to first-in, first-out cost basis (1958—$10,300,000), less applicable taxes on income at current rates—Note A	4,900,000
Total Current Assets	$54,836,367

Note A:... The use of the LIFO method (adopted in prior years) of pricing certain inventory components has resulted in inventory and working capital amounts being less than if the first-in, first-out method had been continued in use. In the statement of financial condition, this difference (amounting to $4,900,000 at December 31, 1958, after giving effect to applicable taxes on income at current rates) has been added to current assets and offset by a reserve of like amount.

SPENCER KELLOGG AND SONS, INC.

Balance, August 31, 1957		$28,577,071
Net Profit for the Year		1,249,830
		$29,826,901
Less:		
Losses, write-downs and other costs related to disposition and consolidation of plant facilities, less estimated Federal income tax recovery (Note 1)	$ 618,410	
Dividends to common stockholders—$.80 a share	1,010,910	1,629,320
Balance, August 30, 1958		$28,197,581

Note 1: During the current fiscal year, the Company sold its plant located in Buffalo, New York and materially reduced its operations at Edgewater, New Jersey. A considerable portion of Edgewater plant facilities were either sold, abandoned, demolished or will be disposed of in the near future. Those facilities to be subsequently disposed of were written down to estimated realizable or appraisal values. The net losses and write-downs, amounting to $618,410 after estimated Federal income tax recovery of $670,000, were charged to earnings retained for use in the business.

THE ELECTRIC AUTO-LITE COMPANY

Net Earnings for the Year	$2,637,659
Special Items:	
Gain on sale of Lockland Plant, less estimated costs and expenses of terminating operations, discontinuing product lines, etc., net of federal income and capital gains tax effect of $1,290,000	$1,176,177
Provision for loss in value of plant assets at other locations, due to changes in plant, machinery and product requirements, net of federal income tax effect of $1,075,000	996,925
Net credit for special items	$ 179,252
Net Earnings and Special Items	$2,816,911

THE HOBART MANUFACTURING COMPANY

Income Before Federal and Foreign Income Taxes and Exchange Adjustment	$9,124,670
Federal and Foreign Income Taxes	4,710,101
Income Before Exchange Adjustment	$4,414,569
Exchange Adjustment—Net decline in value resulting from the translation of net assets of subsidiaries outside the United States into terms of U.S. dollars	347,404
Net Income for the Year	$4,067,165

President's Letter

Net Income—Exchange Adjustment—The net income for 1958, before exchange adjustment, was $4,414,569, also an increase of 8%, compared to $4,081,468 for 1957. The highest comparable income in previous years was $4,052,379 in 1956. The exchange adjustment resulted primarily in both 1958 and 1957 from declines in the exchange rates of the French franc and Brazilian cruzeiro. The 1958 final net income was $4,067,165 after giving effect to exchange adjustment of $347,404.

Extraordinary Item Shown in Full Amount

THE GENERAL TIRE & RUBBER COMPANY

Net income for year	$11,279,117
Earned surplus at beginning of year	58,167,013
	$69,446,130
Deduct:	
Provision for losses and expenses in connection with discontinuance of RKO theatrical film operations (Note A)	9,600,000
	$59,846,130

Note A: . . . Based upon management decision, the winding up of the RKO theatrical film operations, comprising the production, financing, and distribution of motion pictures through its own facilities, was commenced as of July 1, 1958 and will extend over a period of several years. Arrangements have been effected for the distribution through other organizations of its film product in substantially all of its territories, both foreign and domestic, under the general supervision of RKO.

Extraordinary expenses, including severance pay to employees, lease cancellations, legal expenses, etc., as well as losses incurred in the disposition of certain assets will result in a substantial loss over the aforementioned period. Accordingly, a reserve of $9,600,000 for this loss has been created by a charge to Earned Surplus; that amount, based upon studies made, is believed to be a fair and adequate estimate of such losses and expenses, and was determined without consideration of potential federal income tax benefits to RKO.

The Reserve provided was allocated to reserves applicable to certain asset accounts (inventories and investments in unconsolidated subsidiaries operating in foreign territories) and to a general reserve. . . .

H. H. ROBERTSON COMPANY

Deduct—Costs and Expenses:	
Cost of Sales	$45,314,616
Selling, Field Engineering and Advertising	5,365,160
General and Administrative	2,657,773
Research and Product Development	712,558
Minority Interest in Net Income of Consolidated Subsidiaries	102,628
Adjustments Due to Foreign Exchange	(31,671)
Contributions to Employee's Profit Sharing and Pension Plans	784,689
Provision for Initial Operating Costs of Unconsolidated Foreign Subsidiaries	136,475
Other Deductions	100,496
Total (Including Depreciation: 1958—$1,157,437)	$55,142,724
Income Before Provision for Taxes on Income	$ 4,729,249
Provision for Federal, State and Foreign Taxes on Income	2,677,597
Net Income	$ 2,051,652

Only Tax Effect of Extraordinary Item Shown

ALLEN INDUSTRIES, INC.

Net sales	$33,786,118
Other income	27,960
	$33,814,078
Costs and expenses:	
Cost of products sold	$28,908,142
Selling, administrative, and general expenses	2,883,256
Loss on disposal or retirement of equipment	8,843
Loss on sale of plant, less allowance of $100,000 (not previously deductible for income tax purposes) provided in prior year	178,365
Interest on long-term debt	87,421
Other interest expense	4,693
Additional property taxes—Note C	37,500
	$32,108,220
Earnings Before Income Taxes	$ 1,705,858

Note C: During the year, the assessment date for Michigan property taxes was changed from January 1st to December 31st. As a result, the Corporation has deducted, for federal income-tax purposes, both the 1958 and estimated 1959 property taxes. Operations have been charged with one year's property taxes, as in the past, plus a portion of the additional taxes equal to the reduction in income taxes resulting from the change in assessment date.

McGRAW-HILL PUBLISHING COMPANY, INC.

Income (before provision for Federal income taxes)		$15,386,234
Provision for Federal Income Taxes		8,119,831
Net Income		$ 7,266,403
Deduct:		
Dividends paid	$4,091,908	
Increase in unexpired subscriptions	623,775	
	$4,715,683	
Federal income tax credits resulting from changes in the treatment of subscription income under the Internal Revenue Code	2,409,400	2,306,283
Income Retained in the Business This Year		$ 4,960,120

Deferment of Income Tax Benefit

AIR REDUCTION COMPANY, INCORPORATED

Reserves:	
Deferred Federal Income Taxes	$2,837,027
Deposits to Insure Cylinder Returns, etc.	86,022
Total Reserves	$2,923,049

Financial Review

Changes in Working Capital

Working Capital at Beginning of Year		$50,274,809
Additions to Working Capital		
Net Income After Taxes	$13,349,885	
Recovery from Depreciation and Amortization	9,772,241	
Notes Payable to Banks	6,000,000	
Deferred Federal Income Taxes	1,511,107	
Proceeds of Sale of Stock to Officers and Employees	921,479	
Total Additions		31,554,712
		81,829,521
Deductions from Working Capital		
Capital Expenditures	22,400,000	
Dividends on Preferred and Common Stock	9,644,517	
Reduction in Long-Term Debt	1,490,533	
Miscellaneous	447,942	
Total Deductions		33,982,992
Working Capital at End of Year		$47,846,529

THE BUDD COMPANY

Total Assets Less Current Liabilities	$150,600,958
Derived from:	
Shareholders' equity	$121,588,387
Long-term debt	26,775,581
Deferred income taxes	2,237,000
	$150,600,968

CONTINENTAL MOTORS CORPORATION

Earnings Before Taxes on Income and Minority Interest		$5,232,123
Taxes on income:		
Federal:		
Current	$2,343,500	
Deferred—applicable to excess of depreciation permitted for tax purposes over normal depreciation reflected in the financial statements	155,000	
State	89,500	2,588,000
		$2,644,123
Portion of net earnings of subsidiary applicable to minority interest		121,091
		$2,523,032
Refunds of and overprovisions for federal taxes on income of prior years		1,013,496
Net Earnings		$3,536,528

HOLLAND FURNACE COMPANY

Deferred Federal Income Taxes (Note A)	$2,933,192

Note A: In 1958 Holland Furnace Company and its wholly owned finance subsidiary, Heating Acceptance Corp., elected to file a consolidated federal income tax return for the year ended December 31, 1957 and used the installment method of reporting income in such return. For accounting purposes income is recorded at the time of sale. Provision has been made for income taxes which may be payable when profit on installment sales is realized for tax purposes.

Report of Operations

As reported in the accompanying notes to financial statements the company and its wholly-owned finance subsidiary, Heating Acceptance Corp., during 1958 elected to file a consolidated federal income tax return relating to 1957. As in prior years when the company held installment accounts, the installment method of reporting income was used. This election to file a consolidated return required an additional book provision for federal income taxes of $48,204 in 1957 and reduced net earnings for that year to $453,540, or 65 cents per share. Similarly, an additional provision for federal income taxes of $60,833 as aforementioned, representing a non-recurring expense was required for 1958. As a result of this consolidation, however, federal income taxes exceeding one and a half million dollars were refundable in addition to deferring the payment of income taxes applicable to 1957 and 1958. Accordingly, the payment of federal income taxes has been accumulatively deferred in the amount of $2,933,192 at December 31, 1958 augmenting the company's working capital by that amount.

This amount of deferred federal income taxes, for which provision has been made in the financial statements, may be payable when profit on installment sales is realized on a collection basis.

FRUEHAUF TRAILER COMPANY

Non-current Liabilities:

Deferred Taxes on Income applicable principally to used trailers leased to customers (Note C)	$ 1,964,178

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 ($2,504,500 for 1958). The credits of $1,600,000 and $4,610,000 (applicable to special charges) for United States and Canadian taxes on income in the consolidated statement of net earnings are applicable to the operations of the Company and its consolidated subsidiaries (exclusive of the finance subsidiaries). Although there is a credit in the consolidated statement of net earnings, the Company expects to pay currently approximately $800,000 for United States taxes on income due principally to the method of accounting for used trailers and certain anticipated losses for tax purposes as described below.

Used trailers on hand and those 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 sheet includes at December 31, 1958, $800,000 payable currently and $2,100,000 applicable to used trailers included in current assets, reduced by $2,150,000 arising from future tax benefits. Deferred taxes on income include at December 31, 1958, approximately $2,100,000 applicable to used trailers leased to customers included in investments and other assets, reduced by $770,000 arising from future tax benefits. The future tax benefits relate to certain anticipated losses which were recognized by charges against earnings in 1958 but were not deducted for tax purposes in that year.

S. S. KRESGE COMPANY

Deferred U.S. and Canadian Income Taxes	$4,509,000

Notes to Financial Statements

Note C: Depreciation—The company and its Canadian subsidiary have used accelerated depreciation for computations of income taxes since 1954 in the U.S. and 1953 in Canada but have not used accelerated depreciation for financial statement purposes. In 1958 the company and its Canadian subsidiary adopted the policy of recognizing deferred income taxes by increasing the provision for income taxes charged to earnings by the amount of the tax reduction attributable to such excess depreciation. As a result of this change net income for 1958 was reduced by $1,215,500. To give retroactive effect to the change, net income for 1957 was reduced by $1,129,700 and income retained for use in the business at January 1, 1957 by $2,163,800.

To the Stockholders

It was decided, because of a revised bulletin of approved procedure issued by the American Institute of Certified Public Accountants in July 1958, approved by the Securities and Exchange Commission, to alter the basis of reporting Company earnings for each of the years 1954 through 1958. For these years, the Federal U.S. and Canadian income tax reduction, and the resulting increase in income through the use of accelerated depreciation permitted by law for income tax purposes, was shown as a footnote to our financial statements. This procedure was approved by our public accountants and permitted under the original bulletin issued in 1954. The revised bulletin requires that, for an unqualified public accountants' opinion, such tax reduction must be recorded within the balance sheet rather than as a footnote. The statements on pages 6, 8, and 9, and the statistical figures on pages 14 and 15, are stated or restated for the years involved, in accordance with the requirements of the revised bulletin.

We continue to believe that the liability now shown on the balance sheet for deferred income taxes is more a contingent liability than a real one and is therefore more properly a footnote item. For a company such as this one, where a continuing relatively level capital expenditure program is a necessity, it is unlikely that any substantial amount of the reserve, if any at all, will require liquidation.

STANDARD PACKAGING CORPORATION

Earned Surplus, January 1, 1958 (including Eastern Corporation, $10,559,342)		$18,865,547
Net Income for the Year		2,483,834
Total		21,349,381
Deduct:		
Distributions to stockholders:		
Standard Packaging Corporation:		
Cash dividends on preferred stocks:		
$1.60 series	$218,360	
$1.20 series (fourth quarter dividend)	150,334	
Eastern Corporation:		
Cash dividends on common stock ($.90 per share)	370,605	
Total Cash Dividends		739,299
Distribution to Eastern Corporation's shareholders of investment in Rayonier Incorporated common stock		1,112,916
Provision for deferred Federal income taxes applicable to prior years (Note 3)		233,000
Total		2,085,215
Earned Surplus, December 31, 1958 (restricted as to dividends)		$19,264,166

Note 3: Deferred Federal Income Taxes—Depreciation has been provided in the accompanying financial statements on the straight-line basis. However, in computing Federal income taxes an accelerated depreciation basis allowable for income tax purposes has been used in recent years for certain depreciable properties. The excess of the taxes which would have been payable on the straight-line depreciation basis over the taxes actually payable on the accelerated depreciation basis has been placed (recognizing a recent trend in accounting practice) in a reserve for deferred taxes. The portion applicable to the year 1958 has been charged against income and that applicable to prior years has been charged to earned surplus.

EXTRAORDINARY ITEMS

A total of 322 extraordinary items were disclosed in the 1958 annual reports of 232 of the 600 survey companies. The disposal or sale of assets comprised the largest group. Other items resulted from such varied transactions or events as changes in the basis of valuation of inventories or other assets, and miscellaneous extraordinary expenses, losses or gains.

Extraordinary items are extensively discussed in the *Restatement and Revision of Accounting Research Bulletins, (Accounting Research Bulletin No. 43)* 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 1958 annual reports. Of the 322 extraordinary items the majority were set forth in the statement of income (224 items), a number were disclosed in either the footnotes or in the letter to the stockholders (53 items), and the balance (45 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 322 extraordinary items presented by the survey companies in their 1958 annual reports. The percentage of materiality of extraordinary items was determined by the ratio of such items to the 1958 earnings adjusted for both extraordinary items and prior income tax adjustment items. Table 14 shows that 138 of the extraordinary items did not exceed a materiality percentage of 10%; 42 items were within an 11-20% range of materiality; 45 items varied from 21-50%, and 61 exceeded 50% of materiality. In the case of 36 of the 322 extraordinary items, the reports did not contain sufficient information for determination of the materiality.

The income account was utilized for the recording of 277 extraordinary items, the retained earnings account for 41 extraordinary items, and the capital surplus account for four 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 1958 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—1958

Nature of Extraordinary Item	A: Income — Income Statement: Listed Among Other Costs	Income Statement: Shown in Separate Last Section	Set Forth Elsewhere: Shown in Foot-notes	Set Forth Elsewhere: Shown in Letter to Stock-holders	Income Total	B: Retained Earnings	1958 Total Items
Disposal or sale of:							
Fixed assets	59	26	4	5	94	4	98
Investments or securities	12	6	1	—	19	1	20
Subsidiary, affiliate, or division	8	19	1	4	32	6(†)	38
Other assets	3	2	—	—	5	—	5
Change in valuation bases:							
Inventory write-down to market	1	4	—	4	9	—	9
"Lifo" liquidation or replacement	—	—	1	—	1	—	1
Inventory "base stock" adjustment	—	—	—	—	—	1	1
Change in investment valuation	3	3	—	1	7	—	7
Fixed assets conformed to "tax" basis	2	1	1	—	4	3	7
Other fixed asset adjustments	—	2	1	2	5	—	5
Miscellaneous adjustments	—	2	1	—	3	1	4
Expenses, losses, gains, etc.:							
Foreign exchange adjustments	7	3	1	3	14	—	14
Government contracts	—	2	2	1	5	3	8
Non-recurring plant expenses	5	6	1	11	23	2	25
Various other gains and losses	8	14	2	2	26	7(†)	33
Various prior year adjustments	3	4	—	—	7	4	11
Expenses re: issue of stock	—	—	—	—	—	2(†)	2
Miscellaneous other items:							
General undetermined contingencies	—	1	—	—	1	—	1
Lump-sum intangible asset reduction	2	3	1	2	8	2	10
Higher plant replacement cost or extraordinary depreciation	—	—	—	1	1	—	1
Transfer to reserves or reversal	2	11	—	—	13	9(†)	22
Total	115	109	17	36	277	45	322

Number of Companies Presenting:	1958
Non-recurring extraordinary items	232
No special items	368
Total	600

*See Table 14 for Percentage of Materiality.
See also Tables 11 and 12.
(†) Includes one entry to capital surplus.

Disposal or Sale of Assets

ARMOUR AND COMPANY

Net earnings for the year		$ 5,559,542
At beginning of the year		144,891,263
Extraordinary charges resulting from realignment of producing and marketing facilities:		
Loss on disposal or dismantlement of closed units and separation pay, less relative income tax reduction of $1,250,000 in 1958		(3,515,441)
Loss on sale of certain foreign subsidiaries		(1,115,351)
At end of the year		$145,820,013

THE ATLANTIC REFINING COMPANY

Income before special credit	$23,531,041
Special Credit:	
Income from sale of Eastern Hemisphere marketing subsidiaries (no U.S. Federal income tax applicable)	$10,294,235
Net Income for the Period	$33,825,276

CROWN CORK & SEAL COMPANY, INC.

Net Income for Year	$1,937,000
Net gain on sale and abandonment of certain Baltimore plant, equipment, inventories, etc., net of associated costs and income taxes	265,000
Net Income and Special Credits Transferred to Surplus	$2,202,000

TABLE 14: EXTRAORDINARY ITEMS—1958

Percentage of Materiality*

Nature of Extraordinary Item	Income Account 0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Retained Earnings Account 0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	1958 Total Items
Disposal or sale of:															
Fixed assets	40	13	12	10	10	9	94	—	—	—	1	2	1	4	98
Investments or securities	8	2	—	5	1	3	19	1	—	—	—	—	—	1	20
Subsidiary, affiliate, or division	3	5	8	5	8	3	32	2(†)	2	—	—	2	—	6	38
Other assets	—	—	—	1	4	—	5	—	—	—	—	—	—	—	5
Change in valuation bases:															
Inventory write-down to market	1	4	—	—	4	—	9	—	—	—	—	—	—	—	9
"Lifo" liquidation or replacement	—	—	—	1	—	—	1	—	—	—	—	—	—	—	1
Inventory "base stock" adjustment	—	—	—	—	—	—	—	—	—	—	—	1	—	1	1
Change in investment valuation	3	2	1	—	1	—	7	—	—	—	—	—	—	—	7
Fixed assets conformed to "tax" basis	1	1	2	—	—	—	4	1	—	—	2	—	—	3	7
Other fixed asset adjustments	1	—	1	2	—	1	5	—	—	—	—	—	—	—	5
Miscellaneous adjustments	1	—	—	—	1	1	3	—	—	1	—	—	—	1	4
Expenses, losses, gains, etc.:															
Foreign exchange adjustments	9	4	—	—	—	1	14	—	—	—	—	—	—	—	14
Government contracts	—	—	—	4	—	1	5	—	—	1	1	1	—	3	8
Non-recurring plant expenses	1	1	3	1	7	10	23	—	—	—	—	1	1	2	25
Various other gains and losses	5	5	4	3	5	4	26	1(†)	1	1	—	4	—	7	33
Various prior year adjustments	3	1	—	2	1	—	7	—	1	1	—	2	—	4	11
Expenses re: issue of stock	—	—	—	—	—	—	—	2(†)	—	—	—	—	—	2	2
Miscellaneous other items:															
General undetermined contingencies	—	—	—	1	—	—	1	—	—	—	—	—	—	—	1
Lump-sum intangible asset reduction	1	3	1	2	1	—	8	—	—	—	2	—	—	2	10
Higher plant replacement cost or extraordinary depreciation	—	—	—	—	—	1	1	—	—	—	—	—	—	—	1
Transfer to reserves or reversal	1	4	4	2	2	—	13	1	3	2	—	3(†)	—	9	22
Total	78	45	36	39	45	34	277	8	7	6	6	16	2	45	322

Number of Companies, adjusting accounts	Accounts Adjusted for Special Items: Income	Income & Retained Earnings	Retained Earnings	Capital Surplus	1958 Total
For extraordinary items	191	12	25	4	232

*Ratio of item to 1958 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.
†Includes one entry to capital surplus.

STRUTHERS WELLS CORPORATION

Sundry Income (Net):	
Adjustment of certain fixed asset accounts to basis used for Federal income tax purposes	$ 59,195
Cash discounts on purchases	49,239
Gain on sale or disposal of fixed assets	32,100
Sundry	12,908
	153,442
Less Interest on notes payable	69,737
	$ 83,705

FRUEHAUF TRAILER COMPANY

Special Charges, Less Applicable United States Taxes on Income of $4,610,000 for:	
Losses that may arise on amounts owing by several major companies	$2,345,496
Anticipated losses upon disposal, and revaluation, of certain plant facilities	1,764,638
Extraordinary adjustments of inventories to realizable values	1,789,974
	$5,900,108

Valuation Changes

THE FEDERAL MACHINE AND WELDER COMPANY

Net Income Before Special Items		$37,424
Special Items:		
Loss on write down of inventory	$66,112	
Less: Refund of Federal income taxes for prior year	42,171	23,941
Net Income Before Federal Income Tax		$13,483

Special Expenses Losses or Gains

AMERICAN HOME PRODUCTS CORPORATION

Cost of goods sold	$146,230,581
Selling, administrative and general expenses	137,659,792
Employees' insurance, annuities, etc.	3,758,409
Interest	458,627
Miscellaneous deductions, principally foreign losses and exchange adjustments	3,084,461
	$291,191,870

ELGIN NATIONAL WATCH COMPANY

Net Earnings (or Loss) Before Special Charges		$(2,442,076)
Special Charges, to provide for:		
Relocation of operations	$(1,440,000)	
Abandonment of machinery and equipment	(1,400,000)	
Estimated losses on excess inventories	(1,200,000)	
Liquidation of watch case and microphone operations	(500,000)	
	$(4,540,000)	
Net Earnings (or Loss) After Special Charges		$(6,982,076)

KUNER-EMPSON COMPANY

Net Loss for the Year		$26,877.18
Special Charge:		
Misappropriation of proceeds from unrecorded sales made principally in prior years, less $10,000 insurance recovery	$62,919.25	
Less applicable refundable federal taxes on income	32,718.01	30,201.24
Net Loss and Special Charge		$57,078.42

MOTOR WHEEL CORPORATION

Deductions from income:	
Cost of products sold	$46,220,850
Selling, advertising, and administrative expenses	3,418,002
Interest expense	227,914
Moving expenses (in 1958 amounts in excess of provision made in preceding year)	199,314
Portion of additional property taxes resulting from change in assessment date —equal to the anticipated income tax benefit	326,352
Estimated federal income taxes refundable	(670,000)
	$49,722,432

SACO-LOWELL SHOPS

Costs and expenses:	
Cost of products sold	$27,877,489
Selling, research and development, and administrative expenses	4,023,349
Relocation and idle plant expenses, and provisions for completion of relocation program ($558,530) and loss on disposal of closed plants ($446,500)	3,453,473
Interest expense	244,470
	$35,598,781

PENN-TEXAS CORPORATION

Special items:	
Provision for loss on ceasing certain mining operations	$423,729
Loss from disposition of net assets of subsidiaries	239,843
Provision for payment to stockholders committee	150,000
Patents written off	150,000
	963,572
Refund on termination of pension trust	214,280
	$749,292

Other Extraordinary Items

CHESAPEAKE INDUSTRIES, INC.

Net Earnings before special items	$ 98,483
Special Credits and (Charges):	
Write-off of development and preproduction costs (Note 2)	(930,024)
Provision for Federal taxes on income	(250,000)
Provision for contingencies (Note 5)	(255,000)
Settlement of claim	210,030
Adjustment of prior years' property taxes	50,488
	(1,174,506)
Net Earnings (loss)	$(1,076,023)

Note 2: Deferred Expenses—In 1956, a subsidiary which processes amateur color film deferred all expenses less income, because the company regarded these expenses as development and preproduction costs necessarily incurred in entering a newly available market resulting from a Government anti-trust decree. It was originally planned to amortize these expenses by 1961. As the subsidiary has not yet had profitable operations, management has decided to follow a conservative policy and write off in 1958 the unamortized balance of these expenses as of December 31, 1957. Had the original amortization policy been followed, the net loss for 1958 would have been reduced by approximately $800,000.

Note 5: Contingent Liabilities—The companies are contingently liable as follows:

(a) As defendant in litigation for substantial amounts; counsel has advised that there probably will be some liability, the amount of which cannot be presently determined. It is believed that adequate provision has been made for litigation liability.

(b) Chesapeake is a co-indemnitor on a performance bond of $250,000 of a former subsidiary. Claim has been made against the bonding company, and an amount has been provided that is believed adequate to cover the company's liability under its indemnity agreement.

(c) Under four long-term leases, expiring between 1962 and 1971, with annual rentals, net of subleases, of $164,545.

(d) Certain guarantees were made to the purchasers of the Colonial Trust Company stock. At December 31, 1958, no amount is due, nor does the company expect any eventual liability under the guarantee.

(e) Under an agreement to purchase such portion of a loan of $1,000,000 to a non-affiliated company as may not be properly secured as provided in the underlying loan agreement.

DESIGNATION OF FINAL FIGURE

The *Restatement and Revision of Accounting Research Bulletins,* (*Accounting Research Bulletin No. 43*) 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,* (Chapter 8, paragraph 13), 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 78 survey companies that presented such items in a separate last section of their 1958 income statements. Forty-eight companies indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year, while 30 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 1958 reports where material extraordinary charges or credits are involved are as follows. Additional examples are given under "Extraordinary Items," also in this section.

A-S-R PRODUCTS CORPORATION

Net earnings before special charge	$1,362,212
Deduct special charge to write off goodwill resulting from increase during current year in investment in U.S. Relay Company (Note 4)	41,956
Net earnings after special charge	$1,320,256

Note 4: The Board of Directors authorized write-down to $1 of goodwill and trademarks which had not been subject to amortization. The write-off covered such intangibles which had originated principally in 1919. Previously, in 1949, $2,450,210 of such intangibles had been written off against retained earnings. The remainder of the intangibles, which resulted from purchase price of patents acquired, $213,016 at December 31, 1958, is being written off against income.

BATES MANUFACTURING COMPANY

Income from Operations	$ 638,674
Special Item:	
Gain on sale of assets of discontinued plants, net of income tax effect	474,513
Net Income for the year	$1,113,187

THE GILLETTE COMPANY

Net Income before special charge	$27,565,182
Special charge to amortize goodwill (Page 12)	1,971,192
Net income after special charge, transferred to United States earned surplus	$25,593,990

Page 12: Intangible Assets—The amortization of the goodwill arising from the purchase of the Paper Mate Companies on September 30, 1955 has been completed by a charge of $1,971,192 during 1958 which is reflected under the caption "Special Charge to Amortize Goodwill."

The unamortized balance of patents and trademarks acquired in connection with the 1956 acquisition of Harris Research Laboratories, Inc. amounted to $562,362 at December 31, 1958.

THE OLIVER CORPORATION

Net Earnings for the Year	$1,649,804
Special Credit—Gain on sale of Waukesha Motor Company common stock, less applicable income taxes	944,577
Net Earnings and Special Credit	$2,594,381

FRANK G. SHATTUCK COMPANY

Net Income for year	$ 777,024
Special credit—gain on sale of real estate (substantially without tax effect)	265,073
Net income for year and special credit	$1,042,097

LONE STAR CEMENT CORPORATION

Net earnings from operations	$16,021,420
Special item (debit):	
Net foreign exchange adjustments other than those charged above (Note 1)	(1,739,476)
Balance after exchange adjustments—credited to earned surplus	$14,281,944

Note 1: The consolidated financial statements include the accounts of all subsidiaries except those located in Argentina (which are wholly-owned) and the majority-owned subsidiary of the Corporation's Brasilian subsidiary.

The consolidated balance sheet includes the following amounts (expressed in U.S. dollars at appropriate rates of exchange) in respect of foreign subsidiaries located in Cuba and South America:

	1958	1957
Net current and working assets	$ 4,570,496	$ 5,989,939
Other net assets	12,787,643	13,397,540

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.

The equity of the Corporation in the net assets of the unconsolidated subsidiaries in Argentina and Brasil (expressed in U.S. dollars at appropriate rates of exchange) was approximately $11,200,000 at December 31, 1958 and $11,100,000 at December 31, 1957.

TABLE 15: DESIGNATION OF FINAL FIGURE—1958

Number of Companies presenting:	1958
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—	
A: *Net income before special item* and final figure of the income statement as *net income for the year*	33
B: *Net operating income* and final figure of the income statement as *net income*	2
C: *Net income before special item* and final figure of the income statement as *net income after special item*	6
D: Setting forth an *undesignated* figure preceding extraordinary item and designating final figure of the income statement as *net income for the year*	7
Indicating "exclusion from the net income for the year by:	
Designating figure preceding extraordinary item as—	
E: *Net income for the year* and final figure of the income statement as *net income and special item*	21
F: *Net income for the year* and final figure of the income statement as *transferred to retained earnings*	8
G: *Net income before special item* and final figure of the income statement as *transferred to retained earnings*	1
Total	78

*Refer to Company Appendix Section—
A: Co. Nos. 14, 48, 101, 108, 116, 140
B: Co. Nos. 80, 151
C: Co. Nos. 2, 217, 261, 383
D: Co. Nos. 220, 226, 268, 271
E: Co. Nos. 6, 8, 34, 73, 157, 175
F: Co. Nos. 51, 100, 353, 389
G: Co. No. 411

MOTOR PRODUCTS CORPORATION

Loss		$ 568,335.69
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	$647,515.38	
Unrequired Portion of Reserve Eliminated During the Year (Note B)	571,175.83	1,218,691.21
Addition to Earned Surplus for the Year		$ 650,355.52

Note B: Discontinuance of Former Operations—Idle Facilities— Following the discontinuance of the Aircraft Division during the year, the Corporation's program of liquidation of the assets relating to the former Automotive, Deepfreeze, and Aircraft Divisions has been substantially completed, except for disposal of the Mack Avenue Plant. Accordingly, by action of the Board of Directors, the remaining portion of the reserve for losses and expenses relating to realization of assets, $571,175.83, was restored to earned surplus.

Property, plant, and equipment located in Detroit, Michigan (principally Mack Avenue), having a net carrying amount of $1,093,-335.70 at June 30, 1958, is idle except for the usage of some office facilities.

The Corporation is liable for annual rentals of $32,430.00, plus property taxes and certain other expenses, under a lease which expires June 30, 1965. This plant also is idle at present and has been offered for sublease.

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

Operating Profit (Note 1)	$14,286,812
Deduct—Provisions for estimated Federal and state taxes on income	7,100,000
Profit before Allowances	$ 7,186,812
Deduct—Increase in allowances on long-term contracts (Note 1)	450,000
Net Profit Carried to Earned Surplus	$ 6,736,812

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 substantial 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 lnog-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 the allowances. Such allowances aggregated $3,575,000 at December 31, 1958 and $3,125,000 at December 31, 1957.

SPENCER KELLOGG AND SONS, INC.

Net profit before special charge	$1,349,830
Special Charge—Provision for loss on investment (Note 2)	100,000
Net profit	$1,249,830

Note 2: A fifty per cent owned company showed operating losses in 1958 and the Company has provided a reserve of $100,000 for possible loss on this investment.

WARD BAKING COMPANY

Income before Federal income taxes and special items	$1,987,820
Provision for Federal Income Taxes	932,840
Income before special items	$1,054,980
Special Items, less applicable income taxes:	
Gain on disposal of idle bakeries	$ 352,553
Extraordinary expenses incident to closing of Boston bakery, professional fees, etc.	(226,338)
	$ 126,215
Net Income	$1,181,195

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 1958 deals with some of the problems which arise in the calculation and presentation of earnings per share in the annual reports.

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. . . . In all cases in which there have been significant changes in stock during the period to which the computations relate, an appropriate explanation of the method used should accompany the presentation of earnings per share.

Of the 600 companies included in the 1958 survey, 539 disclosed comparative earnings per share figures for two years or more. Sixteen companies disclosed earnings per share for the current year only, and 45 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 number 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 also generally indicated on the number of shares outstanding at the end of the period.

Examples

The following examples selected from the 1958 annual reports illustrate the various methods used to present earnings per share and to disclose the basis for computation:

Adjusted Retroactively for Stock Dividends, Stock Splits, Conversions, or Other Increases in the Number of Shares Outstanding

AUTOMATIC CANTEEN COMPANY OF AMERICA
The Year's Operation at a Glance

Earnings and Taxes:	1958	1957
Earnings before Federal Income Taxes	$6,276,076	$5,952,576
Provision for Federal Income Taxes	2,950,000	3,000,000
Net Earnings for the Year	3,326,076	2,952,576
Net Earnings per Share of Common Stock	1.53*	1.37*

*Adjusted to reflect 1958 stock split and stock dividends paid on November 1, 1958 and 1957.

BELL & HOWELL COMPANY
Highlights:

	1957	1958	Increase
Sales	$52,218,476	$59,014,500	13%
Earnings before Taxes	5,257,530	6,359,367	21%
Provision for Taxes on Income	2,635,000	3,350,000	27%
Earnings after Taxes	2,622,530	3,009,367	15%
*Earnings Per Common Share	3.92	4.32	10%

*Based on average shares outstanding. 1957 adjusted to reflect 2½% stock dividend issued January 1958.

MEDUSA PORTLAND CEMENT COMPANY
The Year in Brief
Per share of common stock*

	1958	1957
Earnings before Income Taxes	$ 4.81	$ 3.94
Taxes on Income	1.90	1.57
Net Earnings	2.91	2.36
Dividends	1.00	.90
Shareowners' Equity—End of Year	17.99	16.01

*Adjusted to basis of 1,675,066 Shares outstanding after 2 for 1 Stock Split of record January 5, 1959.

TABLE 16: EARNINGS PER SHARE—1958

Method of Presentation or Computation	1958
Comparative Earnings per share	
Adjusted retroactively for:	
Stock dividends (*Co. Nos. 7, 74, 75, 211, 237, 269)	44
Stock splits (*Co. Nos. 72, 84, 114, 236, 350, 422)	15
Stock conversions (*Co. Nos. 79, 173, 221, 229)	6
Stock options or other increases	
Based on average number of shares outstanding during the year (*Co. Nos. 91, 166, 190, 376, 418, 517)	6
Based on number of shares outstanding at end of current year	37
	108
Not adjusted retroactively for:	
Stock dividends (*Co. Nos. 197, 198, 213, 299, 300, 317)	16
Stock splits	—
Stock conversions (*Co. Nos. 9, 12, 37, 73, 167, 172)	14
Stock options or other increases	
Based on number of shares outstanding during the year (*Co. Nos. 29, 120, 203, 307, 420, 593)	105
Based on average number of shares outstanding during the year (*Co. Nos. 4, 65, 231, 372, 451, 535)	16
	151
No adjustments necessary:	
No material change in number of shares outstanding during the year	302
Total	561
Number of Companies	
Disclosing comparative earnings per share	539
Disclosing earnings per share for current year only (*Co. Nos. 106, 151, 176, 351, 490, 521)	16
Not disclosing earnings per share	45
Total	600

*Refer to Company Appendix Section.

WALKER MANUFACTURING COMPANY OF WISCONSIN
Highlights

	1958	1957
Net Earnings Per Share of Common Stock	5.03	6.57*

*After adjustment for 10% stock dividend.

Not Adjusted Retroactively for Stock Dividends, Stock Splits, Conversions, or Other Increases in the Number of Shares Outstanding

AIR REDUCTION COMPANY, INCORPORATED
Statement of Consolidated Income

	1958	1957
Earnings per Share of Common Stock—After Preferred Stock Dividend (based on average number of shares outstanding during the year—1958, 3,831,900; 1957, 3,760,448)	$3.47	$4.35

CONTINENTAL BAKING COMPANY

Brief Company Summary

	1958	1957
Net Income Per Share of Common Stock (Based on average number of shares outstanding during year)	$4.83	$4.71

THE DAYTON RUBBER COMPANY

To the Shareholders of The Dayton Rubber Company:

1958 net profits after taxes totaled $1,324,434, equal to $1.19 per share on the average of 1,036,471 shares outstanding during the year. In 1957 net profits amounted to $1,613,634, equal to $1.59 on the average of 955,574 shares outstanding.

THE FLINTKOTE COMPANY

Facts in Brief

Per Common Share[2]		
(Based on Average Shares Outstanding—2,125,598 shares 1958)		
Net Income from Operations	$3.00	$3.59
Special Tax Credit	—	.50
Total Income	3.00	4.09
Cash Dividends (paid by The Flintkote Company)	2.40	2.40

[2] For statistical purposes, the per share amounts presented here are pro forma based on average Common Shares outstanding on the assumption that the Common Stock, 4½% Convertible Second Preferred Stock and $4.50 Series A Convertible Second Preferred Stock issued in connection with the acquisitions of Kosmos Portland Cement Company, The Hankins Container Company and Orangeburg Manufacturing Co., Inc., were outstanding since January 1, 1957.

Earnings Per Share Figure for Current Year Only

AMERICAN MOTORS CORPORATION

President's Report

American Motors Corporation made a net profit of $26,085,134, equivalent to $4.65 per share, in the fiscal year ended September 30, 1958. This compares with a net loss of $11,833,200 in the previous fiscal year.

FAIRBANKS, MORSE & CO.

President's Report

In 1958, net sales (billings to customers) of the Company and its subsidiaries were $89,680,651 and net income amounted to $824,582. Earnings per share were 76¢ and dividends of $1.40 per common share were paid.

BALDWIN-LIMA-HAMILTON CORPORATION

STATEMENT OF INCOME

	1958	1957
INCOME:		
Net sales	$133,183,779	$184,369,098
Royalties and licenses	481,709	660,906
Interest earned	797,309	771,389
Net profit on sale of property	761,534	301,636
Miscellaneous	100,282	157,165
Total	$135,324,613	$186,260,194
COSTS AND EXPENSES:		
Cost of products sold including engineering, selling and administrative expenses	$122,135,398	$167,335,084
Depreciation and amortization	3,312,854	3,397,322
Contributions for employees' retirement	1,698,423	2,984,323
Taxes on income	3,600,000	5,540,000
Interest and miscellaneous	11,428	572,920
Total	$130,758,103	$179,829,649
NET INCOME	$4,566,510	$6,430,545
Per share — Outstanding at end of year, 4,263,785 shares in 1958 and 4,351,985 shares in 1957	$1.07	$1.48

WESTERN AUTO SUPPLY COMPANY

COMPARATIVE STATEMENT OF EARNINGS

YEARS ENDED DECEMBER 31, 1958 AND 1957

	1958	1957
Net Sales (Note 1):		
Retail	$ 91,955,228	$ 93,074,533
Wholesale	131,408,184	124,291,631
Total Net Sales	223,363,412	217,366,164
Cost of Sales, including certain occupancy and buying costs	170,527,505	165,538,971
Maintenance and repairs	355,525	405,548
Depreciation and amortization	1,550,466	1,300,023
Taxes, other than taxes on income	1,460,304	1,418,261
Rentals	4,017,850	3,584,732
Provision for doubtful accounts and collection expense	1,478,390	1,720,601
Other selling, general and administrative expenses	28,946,658	28,639,483
Total Costs and Expenses	208,336,698	202,607,619
Net Operating Profit	15,026,714	14,758,545
Other Income:		
Interest	30,556	30,716
Handling charges—Associate Store Owners' customer installment accounts	1,703,359	1,582,146
Cash discount on purchases	999,612	1,066,629
Miscellaneous	40,537	38,585
Total Other Income	2,774,064	2,718,076
Other Charges:		
Interest on long-term debt	451,563	475,000
Long-term debt expense	8,788	9,340
Employees' Profit Sharing and Retirement	1,413,287	1,397,234
Interest—other (including discount on accounts sold)	1,288,750	1,612,623
Total Other Charges	3,162,388	3,494,197
Earnings before Taxes on Income	14,638,390	13,982,424
Provision for Taxes on Income:		
Federal	7,523,953	7,132,182
State	159,200	196,191
Total Provision for Taxes on Income	7,683,153	7,328,373
Net Earnings	$ 6,955,237	$ 6,654,051

The figures for the year 1957 are presented for comparative purposes only.

Bausch & Lomb Optical Company and Domestic Subsidiaries

CONSOLIDATED INCOME AND EARNINGS RETAINED

	52 WEEKS ENDED DECEMBER 28, 1958	52 WEEKS ENDED DECEMBER 29, 1957
INCOME:		
Products sold	$53,337,874	$52,594,954
Other income	361,372	375,854
	53,699,246	52,970,808
COSTS AND EXPENSES:		
Cost of products sold	31,229,860	31,637,790
Depreciation of properties	1,573,680	1,249,416
Selling, administrative and general expenses	17,012,601	16,065,093
Interest expense	457,401	443,031
Federal income taxes	1,730,000	1,770,000
	52,003,542	51,165,330
Net income for the year	1,695,704	1,805,478
Earnings retained at beginning of the year	11,980,713	13,097,897
	13,676,417	14,903,375
Dividends declared: *Per Share* 1958 / 1957		
Cash—		
Preferred stock $4.00 / $4.00	200,000	200,000
Common stock 1.00 / 1.00	820,627	631,654
20% Common stock dividend capitalized at $16.50 a share	—	2,091,008
	1,020,627	2,922,662
Earnings retained at end of the year	$12,655,790	$11,980,713

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 1958 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, 1957, and 1958 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 1958 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, 568 survey companies declared cash dividends. Of these companies, 288 displayed such dividends in the retained earnings statement, 239 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 525 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 38 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, 1957, and 1958 is given in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

Of the 600 survey companies, 381 reported in 1958 the existence of restrictions on retained earnings limiting the declaration of cash dividends. This compares with 350 in 1955 and 313 in 1951, which 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.

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Presented:	1958	1957	1955	1950
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in:				
Retained earnings statements (*Co. Nos. 2, 106, 215, 312, 414, 511)	286	302	310	325
Combined retained earnings and income statement (*Co. Nos. 12, 111, 122, 321, 429, 522)	205	194	182	150
Combined retained earnings and capital surplus statement (*Co. Nos. 56, 99, 174, 340)	4	6	7	20
Stockholders' equity statement (*Co. Nos. 231, 276, 487, 519)	16	14	14	11
Balance sheet (*Co. Nos. 55, 109, 360, 541)	11	10	14	17
Unclassified surplus statement (*Co. Nos. 142, 438)	2	5	7	8
Combined unclassified surplus and income statement (*Co. No. 320)	1	1	2	2
	525	532	536	533
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in:				
Retained earnings statement (*Co. Nos. 253, 394)	2	5	5	5
Combined retained earnings and income statement (*Co. Nos. 29, 148, 167, 216, 314, 479)	34	32	32	33
Stockholders' equity statement (*Co. Nos. 270, 413)	2	1	1	—
	38	38	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. 514)	1	1	—	—
	1	1	1	—
At the foot of the income statement (*Co. Nos. 138, 451, 569)	3	3	8	10
In a supplementary schedule (*Co. No. 426)	1	1	1	1
Within the "Distribution of Net Income" statement	—	1	2	3
	4	5	11	14
Number of Companies				
Declaring cash dividends	568	576	586	585
Not declaring cash dividends	32	24	14	15
Total	600	600	600	600

*Refer to Company Appendix Section.

Cash Dividend Restrictions—Examples

Typical examples of restrictions limiting the declaration of cash dividends, as presented in the 1958 reports, are as follows:

LONG TERM DEBT

ALPHA PORTLAND CEMENT COMPANY

Note Payable to Bank (Note C)	$17,000,000
Capital Stock and Surplus:	
Earned surplus, per accompanying statement (Note C)	$22,908,816

Note C: The note payable to the bank, $17,000,000 at December 31, 1958 bears interest at 4½% per annum and is payable in semi-annual instalments. During 1958 the Company anticipated both of the 1959 instalments by paying $2,500,000. The remaining instalments are $1,500,000 due on May 31 and November 30, 1960 and thereafter $1,750,000 semiannually until payment of the note. The Bank Loan Agreement provides, among other things, that the Company (1) will maintain current assets in excess of current liabilities by at least $8,00,000 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, 1958 earned surplus not so restricted amounted to $3,204,543.

AMERICAN BAKERIES COMPANY

Long-term:	
Notes payable to insurance company:	
3⅞% note maturing $200,000 annually on January 15, 1960-1966, and $450,000 on January 15, 1967	$1,850,000
3⅞% note maturing $75,000 annually on December 1, 1960-1967, and $200,000 annually 1968-1970	1,200,000
Total Long-term Liabilities	$3,050,000

Notes to Financial Statements

Long-term Liabilities—The loan agreements provide, among other things, that the companies will maintain consolidated working capital of at least $9,000,000, and that not more than 70% of consolidated net income realized after January 1, 1955 is available for cash dividends or acquisition of its capital stock. The amount of earnings retained in the business that was restricted under the agreement was $9,061,069 at December 31, 1958.

ARTLOOM CARPET CO., INC.

Long Term Debt:

Payable in Semi-Annual Installments		
Due March 1, 1964	$1,084,000.00	
Due August 1, 1959	155,000.00	
	$1,239,000.00	
Less—Amount currently due within one year	289,000.00	$ 950,000.00
Capital:		
Common Stock—Par Value $1.00 Per Share Authorized 600,000 Shares Outstanding 504,982 Shares	$3,417,690.00	
Earnings Retained in Business	1,674,590.06 "D"	
Capital Surplus	291,689.43	5,383,969.49
		$8,022,398.06

Note D: Earnings Retained in Business—Balance $1,602,779.08 as of January 3, 1948 is restricted for Payment of Dividends under Loan Agreement dated January 1, 1949 covering the Long Term Debt due Semi-Annually to March 1, 1964.

CELANESE CORPORATION OF AMERICA

Long-Term Debt (exclusive of amounts included in current liabilities):

3% Debentures, due October 1, 1965 (semi-annual sinking fund requirements $1,000,000)	$19,794,000
2.85% Debentures, due December 1, 1966 (semi-annual sinking fund requirements $625,000)	13,341,000
3½% Debentures, due October 1, 1976 (semi-annual sinking fund requirements $500,000 increasing to $1,000,000 on October 1, 1966)	46,408,000
	79,543,000
Notes payable to banks (Note 5)	8,250,000
Other notes, payable by a subsidiary—due 1960 to 1961	220,000
	$88,013,000

Note 5: Notes Payable to Banks—The notes payable to certain banks are evidenced by Serial Notes payable in semi-annual installments from May 1, 1959 to May 1, 1963, inclusive; the 1959 installment maturities of $1,500,000 have been classified under current liabilities. Under the terms of the related agreements with the banks, the Corporation has a stand-by credit of $24,500,000 available to May 1, 1959.

Note 7: Restrictions on Funded Debt and Dividends—The debenture indentures and the agreements referred to in note (5) contain restrictive provisions and covenants, including restrictions on the creation of funded debt and on the payment of dividends as a result of which (a) no funded debt may be created and no dividend may be paid on any class of stock of the Corporation unless at the time and after giving effect thereto consolidated net tangible assets (as defined in the indentures) are at least two and one-quarter times outstanding consolidated funded debt, and (b) no dividend, other than dividends payable in stock of the Corporation, may be paid on the Common Stock unless at the time and after giving effect thereto the consolidated net earnings subsequent to July 31, 1951 plus $25,000,000 shall exceed the aggregate amount of dividends or other stock payments made after that date. As to (b) the effect of such restriction is to limit to $34,651,411 the amount of consolidated earned surplus at December 31, 1958 which may be applied to the payment of dividends other than stock dividends on Common Stock.

EASTERN STAINLESS STEEL CORPORATION

Long Term Debt (Note 1):

5% Convertible subordinate debentures	$ 5,123,600
4½% Notes payable	
Total Long Term Debt	$ 5,123,600

Shareowners' Equity:

Retained earnings (Note 3)	$10,974,625

Note 1: The 5% convertible subordinate debentures are convertible into common stock at the conversion price of $54 per share.

The Corporation, under a bank loan agreement, may borrow up to $4,000,000 under revolving credit notes payable by July 1, 1960, convertible wholly or in part on that date into term loan notes to be paid in full by July 1, 1964. A commitment fee of ½ of 1% per annum is payable on the unused portion of the revolving credit.

The Corporation has agreed under the terms of the indenture and the loan agreement to maintain consolidated net working capital of not less than $12,000,000.

Note 3: The terms of the indenture and the loan agreement restrict the amounts the Corporation may expend for the payment of dividends and the acquisition of its own stock and provide that dividends and purchases shall be payable only out of retained earnings. As of December 31, 1958, $8,016,000 of retained earnings was restricted.

FEDDERS-QUIGAN CORPORATION

Long Term Debt:

4¼% note payable, due $325,000 annually, balance due June 1, 1969 (less portion included in current liabilities)	$3,375,000
Stockholders' Equity:	
Earned surplus (Note 2)	$7,701,333

Note 2: Restrictions on Dividends—Under the terms of the loan agreement with an insurance company, dividends paid on all classes of capital stock (other than dividends payable in capital stock) plus the excess, if any, of amounts expended for acquisition of all classes of capital stock over net proceeds from the sale of all classes of capital stock may not exceed 75% of the net income (as defined in the agreement) subsequent to August 31, 1953. In addition, cash dividends on the preferred stock outstanding June 1, 1954, not otherwise permitted under the foregoing restriction, may be paid in amounts which do not exceed $300,000. Under this restriction, $5,432,853 of earned surplus was not available for dividends at August 31, 1958. The loan agreement also provides, among other things, that net current assets must equal at least $10,000,000 immediately after giving effect to such dividend.

GOLDBLATT BROS., INC.

Long-Term Debt:

Sinking fund debentures—	
3⅜% payable $140,000 annually; balance due May 1, 1963	$ 1,530,000
3⅞% payable $200,000 annually to January 15, 1976	3,400,000
	$ 4,930,000
Capital Stock and Surplus:	
Earned surplus ($17,309,900 restricted as to payment of dividends under terms of debenture agreement)	$19,803,867

INTERNATIONAL HARVESTER COMPANY

Note Payable:

Thirty-year loan, 3½%, dated October 3, 1952; $5,000,000 payable annually beginning in 1963	$100,000,000
Equity Capital:	
Net income retained for use in the business (Note 4)	$146,269,267

Note 4: Net Income Retained for Use in the Business—The balance in this account reflects the reductions caused by transfers made to Common Stock account as stock dividends or otherwise.

Under the agreement with The Prudential Insurance Company of America governing the 30-year loan of $100,000,000, dividends may not be declared or paid on the outstanding common stock of the Company subsequent to October 31, 1956, unless immediately after giving effect to such action the sum of the aggregate amount of all dividends declared or paid after January 15, 1952, on both preferred and common stock and the excess of any payments for acquisition of capital stock of the Company after October 31, 1951, over any amounts received from the sale of capital stock after October 31, 1951, shall not exceed 100% of the net income of the Company accrued after October 31, 1951. Net income retained for use in the business not restricted under this agreement amounted to $106,887,110 at October 31, 1958.

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1958	1955	1951
Long-term indebtedness (*Co. Nos. 37, 100, 115, 122, 126, 262, 302, 532)	344	303	258
Credit agreements (*Co. Nos. 226, 332, 474)	34	22	21
V-loan agreements (*Co. Nos. 205, 243, 364)	6	8	14
Preferred stock requirements (*Co. Nos. 3, 26, 304, 434, 563)	48	49	43
Treasury stock (*Co. Nos. 135, 181, 185)	9	8	7
Dividend arrearage (*Co. No. 428)	1	—	4
Articles of incorporation (*Co. Nos. 70, 419, 442, 586)	14	18	27
Elkins Act Decree (re: oil pipe lines) (*Co. Nos. 276, 519, 530)	3	3	6
State statutory limitation (*Co. No. 41)	1	—	2
Board of directors' resolution (*Co. Nos. 61, 125)	2	1	1
Restriction not described (*Co. No. 281)	1	2	8
Foreign statutory limitation (*Co. Nos. 58, 519)	2	4	2
Various other	—	3	—
Total	465	421	393
Number of Companies			
Referring to dividend restriction	381	350	313
Not referring to dividend restrictions	219	250	287
Total	600	600	600

*Refer to Company Appendix Section.

McCORMICK & COMPANY, INCORPORATED

Debentures:

3.3% Maturing February 1, 1960-1966, $87,500 annually	$ 612,500
3.3% Maturing February 1, 1967	1,837,500
Total Debentures	$2,450,000

Stockholders' Investment:

Retained Earnings ($1 million restricted as to cash dividends under the 3.3% debentures)	$4,881,154

NATIONAL GYPSUM COMPANY

Long-term Debt (Note C)	$27,384,982
Surplus—partly restricted (Note F):	
Capital surplus	$86,584,642
Earned surplus	52,585,787

Note C: Long-Term Debt—Long-term debt less current maturities, consisted of the following:

3¾% Promissory Notes due July 1, 1977, payable $1,425,000 annually	$25,650,000
4.6% Note (secured by mortgage), payable monthly 1960-1971	1,734,982
	$27,384,982

The 4.6% Note is payable in installments (which include interest) of $21,994 a month to December 1, 1961 and $14,056 a month thereafter with any remaining balance due December 1, 1971.

Note F: Surplus Restrictions—The terms of outstanding Promissory Notes and of the $4.50 Cumulative Preferred Stock place certain restrictions on the payment of dividends, except dividends payable in stock of the Company, and on the purchase or redemption of shares of capital stock. Giving effect to these restrictions as of December 31, 1958, $17,870,898 of the earned surplus (but no capital surplus) was free for dividends and/or the purchase or redemption of shares of both classes of capital stock outstanding at that date.

KELSEY-HAYES COMPANY

4⅜% Promissory Note, payable $1,075,000.00 on September 1 of each of the years 1959 to 1970 and $2,100,000.00 on September 1, 1971 (Note A)	$15,000,000.00
Shareholders' Investment:	
Earnings retained for use in the business (Note A)	$48,278,889.88

Note A: Restrictions Under Loan Agreements—The loan agreement covering the 4⅜% Promissory Note provides, among other covenants, that the Company will not declare any dividends, other than stock dividends on its Common Stock, or purchase shares of such stock unless after giving effect thereto (a) current assets are at least 200% of current liabilities as defined (on this basis current assets were approximately 360% of current liabilities at August 31, 1958), (b) working capital is at least equal to the greater of $15,000,000.00 or 140% of long-term debt, and (c) the sum of $2,500,000.00, plus net earnings as defined after September 1, 1955, exceeds the aggregate amount of all dividends (other than stock dividends) declared and Common Stock purchased. At August 31, 1958, earnings retained for use in the business in the amount of $10,359,765.95 were free from the restrictions under the terms of this agreement.

The loan agreement covering the notes payable to banks provides that the Company shall maintain working capital of not less than $18,000,000.00.

CREDIT AGREEMENTS

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

Notes to Financial Statements

Note 3: At December 31, 1958, $12,983,165 of the earned surplus was not restricted with respect to payment of dividends under provision of the credit agreement mentioned on page 7.

Financial Review (Page 7)

Long-Term Debt—At December 31, 1958, notes payable under the credit agreement with certain banks, dated January 1, 1957, amounted to $12,000,000. On January 2, 1959, an additional $8,000,000 was borrowed, bringing the total long-term debt to $20,000,000. These loans are evidenced by 4½% term notes which, subject to the right of prepayment, will be payable in stipulated quarterly payments beginning April 1, 1960, and ending January 1, 1964.

NEPTUNE METER COMPANY

Current Liabilities:

Notes payable to banks (Note 5)	$1,200,000

Note 5: Under a revolving credit agreement with two banks, the Corporation may borrow up to any amount not exceeding $5,000,000 against its promissory notes. The agreement, which expires December 31, 1960, provides among other things that the Corporation will maintain at all times an excess of consolidated current assets over consolidated current liabilities of not less than $7,500,000 (excess amounted to $11,300,000 at December 31, 1958) and that, without the written consent of the banks, the Corporation will not declare and pay cash dividends or purchase or redeem any of its capital stocks in any year in an aggregate amount in excess of 66 2/3% of the consolidated net earnings of the Corporation during such year and $400,000.

REPUBLIC STEEL CORPORATION

Above Stockholders' Equity:

Long-term debt less current portion—Note D	$98,158,550

Note D: Under the terms of a Revolving and Term Loan Credit Agreement the Corporation has established bank credits aggregating $75,000,000. Loans thereunder in the aggregate amount of $61,500,000 were outstanding at December 31, 1958. The agreement provides, among other things, that consolidated net current assets will be maintained at not less than $100,000,000. At December 31, 1958, the consolidated net current assets exceeded the minimum requirement by $145,895,793, and to that extent income retained and invested in the business was not restricted as to the payment of cash dividends.

V-LOAN AGREEMENTS

CONTINENTAL MOTORS CORPORATION
Current Liabilities:

Notes payable to banks under V-Loan Agreement (Note C)	$5,040,000

Note C: Notes Payable to Banks under V-Loan Agreement—The agreement provides, among other covenants, (1) that the Corporation will not declare cash dividends on or purchase shares of its capital stock subsequent to October 31, 1950, in an aggregate amount which will exceed 50% of the Corporation's net earnings subsequent to that date, plus $660,000, and (2) that it will not permit its net current assets to decline below $17,000,000, plus 20% of its net earnings subsequent to October 31, 1957 ($677,562), a total of $17,677,562 at October 31, 1958. At October 31, 1958, earnings retained for use in the business in the amount of $923,886 were free from the foregoing dividend restrictions.

SONOTONE CORPORATION
Current Liabilities:

Notes payable to bank under V-loan agreement (Note 1)	$396,602

Note 1: The notes payable to bank represent borrowings under a V-loan agreement providing for a maximum revolving credit of $2,000,000 for the period ending December 31, 1959. Accounts receivable and inventories are the bases for the borrowings and the Company has assigned the amounts due or to become due under its government contracts and subcontracts. The assigned accounts receivable aggregated $275,247 at December 31, 1958.

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

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

Consolidated earnings retained in the business at December 31, 1958 are restricted under the V-loan agreement to the extent of $2,674,041 as to dividends on the common stock and $2,456,041 with respect to the preferred stock. The limitations with respect to dividends in the long-term note agreements are not as restrictive as those under the V-loan agreement.

PREFERRED STOCK REQUIREMENTS

PET MILK COMPANY

Stockholders' investment represented by—

Earnings invested in the business (at December 31, 1958, $18,760,011 is unavailable for dividends on or acquisition of common stock under the charter provisions applicable to the preferred stock)	$29,444,357

CHAS. PFIZER & CO., INC.
Shareowners' Equity:

Earnings retained and employed in the business—Note 7	$96,166,522

Note 7: Dividend Restrictions—Certain preferred stock restrictions require that as of December 31, 1958, the aggregate future dividends and distributions on Common Stock and/or expenditures for purchases and retirements thereof shall not exceed $78,036,673.

THE UNITED PIECE DYE WORKS
Investment of Stockholders (Note 8):

Preferred stock, $4.25 cumulative, par value $75.00 per share, redemption price and liquidation preference $110.00 per share and accumulated dividends:	
Authorized and issued, 59,943 shares less 3,011 shares in treasury	$4,269,900
Common stock, par value $.10 per share:	
Authorized, issued and outstanding, 898,023 shares	89,802
Additional paid-in capital	818,405
Earnings retained for use in the business, since January 1, 1948 (deficit)	(580,753)
	$4,597,354

Note 8: Investment of Stockholders—On or before December 31st of each year, the Company is required to expend for the repurchase of preferred stock an amount equivalent to 15% of the balance of net earnings of the Company and its subsidiaries for the preceding year, after deducting dividends accrued on the preferred stock for the year. Such stock is to be acquired at prices not in excess of $110 per share plus accrued dividends. If more than this amount is expended for the acquisition of preferred stock in any year, the excess may be carried forward to subsequent years. During the period 1948 through 1955, $446,883 was so expended in the acquisition of 9,515 shares of which 6,504 shares were retired in 1951, while the balance of 3,011 is being held in the Company's treasury. The repurchases in the amount of $446,883 exceed by $14,542 the requirement through December 31, 1958.

No dividends on the preferred stock were paid during the year and at December 31, 1958, dividend arrears amounted to $8.50 per share or an aggregate of $483,922. Under the amended certificate of incorporation, the entire voting power for the election of a majority of the Board of Directors shall be exclusively vested in the preferred stock whenever four quarterly dividends on such stock shall be unpaid and shall continue to be so vested until all arrears in payment of cumulative quarterly dividends are paid and dividends thereon for the current quarter are provided for.

The aggregate liquidating preference of the 56,932 shares of preferred stock ($110 per share) issued and outstanding at December 31, 1958 amounted to $6,262,520, which is $1,992,620 in excess of the amount at which it is stated.

No dividends may be declared or paid on common stock unless and until (1) all preferred dividends have been paid; (2) all arrears in respect to the acquisition of preferred stock have been made good, and (3) the surplus, being the aggregate amount of earnings retained for use in the business and additional paid-in capital accounts of the Company (at December 31, 1958 $234,652) and its subsidiaries, shall be in excess of $1,500,000.

TREASURY STOCK

COLUMBIA RIVER PACKERS ASSOCIATION, INC.
Stockholders' Equity:

Common stock, par value $5 a share:	
Authorized 400,000 shares	
Issued 379,275 shares (including 109,275 shares held in treasury)	$1,896,375
Additional paid-in capital (no change during year)	1,731,368
Retained earnings ($4,794,775 restricted by terms of bank loan agreement and by purchase of treasury stock)	5,176,335
	$8,804,078
Less common stock in treasury, 109,275 shares—at cost	2,294,775
	$6,509,303

THE CURTIS PUBLISHING COMPANY
Capital Structure:

Undivided Profits (Note 4)	$16,193,403.50

Note 4: 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, $1,118,599.39 (the cost of such Treasury shares) of the Undivided Profits at December 31, 1958 is restricted and not available for dividends or purchase of additional Treasury shares.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY
Sources from Which Capital was Obtained:

Common Stock, $1.00 par value:	
Authorized 1,500,000 shares; issued 1,385,000 shares at stated value	$ 9,000,000
Accumulated Earnings Reinvested in the Business (Note B)	7,912,484
	$16,912,484
Less Cost of Stock in Treasury—176,750 shares (1958) and 124,950 shares (1957) (Note B)	2,304,965
Total Capital	$14,607,519

Note B: Accumulated Earnings—Accumulated earnings of $2,989,-600 were transferred to common stock in 1955 to increase its stated value. Accumulated earnings are restricted in the amount of $2,304,965, representing the cost of stock in treasury.

ARTICLES OF INCORPORATION

ALLIS-CHALMERS MANUFACTURING COMPANY

Ownership of Net Assets:

Earnings retained	$135,354,664

Notes to Financial Statements

Dividend Restriction—The agreements relating to notes payable and the certificate of incorporation contain certain restrictions relating to the declaration of cash dividends. At December 31, 1958, the amount of earnings retained which was not available for the future declaration of cash dividends on the common stock was approximately $70,000,000.

CROWN ZELLERBACH CORPORATION

Net Income	$ 33,234,000
Income Retained in the Business:	
Balance at the beginning of the year	246,457,000
	279,691,000
Dividends declared:	
On $4.20 cumulative preferred stock	1,221,000
On common stock, $1.80 in each year	24,869,000
	26,090,000
Balance at the end of the year (Note 8)	$253,601,000

Note 8: Income Retained in the Business—The amount of dividends which can be declared from income retained in the business is restricted under the Corporation's Articles of Incorporation and agreements related to long-term debt. There is a $61,110,000 margin at December 31, 1958 over the most stringent of these restrictions.

PILLSBURY MILLS, INC.

Ownership:

$4 cumulative preferred stock	$ 5,113,200
Common stock	23,469,750
Additional paid-in capital	4,822,583
Accumulated earnings, retained and used in the business (see Note 6 as to portion not restricted as to dividends)	37,571,369
	$70,976,902

Note 6: Accumulated Earnings Not Restricted as to Dividends—Under terms of the company's long-term debt agreements and the preferred stock provisions of the certificate of incorporation (the terms of the long-term debt agreements governing) $6,667,414 of accumulated earnings at May 31, 1958 is not restricted as to dividends or for distributions on or acquisitions of capital stock.

ELKINS ACT DECREE

STANDARD OIL COMPANY (NEW JERSEY)
Financial Review

Shareholders' Equity—Consolidated book value totaled $6,457,204,-000 at December 31, 1958, an increase of $701,594,000 during the year. This increase consisted of $97,924,000 of earnings in excess of dividends paid during 1958 and $603,670,000 representing the value of the additional shares issued during the year. Consolidated earnings reinvested included $15,610,000 of statutory reserves of foreign affiliates and $6,547,000 of restricted earnings of United States pipeline companies set aside since December 31, 1941, under the terms of the Elkins Act suit decree. These amounts are not available for dividend distribution.

The book value of the parent company alone totaled $3,728,616,000 at December 31, 1958, an increase of $725,870,000 during the year.

STATE STATUTORY LIMITATION

AMERICAN METAL PRODUCTS COMPANY

Retained Earnings:

Transfer to additional paid-in capital of the retained earnings of Alliance Ware, Inc. at date of acquisition (not available for dividends under Michigan Law)	$4,639,536

BOARD OF DIRECTORS' RESOLUTION

ARDEN FARMS CO.

Capital and Surplus:

Earned surplus (See Note)	$7,867,040.59

Note: . . . Company's counsel has expressed the opinion that no statutory restriction on surplus exists by reason of the preferred stock's preference on liquidation exceeding its stated value. However, in June 1947, the company's Board of Directors adopted a resolution not at any time to declare a dividend on any junior stock which would reduce surplus below an amount equal to such excess.

CANNON MILLS COMPANY

Surplus:

Capital	$ 2,534,001.84
Earned (including $55,000,000 reserved by the Board of Directors for working capital)	78,499,232.61
Total surplus	$81,033,234.45

FOREIGN STATUTORY LIMITATION

ANDERSON, CLAYTON & CO.

Surplus:

Earned:	
Appropriated for contingent tax liability	$ 9,400,460
Unappropriated (Note 5)	97,310,083

Note 5: Included in Earned Surplus as of July 31, 1958, are legal reserves, aggregating $1,438,442 required by the laws of certain of the countries in which the foreign subsidiaries are situated. These reserves are not available for payment of dividends by the foreign subsidiaries.

STOCK DIVIDENDS AND STOCK SPLITS

Accounting Treatment

Accounting Research Bulletin No. 43 (*Restatement and Revision of Accounting Research Bulletins*), issued in 1953 by the committee on accounting procedure of the American Institute of Certified Public Accountants, 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 14 stock splits disclosed in the 1958 reports, in no case were shares distributed in a ratio of less than one for one.

TABLE 3: STOCK DIVIDENDS AND STOCK SPLITS

	Stock Dividends		Stock Splits	
Distribution Recorded as:	1958	1955	1958	1955
Debit retained earnings	18	21	1	4
Debit retained earnings and credit capital surplus	66	53	2	—
Debit capital surplus	—	1	1	15
Debit retained earnings and debit capital surplus	1	1	1	9
Credit capital surplus	1	—	—	3
	86	76	5	31
Increase in Number of Shares Only Set forth in:				
Letters to stockholders	—	—	3	4
Accompanying footnotes	—	—	6	7
Total Transactions	86	76	14	42
Number of Companies showing:				
Stock distributions	86	76	14	42
No stock distributions	514	524	586	558
Total	600	600	600	600

Note: Included in the total of 18 stock dividend distributions charged to retained earnings are 3 companies with dividends-in-kind (*Co. Nos. 62, 517, 521). One company disclosed a stock dividend in addition to a stock split (*Co. No. 503).

*Refer to Company Appendix Section.

Table 3 summarizes the accounting treatment of the stock distributions disclosed in 99 annual reports of the 600 survey companies. The distributions of 81 companies represented dividends in stock of the declaring company, 3 represented dividends in stock of another company, 1 represented a spin-off, 13 represented stock splits, and the remaining 1 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 describing such distributions.

1958 STOCK DIVIDENDS

Retained Earnings

CALIFORNIA PACKING CORPORATION

DR.—$4,600,000—"*Statement of Earnings*: In Capital Stock of the Corporation—5% (Note D)."

Note D: Capital—On May 2, 1957, the Board of Directors declared a stock dividend of one (1) share of capital stock for each twenty (20) shares of the 2,229,318 shares then outstanding making a total of 2,340,783 shares outstanding after issue of the dividend. In connection with the stock dividend $4,600,000 was transferred from unappropriated earnings to capital, or approximately $41 per share for each of the 111,465 shares issued as a stock dividend.

BOEING AIRPLANE COMPANY

DR.—$15,414,151—"*Retained Earnings*: Stock dividend (4%)—Amount transferred by the Board of Directors equal to the approximate market value on declaration date (281,537 shares)."

CENTRAL SOYA COMPANY, INC.

DR.—$1,688,232—"*Earnings Retained in the Business*: Stock dividends—two of 2% each—(including $105,243 cash paid in lieu of fractional shares)."

HOWELL ELECTRIC MOTORS COMPANY

DR.—$40,000—"*Earnings retained for use in the business*: Distribution (20%) effected in the form of a dividend of 39,809 common shares of $1 par value each and $191 cash for fractional shares ($39,809 transferred to common stock)."

MASONITE CORPORATION

DR.—$1,039,710—"*Earned Surplus*: Stock dividends declared; recorded at approximate market value—1958—2% stock dividend, or 29,706 shares."

Retained Earnings and Capital Surplus

AUTOMATIC CANTEEN COMPANY OF AMERICA

DR.—$2,333,205—"*Reinvested Earnings*: Stock, 5%, paid ensuing November 1—1958, at assigned value of $22.50 a share."

CR.—$2,073,960—"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 $2,296,015 during the current year represents the excess over par value of the related shares of (1) the amounts paid in for common stock sold under stock options ($167,455), (2) the fair value of shares subsequently issued as a 5% stock dividend ($2,073,960), and (3) the agreed value of shares issued in payment for additional interests in consolidated subsidiaries ($54,600).

Note 5: Dividends—On August 20, 1958, the Company declared a cash dividend of $.22½ a share and a 5% stock dividend. The cash dividend was paid on October 1, 1958, and the stock dividend on November 1, 1958. The accompanying financial statements reflect the liability for such cash dividend and the payment of the stock dividend. . . .

THE BABCOCK & WILCOX COMPANY

DR.—$1,993,000—"*Retained Earnings*: Stock (1% or 61,220 shares at $32.55)."

CR.—$1,993,000—"Capital Stock and Capital Surplus: 1% or 61,220 shares stock dividend paid January 1959 (including $1,442,020 excess over par value—capital surplus)."

BLAW-KNOX COMPANY

DR.—$1,541,435—"*Retained Earnings*: Stock dividend —2½%—44,041 shares at $35."

CR.—$1,168,991—"Other Capital:"

Notes to Financial Statements

Stockholders' Equity—During 1958, other capital increased $1,168,991 representing the excess of assigned value over par of stock issued as dividends and the excess of amounts received over par for stock issued under the stock option plan.

THE MOHAWK RUBBER COMPANY

DR.—$2,021,004—"*Earned Surplus*:

Stock dividend—30% on common stock at market value of $39.00 a share:	
Stock issued	$2,004,951
Cash in lieu of fractional shares	16,053"

CR.—$1,953,542—"Capital Surplus: Excess of market value over par value of 51,409 shares of common stock issued as a 30% stock dividend."

BUFFALO-ECLIPSE CORPORATION

DR.—$278,414—"*Retained Earnings Used in the Business*: Aggregate market value on declaration dates of common stock dividends paid (per share:—4%)."

CR.—$257,598—"Investment in Excess of Par Value of Stock: Excess of market value over par value of common stock issued as dividends."

CARNATION COMPANY

DR.—$3,551,931—"*Accumulated Earnings Retained in the Business*:"

Two per cent in common stock paid December 30, 1958:	
39,960 shares at $62.25 per share, approximate market at declaration date, of which $5.50 transferred to capital stock and $56.75 to other capital	$2,487,510
Cash paid in lieu of issuing fractional share interests aggregating 1,035 shares	$64,421"

CR.—$2,267,730—"Other Capital: Other capital (transferred from accumulated earnings in connection with stock dividends)."

COLONIAL STORES INCORPORATED

DR.—$1,438,017—"*Earnings Retained and Invested in the Business*: Appropriation for 2% common stock dividend (at the approximate bid price of the common stock at dates of declaration) declared in current year issuable to common stockholders in following year (1958, 53,818 shares at $26.72 per share)."

CR.—$936,358—"Capital in Excess of Par Value of Capital Stock: Excess of market value over par value of common stock issued in 1958 as a 2% stock dividend declared in 1957."

COLUMBIA BROADCASTING SYSTEM, INC.

DR.—$9,576,184—"*Retained Earnings*: Stock dividends, three per cent; 1958, 236,449 shares at $40.50 per share) (Note 1)."

Notes to Financial Statements

Note 1: As approved by the Stockholders, all previously authorized shares of Class A and Class B capital stock, $2.50 par value, were changed on December 23, 1958 into a like number of shares of a single class of stock designated "Common Stock" with the same par value. References in the financial statements to shares of common stock are after giving effect to such change. The shares outstanding at January 3, 1959, include 236,449 shares issued on January 16, 1959 as a stock dividend declared November 12, 1958.

CR.—$8,985,062—"Capital Surplus: Excess of amounts charged to retained earnings for stock dividends over par value of shares issued in payment thereof."

THE GRAND UNION COMPANY

DR.—$2,809,604—"*Retained Earnings*: Dividend in common stock, based on market price."

CR.—$2,307,889—"Capital Surplus: Excess of retained earnings capitalized in connection with stock dividends over the par value of shares issued."

PHILCO CORPORATION

DR.—$1,875,000—"*Retained Earnings*: Dividend Common Stock—2% per Share in Stock at Market Value."

CR.—$1,636,000—"Capital in Excess of Par Value: Excess of Market Value Over Par Value—79,796 Common Shares Issued as a Stock Dividend."

WALKER MANUFACTURING COMPANY OF WISCONSIN

DR.—$1,036,875—"*Retained Earnings*: Stock dividend of 10 per cent in 1958 at market value of $35."

CR.—$918,375—"Contributed Capital in Excess of Par Value of Capital Stock: Excess of market value ($35 per share) over par value of shares issued as a stock dividend."

1958 DIVIDENDS-IN-KIND

ARGO OIL CORPORATION

DR.—$178,699.60—"*Retained Earnings*: Extra dividend paid in capital stock of Standard Oil Co. (New Jersey): 1958 dividend—7,957 shares of Standard Oil Co. (New Jersey) stock issued on basis of one share for each 200 shares of Argo Oil Corporation stock held. Market value on distribution date—$.285625 per share of Argo Oil Corporation stock held.

Aggregate cost to Argo Oil Corporation of stock distributed	$ 69,687.35
Cash to holders of less than 200 shares of Argo Oil Corporation stock	109,012.25"

STANDARD OIL COMPANY (INDIANA)

DR.—$3,507,234—"*Earnings Retained and Invested in Business*: Special dividend paid in capital stock of Standard Oil Company (New Jersey)—135,622 shares at cost—together with equalizing cash payments in lieu of fractional shares. Market value on date of distribution was equivalent to $0.287 per share of Standard Oil Company (Indiana) stock."

SPIN-OFF

AMERICAN MACHINE AND METALS, INC.

DR.—$89,961—"*Retained Earnings*: In common stock of Trout Mining Company (Note 5)."

Note 5: Dividend in stock of Trout Mining Company—On December 31, 1958 the Company transferred its Trout Mining Division's mining properties, business and interest in a lease, subject to a reserved production payment, and $92,681 to Trout Mining Company (organized November 14, 1958 by the Company) in exchange for 92,681 shares of stock of Trout Mining Company. On the same date the Company distributed 89,961 shares of such stock to its stockholders as a dividend and sold the balance of 2,720 shares at $1.00 per share to certain employees holding stock options in the Company.

1958 STOCK SPLITS

Retained Earnings

BEATRICE FOODS CO.

DR.—$1,426,806.02—"*Earned Surplus (Retained Earnings)*: Charge arising from common stock distribution (see capital surplus)."

DR.—$6,993,343.98—"*Capital Surplus*:

Charge arising from common stock distribution on March 5, 1957; one additional share issued for each two shares held:		
Transferred to capital stock, par value of 673,612 shares issued	$8,420,150.00	
Less amount charged to earned surplus (retained earnings)	1,426,806.02	$6,993,343.98"

A. O. SMITH CORPORATION

DR.—$11,534,400—"*Earnings Reinvested in Business*:

Transfer to common stock account in connection with stock split (Note 4)	$10,000,000
Stock—2%, at market value (Note 4)	1,534,400"

Note 4: Changes in Common Stock—On September 13, 1957 the stockholders approved an increase in the authorized common stock to 2,250,000 shares of $10 par value. On September 16, 1957 the Board of Directors authorized the isuance of 1,000,000 shares on September 20, 1957 as a two-for-one stock split and a 2% stock dividend payable November 1, 1957. The par value ($10,000,000) of the shares issued as a stock split and the market value ($1,534,400) of 40,000 shares issued as a stock dividend were charged to earnings reinvested in business. The excess ($1,134,400) of the market value of the stock dividend shares over their par value was credited to earnings capitalized.

Capital Surplus

THE BRUNSWICK-BALKE-COLLENDER COMPANY

DR.—$792,000—"*Capital Surplus*: Aggregate stated value of common stock issued in connection with four-for-three stock split (527,886 shares)."

Review of Operations

Stock Split—On November 4, 1958, the Board of Directors voted to split the Company's common stock on a four-for-three basis by distributing one additional share for each three shares outstanding at the close of business on November 14, 1958. The distribution of the additional shares was made on December 1, 1958. The purpose of this stock split was to broaden the base of ownership of the Company's shares by increasing their marketability. The number of Brunswick common stockholders increased from 3,703 at December 31, 1957, to 6,845 at December 31, 1958. A part of this increase resulted from the acquisition of MacGregor through an exchange of stock.

FOOD MACHINERY AND CHEMICAL CORPORATION

DR.—$33,900,749—"*Capital in excess of Par Values of Capital Stocks (Note 5)*: Amount transferred to common stock representing par value of $3{,}390{,}074^{87}/_{100}$ shares issued as a result of 100% stock distribution."

Note 5: Stockholders' Equity— . . . Common stock, except 13,000-75/100 shares held for retirement, was split two-for-one whereby each stockholder of record on October 31, 1958, received one additional share for each common share then held. The following table summarizes shares transactions for 1958:

Outstanding shares, beginning of year	3,373,816-59/100
Transactions to October 31:	
Sale to employees	6,625
Conversion of 3¼% Cumulative Convertible Preferred Stock	9,638-3/100
Fractional shares redeemed for cash	(2)
Shares outstanding before 100% stock distribution	3,390,077-62/100
Shares issued on stock distribution	3,390,074-87/100*
Shares outstanding as of October 31	6,780,152-49/100
Transactions for balance of year:	
Sale to employees	9,699
Conversion of 3¼% Cumulative Convertible Preferred Stock	3,942-7/100
Fractional shares redeemed for cash	(25/100)
Outstanding shares, end of year	6,793,793-31/100

**Excludes 2-75/100 fractional shares redeemable for cash . . .*

Change in Number of Shares Only

BARIUM STEEL CORPORATION

Notes to Financial Statements

Reverse Split—Effect has been given to the reverse split as of May 9, 1958 of 1 for 4 of the Company's common stock, reducing the number of authorized shares from 10,000,000 of $1 par value to 2,500,000 of $4 par value.

KELLOGG COMPANY

President's Letter

The Board effected the stock split by declaring a 100% stock distribution; that is, one share of Common Stock for each share of Common Stock held was made payable on December 30, 1958, to shareholders of record on November 28, 1958. This report is based on 8,875,770 shares of Common Stock outstanding at the close of business on December 31, 1958.

THE KROGER CO.
President's Letter

Stock Split and Dividends—At a special meeting held December 10, 1958, shareowners approved a three-for-one split of the common stock. At the same meeting, the authorized shares were increased from five million to eighteen million. For each share held of record on December 22, 1958, two additional shares have been mailed to shareowners. . . .

PARKE, DAVIS & COMPANY
President's Letter

Another development was the three-for-one stock split, approved at the special meeting of stockholders held on November 12. It was our hope that such a split would lead to a broader distribution of the company's stock, and it is gratifying to note that many new stockholders have already joined us—more than 5000 since December 1, 1958.

PET MILK COMPANY
President's Letter

Dividends—At the November meeting of the Board of Directors a two-for-one split of the stock was voted. Distribution of the additional shares was made January 16, to stockholders of record January 2, 1959. This split did not change the stockholders' participation in the Company, but resulted in two shares of stock in place of the original share.

STOCK DIVIDENDS—DECLARED BEFORE BALANCE SHEET DATE FOR DISTRIBUTION AFTER BALANCE SHEET DATE

Sixteen financial reports of the 600 companies included in this survey disclosed that stock dividends had been authorized during the fiscal year for distribution in the following fiscal year. Most of these reports either recorded the transaction as though it had been completed in the current period or indicated in their statements of retained earnings the appropriation in respect of such forthcoming stock distribution. Two companies merely made the disclosure in the notes to financial statements.

Examples which follow illustrate the extent of the accounting recognition given in the 1958 reports of the companies in the circumstances referred to above.

BELL & GOSSETT COMPANY
November 30, 1958

DR.—$370,104—*"Earnings retained in the business: Dividends*:

Cash ($.50 per share)

Stock, 2% (30,842 shares) on shares outstanding at market value of $12 per share to be issued December 15, 1958."

CR.—$370,104—"Capital stock and capital in excess of par value: Transfer to permanent capital for issuance of 2% stock dividend (30,842 shares at market value of $12 per share) as of December 15, 1958."

Financial Review

Earnings and Dividends—Earnings on a per share basis increased from $0.98 in 1957 to $1.11 in 1958. Earnings were $1,708,642 in 1958 compared to $1,515,938 in 1957. Retained earnings increased by $567,487, after providing for four quarterly dividends of 12½¢ per quarter per share for a total cash dividend of $771,051 and after provision for the 2% stock dividend declared but not paid as of November 30. The 2% stock dividend amounted to $370,104.

BELL & HOWELL COMPANY
December 31, 1958

DR.—$1,429,901—*"Earnings invested in the business*: 2½% stock dividend on Common Stock—approximate market value at declaration date."

CR.—$1,262,151—"Capital in Excess of Par Value of Shares: Market value over par value of common shares paid as a stock dividend."

CR.—$167,750—"Common Stock:

Common Stock, par value $10 a share:

Authorized 2,000,000 shares; issued and outstanding 1958—675,268 shares (including 16,775 shares issued as stock dividend on January 30, 1959)."

President's Letter

Stock Dividend Declared—Again in 1958, a 2½ per cent stock dividend on the common shares was declared by the Board of Directors. The extra stock dividend, declared in December, was payable January 30, 1959 to shareowners of record January 9.

CITIES SERVICE COMPANY
December 31, 1958

DR.—$11,991,432—*"Earnings retained and employed in the business*:

Dividends paid on common stock:

2% in common stock—1958, at assigned value of $57 per share (declared in November 1958 and distributed January 22, 1959)."

CR.—$9,887,672—"Capital Surplus: Excess of amount assigned to common stock declared as a dividend over par value thereof."

CR.—$2,103,760—"Common Stock:

Common stock of Cities Service Company—$10 par value:

Authorized—20,000,000 shares;

Issued—1958, 10,729,180 shares (including stock dividend of 210,376 shares distributed January 22, 1959)."

INTERNATIONAL BUSINESS MACHINES CORPORATION
December 31, 1958

Balance Sheet:

Retained Earnings	$221,293,949
Subject, at December 31, 1958, to a charge of $121,410,830 in respect of stock dividend payable January 28, 1959, to stockholders of record January 6, 1959.	

Financial Review

Dividends—The Board of Directors on October 28, 1958 declared a 2½% stock dividend, payable on January 28, 1959 to stockholders of record at the close of business on January 6, 1959.

The purpose of stock dividends is to capitalize a portion of the Corporation's retained earnings. Corporations following a policy of declaring successive stock dividends must transfer from retained earnings to the capital stock account an amount equal to the approximate current market price of the stock, adjusted to reflect the issuance of the shares to be distributed.

For the stock dividend declared October 28, 1958, 296,123.97 shares will be issued which, priced at $410 per share (representing the approximate adjusted market value on October 27, 1958, the day prior to the declaration of the stock dividend), equals $121,410,830, the amount to be transferred on January 28, 1959 on the books of the Corporation from retained earnings to the capital stock account.

The Company wishes to inform stockholders that although accumulated retained earnings are adequate for this stock dividend, the effect of the transfer of $121,410,830 results in a reduction of accumulated retained earnings.

WALKER MANUFACTURING COMPANY OF WISCONSIN
October 31, 1958

Notes to Financial Statements

Note D: On October 14, 1958 the Board of Directors declared a five percent stock dividend on the common stock, payable to shareholders of record December 5, 1958. Upon issuance of the stock approximately $702,000 will be transferred from retained earnings to contributed capital.

THE PITTSTON COMPANY
December 31, 1958
Earned Surplus:
Consolidated Earned Surplus at December 31, 1958, including $3,997,117 appropriated for a 5% stock dividend payable January 30, 1959 (Note 5) $31,417,436

Note 5: Common Stock, Par Value $1.00 per Share—On December 30, 1958, the directors declared a 5% stock dividend resulting in the issuance of 54,676 additional shares of common stock on January 30, 1959. At December 31, 1958 earned surplus of $3,997,117 was appropriated for the issuance of the stock dividend, and in January 1959, after crediting capital stock with $1.00 for each share issued and after the payment of $150,660 in lieu of issuing fractional shares, the remainder of $3,791,781 was credited to capital surplus.

MIDWEST RUBBER RECLAIMING COMPANY
October 31, 1958
Notes to Financial Statements
Note 3: On October 24, 1958 a stock dividend was declared by the Board of Directors, equal to one share for each four shares of outstanding common stock. The distribution was made on November 20, 1958 to shareholders of record on November 5, 1958.

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 1958 are summarized and classified in Table 4. Approximately 40% 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 1958 annual reports also reported various charges and credits to the capital surplus or unclassified surplus accounts. In the 1958 annual reports, 496 companies presented capital surplus or unclassified surplus accounts.

1958 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 and Capital Surplus

RAYBESTOS-MANHATTAN INC.
DR.—$4,741,499.10—"*Capital Surplus.*"
DR.—$2,184,226.51—"*Earned Surplus.*"

Notes to Financial Statements
Note: During the year 1958, pursuant to authorization by the Board of Directors, a uniform stated value of $25 per share was placed on the outstanding stock of the company. This was accomplished by transferring to capital stock account $4,741,499.10 from the Capital Surplus Account and $2,184,226.51 from the Earned Surplus Account.

PITTSBURGH BREWING COMPANY
DR.—$287,491—"*Earned Surplus*: Transfer required under the Plan of Reorganization on the exchange of 104,542 shares of Preferred stock for $5,227,100 par value of Debentures:

To Capital Surplus	@ $1.75	per share ..	$182,949
To Common Stock	@ 1.00	per share ..	$104,542"

CR.—$182,949—"Capital Surplus: Transfer from Earned Surplus in accordance with reorganization plan on the exchange of 104,542 shares $2.50 cumulative Preferred stock for Debentures (Note 2)."

Note 2: Pursuant to the Plan of Reorganization adopted by the Board of Directors on November 27, 1957, the company issued $5,227,100 par value of 5% Sinking Fund Income Subordinated Debentures due October 31, 1992, 104,542 shares of Common stock, 418,168 Warrants and $104,542 in exchange for 104,542 shares of its convertible Preferred stock and accumulated dividends thereon. The Warrants issued entitle the holders to purchase Common stock at varying rates, beginning with $3.00 during 1958, $3.50 during 1959 and increasing to $10.00 per share during 1965. During the fiscal year 1958 25,505 Warrants were exercised and 25,505 shares of Common stock were issued thereby. At October 31, 1958 there were reserved 392,663 shares of Common stock for the exercise of the balance of the Warrants, through 1965.

For the 104,542 shares of Common stock issued under the Plan of Reorganization, $2.75 per share (the then current market value) or $287,491 was transferred from Earned Surplus. Of this amount $104,542, representing $1.00 per share, was transferred to Common stock and $182,949, representing $1.75 per share, was transferred to Capital Surplus.

Capital Surplus

ALPAC CORPORATION
CR.—$1,122,668—"Other Contributed Capital: Reduction of stated value of common stock (Note 7)."

Note 7: Reduction of Stated Capital—The Company's stated capital was reduced from $1,622,668 to $500,000 in August 1957. The reduction of $1,122,668 was credited to other contributed capital.

ASSOCIATED DRY GOODS CORPORATION
CR.—$122,450—"Additional Paid-in Capital (Capital Surplus): Excess of par value of preferred stock issued in connection with acquisition of The Diamond during 1956, previously included in the preferred capital account."

THE DUPLAN CORPORATION
CR.—$1,464,035—"Additional Paid-in-Capital (Note 5)."

Note 5: The increase in additional paid-in capital results from the transfer of $1,464,035 from common stock following the change to $1.00 par value for 976,023 outstanding shares.

ERIE FORGE & STEEL CORPORATION
DR.—$834,954.73—"*Paid-in Surplus*: Amount transferred to common stock account in connection with change in par value thereof from $.10 to $1.00 a share."

PENN-TEXAS CORPORATION
CR.—$40,264,486—"Capital Surplus: Surplus arising from the reduction of par value of common stock from $10. per share to $1. per share."

PREMIUM ON INITIAL ISSUE OF CAPITAL STOCK

Capital Surplus

ARDEN FARMS CO.
CR.—$2,204,466.76—"Capital Surplus: Excess of sales price of common stock issued over par value thereof, less usual expenses of $95,869.24."

TABLE 4: RETAINED EARNINGS AND CAPITAL SURPLUS

	Retained Earnings Account				Capital Surplus Account			
	1958		1955		1958		1955	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Revision in capital structure	2	1	4	—	3	8	5	12
Premium or discount on initial issue of capital stock	—	—	—	—	—	23	1	37
Conversion from preferred stock or debentures to common stock (or preferred)	2	—	—	—	2	49	2	58
Redemption, retirement of capital stock, warrants, script, etc.	14	8	36	4	8	61	24	47
Treasury stock transactions	5	1	3	1	16	18	8	22
Business combinations:								
Capital stock issued in acquisition of subsidiary companies or business properties	2	3	6	—	7	54	3	51
Mergers, liquidations, dissolutions	7	4	8	15	5	4	10	15
Pooling of interests	2	16			8	8		
Adjustments arising in consolidation	2	13	3	7	3	4	1	5
Subsidiary or affiliate income or earnings	—	—	5	—	—	—	—	1
Goodwill, intangible assets	3	—	7	—	—	—	—	1
Employee benefit plans involving sale or issue of capital stock	2	—	1	—	1	199	3	136
Appropriation or reserve—transfers thereto and transfers therefrom	11	14	17	29	1	2	1	3
Financing expenses	2	1	7	1	4	—	12	—
Extraordinary losses or gains	14	8	8	6	1	—	—	—
Foreign exchange adjustments	—	—	1	—	—	—	—	1
Prior year adjustments:								
Fixed assets and depreciation	1	1	—	5	1	1	1	2
Tax adjustments	6	5	5	10	—	2	—	1
Various other adjustments	8	4	1	4	—	1	1	1
Adjustments re: Section 462, 1954 Internal Revenue Code	—	—	11	4	—	—	—	—
Miscellaneous transactions	4	5	2	7	6	6	6	5
Dollar changes—not described	—	1	1	—	5	15	1	10
	87	85	126	93	71	455	79	408
Stock dividends and stock split-ups (Table 3)*	89	—	87	—	3	69	26	54
Cash dividend declaration (Table 1)	568	—	584	—	—	—	—	—
Net loss or income for the year	48	552	21	579	—	—	—	—
Total Other Charges or Credits	792	637	818	672	74	524	105	462

*Includes dividends-in-kind for 3 companies (See Table 3).

BURROUGHS CORPORATION

CR.—$11,799,244—"Additional Capital: Resulting from issue and sale of 550,058 shares of common stock."

CANADA DRY CORPORATION

CR.—$5,359,760—"Capital Surplus: Increased during year by excess of proceeds received over par value of common stock issued: in connection with subscription offer to stockholders for 392,611 shares."

ERIE FORGE & STEEL CORPORATION

CR.—$17,085.97—"Paid-in Surplus: Excess of proceeds from sale of 3,500 shares of common stock over the par value thereof."

GENERAL DYNAMICS CORPORATION

CR.—$160,470—"Capital Surplus: Excess of proceeds over par value on sale of common stock—on the sale of stock by a Canadian subsidiary."

GENERAL PLYWOOD CORPORATION

CR.—$964,337—"Capital Surplus: Excess of net amount received over par value of 100,000 shares of Common Stock sold."

THE GOODYEAR TIRE & RUBBER COMPANY

CR.—$755,924—"Capital Surplus: Proceeds in excess of par value, from common stock issued."

P. LORILLARD COMPANY

CR.—$20,655,157—"Additional Paid-in Capital:"

Note 3: Additional paid-in capital increased in 1958 by $20,655,157, being the premium received, less issue expenses, on 364,670 shares of common stock issued pursuant to the subscription offer to stockholders in November, 1958. . . .

THE MOHAWK RUBBER COMPANY

CR.—$515,891—"Capital Surplus: Excess of proceeds over par value of 28,593 shares of common stock sold (including 16,349 shares to complete stock option plan)."

OUTBOARD MARINE CORPORATION
CR.—$284,778—"Capital in excess of par value of Capital Stock: Excess of proceeds over par value of common stock sold."

POLAROID CORPORATION
CR.—$11,703,786—"Paid in by Shareowners or transferred from Accumulated Retained Earnings: Proceeds received in Excess of Par Value from Subscription Offer."
President's Letter

Thus far, we have found it feasible to finance the rapid growth of our photographic business through retained earnings and depreciation funds. While accumulated retained earnings reached $15,573,147 by December 31, 1958, it seemed prudent before the year-end to supplement internal sources of funds with additional equity capital in order to safeguard the progress of the important research and development programs now under way. Accordingly, on November 25th the Company offered to its common stockholders rights to subscribe for 173,616 shares of common stock at $70 per share, in the ratio of one additional share for each 21 shares held on the record date. The offering was completely successful and added $11,877,352 to our working capital, with less than a 5% increase in the number of shares outstanding.

THE L. S. STARRETT COMPANY
CR.—$885,494—"Capital Surplus:"
Notes to Financial Statements

Note B: During the year . . . 17,705 new shares were sold for $1,062,544, of which $177,050 was added to common stock and the balance of $885,494 to capital surplus.

TEXTRON INC.
CR.—$3,362,813—"Paid-in Surplus: Proceeds in excess of par value of 389,577 shares of common stock sold pursuant to July, 1958 offering to common stockholders."

UNION TANK CAR COMPANY
CR.—$1,144,930—"Capital Surplus: Excess of market value of stock issued over $15 per share added to capital stock."

CONVERSION OF PREFERRED STOCK INTO COMMON

Retained Earnings and Capital Surplus

THATCHER GLASS MANUFACTURING COMPANY INC.
DR.—$194,887.28—*"Earned Surplus*: Transfer to common stock upon conversion of preference shares 1958—97,439 shares."
CR.—$1,875,560.75—"Capital Surplus: Proceeds in excess of par from sale or exchange of common stock."
President's Letter

The Company's financial structure was improved by the redemption or conversion of all outstanding shares of Convertible Preference stock. At year end the book value of the Common stock was $18.83 per share as compared with $15.95 at the end of 1957.

Capital Surplus

AMERICAN AIR FILTER COMPANY, INC.
CR.—$24,186—"Other Capital in Excess of Par Value of Shares: Excess in par value of 1,741 shares of 5% cumulative convertible preference stock retired in exchange for common stock."

AMERICAN CYANAMID COMPANY
CR.—$157,500—"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.—$97,518—"Additional Paid-in Capital: Excess of par value of 5,488 shares of Preferred Stock over par value of 6,088 shares of Common Stock issued in conversion, less $66, paid in lieu of fractional shares."

AVCO MANUFACTURING CORPORATION
CR.—$151,495—"Additional Paid-in Capital: Excess of stated value of 4,761 shares of $2.25 cumulative convertible preferred stock converted into 28,852 shares of common stock over par value of latter."

BEATRICE FOODS CO.
CR.—$158,286.44—"Capital Surplus: Excess of conversion price over par value of 12,038 shares of common stock issued in exchange for 3⅜% cumulative convertible prior preferred stock."

CLARK EQUIPMENT COMPANY
CR.—$391,323—"Capital in Excess of Par Value of Shares (Note 3)."

Note 3: The increase in 1958 represents . . . $391,323 excess of par value of preferred shares over par value of common shares and cash for fractional shares issued in exchange therefor.

FOOD MACHINERY AND CHEMICAL CORPORATION
CR.—$419,399—"Capital in Excess of Par Values of Capital Stocks: Excess of par value of 5,552 shares of 3¼% preferred stock over par value of common stock issued upon conversion."

HAMILTON WATCH COMPANY
CR.—$110,016—"Capital in Excess of Par Value of Common Shares: Arising from conversion of preferred shares into common shares—par value of preferred shares in excess of par or stated value of common shares."

MERCK & CO., INC.
CR.—$22,870,692—"Other Paid-in Capital (principally on common stock): Excess of stated value of $4.00 convertible second preferred stock over the par value of common stock issued therefor."
President's Letter

To simplify capital structure and to give flexibility in any future plans for financing, all outstanding shares of $4.00 convertible second preferred stock were called for redemption in October at a call price of $105 per share, plus $0.26 2/3 per share representing an amount equivalent to accrued dividends through October 24, 1958, the redemption date. Practically all of the second preferred was converted to common stock at the ratio of 2.9 shares of common for each share of the second preferred and only 165 shares were redeemed. Primarily as a result of such conversions, and, to a lesser degree, of exercised stock options, the number of issued and outstanding shares of common stock increased to 10,578,723.

STANDARD PACKAGING CORPORATION
CR.—$273,717—"Capital Surplus: Excess of par value of $1.60 preferred stock over par value of stocks issued in the conversion (Note 5)."
DR.—$1,398,700—*"Capital Surplus*: Conversion of $1.60 preferred stock having $10 par into $1.60 preferred stock having $20 par (Note 5)."

Note 5: . . . Each share of the $1.60 series is convertible into three shares of common stock, and is entitled on redemption or voluntary liquidation to $33, and on involuntary liquidation to $30. In connection with the merger with Eastern Corporation, the 139,870 shares of $1.60 preference stock having $10 par then outstanding were automatically converted into the presently outstanding $1.60 series having $20 par. During the year, 16,101 shares of the $1.60 series were converted into 48,303 shares of common stock.

THE PITTSTON COMPANY

CR.—$175,656—"Capital Surplus: Excess of par value of 2,390 shares of $3.50 Cumulative Preferred Stock over par value of 3,512 shares of Common Stock issued upon exercise of conversion privilege."

CONVERSION OF DEBENTURES INTO COMMON STOCK

Capital Surplus

ARDEN FARMS CO.

CR.—$1,280,470.66—"Capital Surplus: Arising in conversion of 5% subordinate debentures into common stock at $15 per share, less unamortized debenture issue expense applicable thereto at date of conversion."

THE BRUNSWICK-BALKE-COLLENDER COMPANY

CR.—$4,168,000—"Capital Surplus: Excess of conversion price over stated value of Common Stock issued upon conversion of convertible subordinated debentures (205,394 shares)."

CUTLER-HAMMER, INC.

CR.—$173,830—"Capital paid in for common stock in excess of par value (Note 7)."

Note 5: The 5¾% subordinated convertible notes are subordinate to all indebtedness of the company to banks, trust companies or insurance companies for money borrowed. The notes are convertible into shares of the capital stock of the company after June 30, 1958 at the current conversion price of $48 per share. During 1958, $225,000 face value of the notes were so converted and at December 31, 1958 there were 16,150 shares reserved for conversion of the balance of the notes. The conversion price is subject to adjustment in the event of certain changes in the issued capital stock of the company.

Note 7: The capital paid in for common stock in excess of par value results from $173,830 received in excess of par value on conversion of the notes mentioned in Note 5, less unamortized note issue expense related thereto.

THE DAYTON RUBBER COMPANY

CR.—$218,228—"Paid-in Surplus:

Excess of conversion price over par value of 13,077 shares of common stock issued in exchange for debentures converted	$220,347
Less applicable portion of unamortized cost of issuing debentures	2,119"

THE DOW CHEMICAL COMPANY

CR.—$5,223,082—"Capital Surplus: Excess of face value of debentures over the par value of Common Stock issued on conversion."

THE EMERSON ELECTRIC MANUFACTURING COMPANY

CR.—$500,512—"Additional Paid-in Capital: Excess of par value of 5½% convertible debentures over par value of 19,254 shares of common stock issued therefor, less applicable unamortized debt expense (Note 2)."

Note 2: . . . The Indenture covering the 5½% Convertible Subordinated Debentures provides for sinking fund payments (in cash or in principal amount of debentures or by credit for debentures previously converted) equal to $100,000 annually from 1962 to 1966, inclusive, and $170,000 annually thereafter. In addition, other than through the operation of the sinking fund, the company may redeem debentures at prices varying from 105.5% of principal amount during the year ending July 15, 1959 to 100% during the year ending July 15, 1977. Further, the debenture holder may convert the debentures into common stock of the company at the basic rate of $31 a share. Under these conversion privileges, $597,600 principal amount of debentures was converted into 19,254 shares of common stock during the year and 90,100 shares of unissued common stock are reserved for future conversions. . . .

GENERAL AMERICAN TRANSPORTATION CORPORATION

CR.—$8,190,925—"Capital Surplus: Amount arising from conversion of debentures into Common Stock."

President's Letter

During 1958, 48,140 shares of stock were issued to employees and officers who exercised stock options and 113,076 shares were issued in the conversion of $8,501,700.00 of the Company's Convertible Debentures. These conversions were effected principally in November and December after payment of the May 1 and November 1, 1958 interest and thus distort somewhat a comparison of earnings per share in 1958 with those in 1957.

GENERAL DYNAMICS CORPORATION

CR.—$25,846,238—"Capital Surplus: Excess of principal amount over par value of 532,282 shares of common stock issued upon conversion of debentures."

THE GRAND UNION COMPANY

CR.—$272,934—"Capital Surplus: Excess of principal amount of 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 at March 1, 1958 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.

LOCKHEED AIRCRAFT CORPORATION

CR.—$9,400,982—"Additional Capital."

Notes to Financial Statements

Note 7: Additional capital increased during 1958 by $9,400,982, representing the excess of the conversion price (less unamortized debenture expense) over the par value of 201,453 shares of capital stock issued upon conversion of subordinated debentures.

STANDARD PACKAGING CORPORATION

CR.—$1,506,845—"Capital Surplus: Excess of face . . . value of the following converted security over par value of stocks issued in the conversion: Subordinated debentures (Note 2)."

Note 2: . . . Convertible Subordinated debentures—4½% ($3,675,600 converted in 1958 into 104,107 shares $1.20 preferred and 83,279 shares common stock).

SYLVANIA ELECTRIC PRODUCTS, INC.

CR.—$1,597,327—"Additional Paid-in Capital: Excess of: Face value of convertible debentures less debt expense over par value of 48,307 shares of common stock issued therefor."

CAPITAL STOCK ACQUIRED FOR RETIREMENT OR REDEMPTION

Retained Earnings

ALCO PRODUCTS, INCORPORATED

DR.—$582,010—*"Income retained in the business (earned surplus)*: Premium on redemption of 37,000 shares of 7% preferred stock."

CORN PRODUCTS COMPANY

DR.—$989,216—*"Earned Surplus*: Excess of cost over par value of reacquired preferred treasury stock cancelled and retired."

CRANE CO.

CR.—$64,868—"Earned Surplus: Excess of par value over cost of 3¾% cumulative preferred shares cancelled in connection with sinking fund requirements."

COOK PAINT AND VARNISH COMPANY
CR.—$5,246.50—"Earned Surplus: Excess of par value over cost of 838 shares of Series A prior preference stock retired."

President's Letter

Under the provisions of the Certificate of Incorporation of the Company, $45,000 was used to purchase 838 shares of Prior Preference Stock which were subsequently retired.

THE FIRESTONE TIRE & RUBBER COMPANY
DR.—$34,540—*"Income Invested in the Business*: Premium on Preferred Stock Retired."

GRANITE CITY STEEL COMPANY
DR.—$28,680—*"Earnings Reinvested in the Business*: Premium on redemption of 3,585 shares of Series B 5½% Preferred Stock."

HERSHEY CHOCOLATE CORPORATION
DR.—$245,085—*"Earned Surplus*: Premium of $1.50 a share on redemption of preferred stock less $45,895 representing excess of par value over cost of treasury preferred stock."

THE MAYTAG COMPANY
DR.—$469,129—*"Retained Earnings*: Excess of amount paid over stated amount of 85,000 shares of $3.00 Cumulative Preference Stock purchased and retired."

MINNESOTA MINING AND MANUFACTURING COMPANY
DR.—$210,000—*"Net Income retained for use in the business*: Premium on retirement of preferred stock."

THATCHER GLASS MANUFACTURING CO., INC.
DR.—$119,900.00—*"Earned Surplus*: Excess of redemption price of 2,398 shares of preference stock over stated value."

UNITED STATES PLYWOOD CORPORATION
CR.—$93,534—"Earned Surplus: Discount on Series A preferred stock and voting second preferred stock purchased for treasury and sinking fund redemption."

WILSON & CO., INC.
CR.—$15,115—"Earnings retained and used in the business: Excess of recorded value over cost of preferred stock retired."

Retained Earnings and Capital Surplus

CROWN CORK & SEAL COMPANY, INC.
DR.—$1,998,000—*"Earned Surplus*: . . . excess of cost over capital attributable to 150,000 common shares purchased."
DR.—$1,349,000—*"Capital Surplus*: . . . excess over par value of capital attributable to 150,000 common shares purchased."
CR.—$659,000—"Capital Surplus: Discount on 80,000 preferred shares purchased and retired."

President's Letter

We purchased and retired 80,000 shares of our preferred stock at a cost of $2,941,000, making the twenty-month reduction 100,000 shares. This results in savings of preferred stock dividends of $200,000 per year and increases our capital surplus by more than $1,000,000.

We purchased and retired 150,000 shares of our common stock at $24.50 per share for a total cost of $3,722,000. This reduced the number of outstanding common shares by 12.3% and benefited every stockholder because the $24.50 per share purchase price was substantially lower than the year-end book value of $36.51.

Capital Surplus

ALAN WOOD STEEL COMPANY
CR.—$10,890—"Additional Paid-in Capital: Excess of par value over cost of shares of 5% cumulative preferred stock retired."

ANCHOR HOCKING GLASS CORPORATION
CR.—$95,018—"Capital Surplus: Discount on purchase of $4 cumulative preferred stock (6,214 shares)."

BURLINGTON INDUSTRIES, INC.
CR.—$257,993—"Capital in Excess of Par Value: Excess of par value over cost of Preferred Stocks reacquired."

CHERRY-BURRELL CORPORATION
DR.—$1,000—*"Capital Contributed in Excess of Stated Value of Capital Stock*: Premium on purchase of 4% preferred stock—1947 series."
CR.—$7,333—"Capital Contributed in excess of Stated Value of Capital Stock: Discount on purchase of 4% preferred stock—1946 series."

CHESAPEAKE INDUSTRIES, INC.
DR.—$10,501—*"Capital Surplus*: . . . excess of cost over par value of preferred stock retired (Note 6)."

Note 6: Preferred Stock—The Articles of Incorporation provide that on the 1st of March of each year, if all preferred dividends have been paid in full, there shall be deposited to the credit of a sinking fund for the purchase of preferred stock, the lesser of (1) 15% of the net earnings of the Company for the preceding year, less dividends payable during such year on the outstanding preferred stock, or (2) the difference between $250,000 and the amount, if any, on deposit in the sinking fund. During the year, $13,000 was used to repurchase preferred stock on the open market in fulfillment of the requirements through March 1, 1958. No amount is due to the sinking fund on March 1, 1959.

At the time the long-term loan was consummated, the Securities and Exchange Commission granted Chesapeake Industries, Inc., and its subsidiaries an exemption under the Public Utility Holding Company Act of 1935. One of the conditions of this exemption is that when any arrears of dividends on any series or class of preferred stock of Chesapeake exists, the company will not purchase or reacquire any shares of its outstanding preferred stock except by redemption of all shares of all series and classes.

THE COLORADO FUEL AND IRON CORPORATION
CR.—$23,302—"Capital in excess of Stated Value: Excess of par value over cost of Preferred Stock purchased and cancelled.

Series A	351 shares	$ 2,258
Series B	5,600 shares	$21,044"

THE DRACKETT COMPANY
CR.—$37,820—"Capital Surplus:"

Notes to Financial Statements

Note 4: Preferred Stock—The 4% cumulative convertible preferred stock, series A, is convertible into the Company's common stock on a share for share basis.

During the year 10,960 shares of the 4% cumulative convertible preferred stock, series A, were purchased by The Drackett Company in the market and retired. This resulted in a credit to capital surplus in amount of $37,820.

INTERCHEMICAL CORPORATION
CR.—$6,286—"Capital Surplus:"

Notes to Financial Statements

Note 8: In 1958, capital surplus was increased by the excess ($6,286) of the aggregate par value over the cost of 753 preferred shares purchased during the year under the sinking fund provisions of the Articles of Incorporation. The balance in the reserve for the purchase of preferred shares established in accordance with the sinking fund provisions of the Articles of Incorporation ($31,014 in 1958; $179 in 1957) is included in capital surplus.

GENERAL SHOE CORPORATION

CR.—$85,914—"Additional Paid-in Capital: Net amount realized in excess of par or stated value of common and preference shares issued and reacquired."

JAMES LEES AND SONS COMPANY

CR.—$11,107—"Capital Surplus: Profit arising through acquisition for redemption of 3.85% cumulative preferred shares at less than par value."

THE MAY DEPARTMENT STORES COMPANY

CR.—$150,667—"Additional Paid-in Capital: Excess of carrying value ($100 a share) over cost of cumulative preferred stock repurchased."

PARAMOUNT PICTURES CORPORATION

DR.—$3,902,052—*"Capital Surplus:"*

Notes to Financial Statements

Note G: Capital—During the year 126,400 shares of common stock were retired and the Certificate of Incorporation was amended to reflect the resultant reduction in capital. The difference ($3,902,052) between the cost of the shares and their par value was charged to capital surplus.

H. K. PORTER COMPANY, INC.

CR.—$13,989.56—"Capital Surplus: Net excess of par value over cost of preferred stock reacquired."

SPIEGEL, INC.

CR.—$25,874—"Capital Surplus: Excess of stated value over cost of 1,230 . . . shares . . . of preferred capital stock retired."

THOMPSON RAMO WOOLDRIDGE INC.

CR.—$25,005—"Capital in Excess of Par Value of Shares: Excess of par value over purchase price of Preferred Stock purchased and retired."

WHEELING STEEL CORPORATION

CR.—$33,970—"Additional Paid-in Capital: Purchase of 4,726 shares of preferred stock for retirement."

TREASURY STOCK TRANSACTIONS

Retained Earnings

AMERICAN OPTICAL COMPANY

DR.—$136,130—*"Income retained for use in the business*: Loss on disposal of treasury shares."

CAPITOL RECORDS, INC.

DR.—$1,454—*"Earnings employed in the business*: Cost of 63 shares of common stock acquired."

THE CUBAN-AMERICAN SUGAR COMPANY

DR.—$165,280—*"Earned Surplus*: Excess of cost over par value of Company's preferred and common shares purchased during the year."

President's Letter

Dividends and Stock Purchases— . . . during the year the company purchased for its treasury 626 shares of Preferred Stock and 9,900 shares of Common Stock.

DRAVO CORPORATION

CR.—$2,780—"Retained Earnings: Net Gain on Sale of Treasury Stock."

HERCULES MOTORS CORPORATION

DR.—$12,346—*"Accumulated Income Retained for Use in the Business*: Excess of cost over stated value of shares purchased for treasury."

Retained Earnings and Capital Surplus

AMERICAN HOME PRODUCTS CORPORATION

DR.—$681,634—*"Retained Earnings*: Excess of cost over par value of treasury stock, less amount charged to capital surplus."

DR.—$83,699—*"Capital Surplus*: Excess of cost over par value of treasury stock, less amount charged to retained earnings."

Notes to Financial Statements

Note 4: Information regarding number of shares of capital stock of American Home Products Corporation at December 31, 1958:

Authorized	10,000,000
Issued	7,792,070
In treasury	118,100
Outstanding	7,673,970

Capital Surplus

ARMCO STEEL COMPANY

DR.—$18,510—*"Capital Contributed in Excess of Par Value of Common Stock*: Treasury stock transactions, etc."

BURLINGTON INDUSTRIES, INC.

DR.—$357,308—*"Capital in excess of par value*: Excess of cost over par value of common stock acquired for treasury. . . ."

GENERAL ELECTRIC COMPANY

CR.—$2,200,777—"Investment in Excess of Par Value of Common Stock."

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 (in 1958, all sales were under the Company's stock option plan). Additions in 1958 were $2,200,777 and $6,837,989 respectively.

THE GILLETTE COMPANY

DR.—$9,902—*"Additional Paid-in Capital*: Net Loss on Sales of Treasury Stock."

HOUDAILLE INDUSTRIES, INC.

DR.—$39,177—*"Capital in excess of par value of capital stock*: Net loss on sale of treasury stock."

CR.—$20,754—"Capital in excess of par value of capital stock: Excess of award value over cost of treasury stock distributed under extra-compensation plan (Note I)."

Note I: The stockholders approved an Extra-Compensation Plan for "key employees" effective January 1, 1957. Under the terms of the Plan the maximum for extra compensation which may be awarded with respect to any one year shall be 6% of the Income before United States and Canadian Taxes on Income before the provision for extra compensation and after deducting 5% of the total Stockholders' Interest as shown by the published annual report as of the preceding December 31, plus the unawarded balance carried forward from the prior year. For the year 1958 the maximum available for awards amounted to $195,715 consisting of $135,910 provided from the current year's income plus $59,805 carried forward from 1957.

The Compensation and Audit Committee has determined awards for 1958 under the Plan in the amount of $171,950 leaving a balance of $23,765 carried forward and available for extra compensation awards in subsequent years.

The consolidated balance sheet at December 31, 1958 includes in "Accrued payrolls, taxes, interest, etc." the portion of the extra compensation awards for 1957 and 1958 which are payable in cash in 1959 amounting to $50,623. The remainder of the extra compensation awards for 1957 and 1958 amounting to $120,810 and payable in cash and common stock, has been included in "OTHER LIABILITIES—Extra-compensation plan." Common stock held in treasury at December 31, 1958 for extra compensation purposes amounted to 4,912 shares carried at $103,616 awarded for the years 1959 and 1960 and held for future delivery under the earning out provisions of the Extra-Compensation Plan.

THE MAY DEPARTMENT STORES COMPANY
CR.—$159,687—"Additional Paid-in Capital: Excess of quoted market price over par value of treasury common stock contributed to the May Stores Foundation, Inc."

REXALL DRUG COMPANY
CR.—$36,905—"Other Paid-in Capital: Gain on sale of treasury stock."

SOCONY MOBIL OIL COMPANY, INC.
CR.—$5,114,961—"Capital Surplus: Treasury stock sold or exchanged for properties."

BUSINESS COMBINATIONS

The committee on accounting procedure of the American Institute of Certified Public Accountants in 1957 issued *Accounting Research Bulletin No. 48—Business Combinations.* This bulletin sets forth for accounting purposes, the distinction between a *purchase* and a *pooling of interests* from which the following excerpts have been taken:

> Whenever two or more corporations are brought together, or combined, for the purpose of carrying on the previously conducted businesses, the accounting to give effect to the combination will vary depending largely upon whether an important part of the former ownership is eliminated or whether substantially all of it is continued. This bulletin differentiates these two types of combinations, the first of which is designated herein as a *purchase* and the second as a *pooling of interests,* and indicates the nature of the accounting treatment appropriate to each type.
>
> For accounting purposes, a *purchase* may be described as a business combination of two or more corporations in which an important part of the ownership interests in the acquired corporation or corporations is eliminated or in which other factors requisite to a pooling of interests are not present.
>
> In contrast, a *pooling of interests* may be described for accounting purposes as a business combination of two or more corporations in which the holders of substantially all of the ownership interests in the constituent corporations become the owners of a single corporation which owns the assets and businesses of the constituent corporations, either directly or through one or more subsidiaries, and in which certain other factors discussed below are present. Such corporation may be one of the constituent corporations or it may be a new corporation. After a pooling of interests, the net assets of all of the constituent corporations will be held, in a large number of cases, by a single corporation.
>
> When a combination is deemed to be a purchase, the assets acquired should be recorded on the books of the acquiring corporation at cost, measured in money, or, in the event other consideration is given, at the fair value of such other consideration, or at the fair value of the property acquired, whichever is more clearly evident. This is in accordance with the procedure applicable to accounting for purchases of assets.
>
> When a combination is deemed to be a pooling of interests, a new basis of accountability does not arise. The carrying amounts of the assets of the constituent corporations, if stated in conformity with generally accepted accounting principles and appropriately adjusted when deemed necessary to place them on a uniform accounting basis, should be carried forward; and the combined earned surpluses and deficits, if any, of the constituent corporations should be carried forward, except to the extent otherwise required by law or appropriate corporate action. Adjustments of assets or of surplus which would be in conformity with generally accepted accounting principles in the absence of a combination are ordinarily equally appropriate if effected in connection with a pooling of interest; however, the pooling-of-interests concept implies a combining of surpluses and deficits of the constituent corporations, and it would be inappropriate and misleading in connection with a pooling of interests to eliminate the deficit of one constituent against its capital surplus and to carry forward the earned surplus of another constituent.

CAPITAL STOCK ISSUED IN ACQUISITIONS OF SUBSIDIARIES OR BUSINESS PROPERTIES

Capital Surplus

ADAM CONSOLIDATED INDUSTRIES, INC.
CR.—$32,143—"Capital Surplus: Excess of Market Value over par value of 5,357 shares of common stock issued in exchange for all the common stock of Bruner Ritter Realty Corporation and the net assets of Bruner Ritter Ltd."

ARDEN FARMS CO.
CR.—$87,323.12—"Capital Surplus: Excess of market value of common stock issued in acquisitions over par value thereof."

DECCA RECORDS INC.
CR.—$317,878—"Other capital surplus from acquisition of subsidiaries:

Excess over cost of equity acquired in Universal Pictures Company, Inc.	$ 96,370
Excess of par value over cost of preferred stock acquired by Universal Pictures Company, Inc.	221,508
	$317,878"

ARMCO STEEL CORPORATION

CR.—$9,471,000—"Capital Contributed in Excess of Par Value of Common Stock: Stock (264,000 shares) at approximate market value thereof, issued for the net assets and business of Union Wire Rope Corporation."

AUTOMATIC CANTEEN COMPANY OF AMERICA

CR.—$54,600—"Investment in Excess of Par Value of Common Stock:"

Notes to Financial Statements

Note 4: The increase . . . during the current year represents the excess over par value of the related shares of . . . the agreed value of shares issued in payment for additional interests in consolidated subsidiaries. . . .

BAUSCH & LOMB OPTICAL COMPANY

CR.—$739,497—"Capital in excess of par value:"

Notes to Financial Statements

Note 1: Subsidiaries—The Company acquired two domestic subsidiaries during 1958 in exchange for 80,463 shares of its common stock valued at $1,544,127, which resulted in $739,497 being credited to capital in excess of par value. The consolidated statements include the two subsidiaries for the period from dates of acquisition to December 28, 1958.

THE BORDEN COMPANY

DR.—$1,680,027—*"Capital Surplus:"*

Notes to Financial Statements

Note 4: . . . There was charged to capital surplus a net amount of $1,680,027, in respect of 28,404 shares, representing excess of cost over par value of shares acquired less excess of consideration received over par value of shares issued for a new business.

THE BRUNSWICK-BALKE-COLLENDER COMPANY

CR.—$4,169,000—"Capital Surplus: Excess of market value . . . over stated value of common stock issued in exchange for MacGregor Sport Products Inc. stock on a share-for-share basis (163,480 shares)."

BURLINGTON INDUSTRIES INC.

DR.—$19,952—*"Capital in Excess of Par Value*: Adjustment of net assets of subsidiary companies as of dates of acquisition over cost of investments therein."

CONSOLIDATED FOODS CORPORATION

DR.—$424,151—*"Capital Surplus*: Excess of cost of investments in subsidiaries acquired over book value of net assets and related adjustments."

KELSEY-HAYES COMPANY

CR.—$4,400,000—"Additional Paid-in Capital: Excess of market value over par value of 100,000 shares of Common Stock issued in connection with the purchase of the inventories of Heintz Manufacturing Company."

THE MAY DEPARTMENT STORES COMPANY

CR.—$1,148,759—"Additional Paid-in Capital: Excess of consideration received over par value of treasury stock issued in the acquisition of The Erlanger Dry Goods Company."

NATIONAL CYLINDER GAS COMPANY (CHEMETRON CORPORATION)

CR.—$7,824,551—"Investment in Excess of Par Value of Common Stock."

Notes to Financial Statements

Note 7: Investment in Excess of Par Value of Common Stock—The increase during 1958 of $7,824,551 in this account represents (1) the excess of market value over par value of 239,700 shares of common stock issued in exchange for the capital stock and net operating assets of companies acquired ($7,718,004) and (2) the excess of the underlying net assets of one of the companies so acquired over the cost of the investment therein ($106,547).

ST. REGIS PAPER COMPANY

DR.—$21,471—*"Capital Surplus*: Reduction of excess of equity in net assets of a subsidiary over investment therein, resulting from acquisition of additional interest during the year."

CR.—$2,320,128—"Capital Surplus: Excess of quoted market value over par value of common stock issued and to be issued to acquire additional interests in subsidiaries."

UNITED AIRCRAFT CORPORATION

CR.—$3,376,568—"Capital in excess of par value (Capital Surplus)."

President's Letter

Capital Stock—On July 1, 1958, 64,934 shares of common stock were issued in exchange for the assets of Norden-Ketay Corporation. The value assigned to these shares was $3,701,238, or $57 for each share issued, being the approximate quoted market value of a share of the Corporation's common stock on the date the principal terms of the agreement with Norden-Ketay Corporation were determined. Of the aggregate amount, $324,670 was credited to common stock capital account at the par value of $5 per share and the remainder, $3,376,568 was credited to capital surplus.

WALKER MANUFACTURING COMPANY OF WISCONSIN

CR.—$332,134—"Contributed Capital in excess of Par Value of Capital Stock: Excess of market value ($35 per share) over par value of shares issued to acquire the outstanding common stock of Galt Metal Industries, Ltd. (Note A)."

Note A: All of the subsidiaries are wholly owned and the accounts are included in the consolidated financial statements.

On December 31, 1957 the Company acquired all of the outstanding common stock of Galt Metal Industries, Ltd. and the financial statements include the operations of that company since the date of acquisition. The cost of such stock exceeded the related equity by $309,025 which amount has been included in plant and equipment in consolidation and is being amortized over a period related to the lives of the assets.

EXCESS OF NET ASSETS ACQUIRED OVER COST OF INVESTMENT IN SUBSIDIARY

Capital Surplus

EX-CELL-O CORPORATION

CR.—$2,640,000—"Capital in excess of par value of shares:

	Common Stock of $3.00 par value	Capital in excess of par value of shares
Valuation assigned to 88,000 shares issued in exchange for stock of Bryant Chucking Grinder Co. .	$264,000	$2,640,000"

CR.—$2,147,095—

	1958	1957
"Excess of equity (at book value) in subsidiaries at date of acquisition over cost of the investment	$3,540,083	$1,392,988"

President's Letter

Shareholders' Equity: Shareholders' equity reached a new high of $82,295,895 as of November 30, 1958. This represents an increase of $10,008,097 or 14 per cent compared to shareholders' equity of $72,287,798 at November 30, 1957.

Book value per share of common stock amounted to $22.17 per share on the 3,711,525 shares issued and outstanding on November 30, 1958. This represents a gain of $2.26 per share over the November 30, 1957 adjusted book value of $19.91.

The increase in shareholders' equity for 1958 resulted primarily from earnings retained after dividend declarations and the excess of the book value of assets acquired over the purchase price paid for the common stock of Bryant Chucking Grinder Co.

ACF INDUSTRIES, INCORPORATED
CR.—$154,000—"Capital Surplus: Additional capital surplus resulting from issuance of common stock at amount in excess of par: Upon acquisition of net assets of another company."

AMERICAN AIR FILTER COMPANY, INC.
CR.—$962,737—"Other Capital in excess of par value of shares: Net assets of Kennard Corporation acquired in excess of par value of common stock exchanged."

CONSOLIDATED FOODS CORPORATION
CR.—$4,037,948—"Capital Surplus: Excess of book value of net assets of businesses acquired over cost or assigned value (approximate market value) of common stock issued."

OXFORD PAPER COMPANY
CR.—$1,713,906—"Capital and other surplus: Excess above cost to parent of net assets at date of acquisition."
CR.—$915,000—"Capital and other surplus: Excess of market value over par value of 60,000 shares of common stock issued in part payment for entire outstanding common stock of subsidiary acquired."

President's Letter

Acquisition: On May 26, 1958, the company purchased Champion-International Company from the National Geographic Society for $1,500,000 in cash and 60,000 shares of Oxford common stock, and guaranteed Champion's outstanding debt of $3,127,500 due 1962-1973. At the same time the name of the new wholly-owned subsidiary was changed to Oxford Paper Company, Inc. At time of acquisition, the new subsidiary had sales at an annual rate of roughly $10,500,000, working capital of approximately $1,750,000 and a book value of over $5,000,000. Its Lawrence, Massachusetts mill had an annual capacity of 35,000 tons of high quality coated printing papers. In addition to serving many other customers, it has supplied the National Geographic Society's paper needs for many years. Oxford will continue to furnish the Society with its paper requirements under a long-term contract.

MERGERS, LIQUIDATIONS, AND DISSOLUTIONS

Retained Earnings

ARMOUR AND COMPANY
DR.—$1,115,351—*"Earnings employed in the business*: Loss on sale of certain foreign subsidiaries."

DEERE & COMPANY
DR.—$24,247,143—*"Earned Surplus*: Charge to earned surplus arising from conversion of preferred stock to debentures (excess of principal amount of debentures and cash payments over par value of preferred stock)."

Financial Review

Corporate Reorganization: At a special meeting of stockholders held July 29, the holders of 86.9 per cent of the preferred stock and 87.7 per cent of the common stock, substantially more than the required two-thirds of each class of stock, approved the plan of merger of Deere & Company (an Illinois corporation) and its three wholly-owned United States manufacturing subsidiaries into a new Delaware company, also named "Deere & Company."

The merger was made effective August 1. As a result of the merger, each outstanding share of common stock, $10 par value, of the Illinois company was converted into one full-paid and non-assessable share of common stock, $1 par value, of the Delaware company. The certificate representing shares of common stock of the Illinois company now represent the same number of shares of common stock of the Delaware company.

As another result of the merger, the preferred stock of the Illinois company was converted into twenty-five year 4½ per cent subordinated debentures of the Delaware company. The conversion rate was $500 principal amount of debentures for each fourteen shares of preferred stock.

OTIS ELEVATOR COMPANY
DR.—$2,856,104—*"Earned Surplus*: Adjustment resulting from liquidation of subsidiary—net of estimated tax saving."

THE PITTSTON COMPANY
CR.—$2,533,975—"Earned Surplus: Arising from merger with a domestic corporation during the year."

Retained Earnings and Capital Surplus

GENERAL BOX COMPANY
DR.—$198,664.74—*"Earned Surplus*: Charge in connection with the retirement of 1,084,000 shares of the Company's capital section (Note 1)."
DR.—$646,988.48—*"Capital Surplus paid-in."*

Notes to Financial Statements

Note 1: In accordance with a plan for partial liquidation, the company distributed as of June 30, 1958, the assets of its Louisville, Kentucky corrugated box plant in redemption of 1,084,000 shares of its capital stock. The net book value of the assets, so distributed, totaling $1,929,653.22 was retired by charging capital stock $1,084,000.00 representing the par value of the shares retired, charging capital surplus paid-in with $646,988.48 representing the pro rata portion applicable to the shares and charging the balance $198,664.74 to earned surplus.

President's Letter

Number of Shares Reduced: During April 1958, the shareholders of General Box Company were directly approached by Inland Container Corporation with an offer to buy their stock. At that time, the shareholders received letters from General Box Company keeping them informed as to that situation. Prior to, and during the period of that offer, Inland acquired 1,084,000 shares. On June 4, 1958, the Board of Directors of General Box Company adopted a plan of partial liquidation which involved distribution of the assets of its Louisville Corrugated Box Plant to Inland Container Corporation in redemption of the 1,084,000 shares. This was accomplished on June 30, 1958.

On September 25, 1958, shareholders of General Box Company approved the retirement of the 1,084,000 shares as called for by the plan. At the same time, the authorized capital stock of the company was reduced by a like number of shares. There was an increase of $2.42 per share in the book value of the outstanding shares as the result of this liquidation.

HATHAWAY INDUSTRIES, INC.
CR.—$3,054,277—"Retained Earnings: Retained earnings of merged affiliate at date of merger."
CR.—$689,000—"Additional Capital: Additional capital of merged affiliate (see Note 1)."
DR.—$234,963—*"Additional Capital*: Excess of par value of common stock issued over book value of capital stock of merged affiliates (see Note 1 to balance sheet)."

Note 1: On April 30, 1958 The Ismert-Hincke Milling Company, The Western Terminal Elevator Company and Topeka Terminal Elevators, Inc. were merged into and became divisions of Hathaway Bakeries, Inc. The name of the surviving corporation was changed to Hathaway Industries, Inc. The accompanying financial statements include the operations of the baking division for the year ended December 27, 1958 and of the other divisions for the eight months beginning May 1, 1958.

Capital Surplus

AMERICAN METAL CLIMAX, INC.
DR.—$290,314—*"Capital Surplus*:"

Notes to Financial Statements

Capital Surplus: The only material change in capital surplus during 1958 was a charge for expenses incident to the merger.

THOMPSON RAMO WOOLDRIDGE INC.
DR.—$1,320,660—*"Capital in Excess of Par Value of Shares*: Par value of common stock issued in merger . . . and related charges, less paid-in capital of the Ramo Wooldridge Corporation eliminated thereby."

POOLING OF INTERESTS

Retained Earnings

JOHNS-MANVILLE CORPORATION
CR.—$3,600,675—"Earnings Reinvested:
Earnings—

	Including L•O•F Glass Fibers Company (Note 1)	Excluding L•O•F Glass Fibers Company
Earnings of this year reinvested in the business	$ 9,028,736	$ 7,596,590
Earnings reinvested as at beginning of year	113,285,138	111,116,609
Earnings reinvested as at end of year	$122,313,874	$118,713,199"

Note 1: On December 31, 1958, under a Plan and Agreement dated November 10, 1958, the business of Johns-Manville Corporation and that of L•O•F Glass Fibers Company were combined as a pooling of interests. Under the agreement there were distributed to the stockholders of L•O•F Glass Fibers Company one share of Johns-Manville Corporation stock (an aggregate of 1,094,787 shares) for each 2½ shares of L•O•F Glass Fibers stock held by them.

Balance Sheet Presentation:

	Including L•O•F Glass Fibers Company (Note 1)	Excluding L•O•F Glass Fibers Company
Investment	$237,778,738	$211,186,053
Represented by		
Common stock (Note 9)	115,464,864	92,472,854
Earnings reinvested ..	122,313,874	118,713,199
	$237,778,738	$211,186,053

Note 9: Par value of common stock is $5 per share. Of 25,000,000 shares authorized, 8,283,192 shares were issued and outstanding at December 31, 1958, including 1,094,787 shares issued in connection with the acquisition of L•O•F Glass Fibers Company (Note 1).

CUTLER-HAMMER, INC.
DR.—$1,080,883—*"Earnings retained in the Business:"*

Statement of Income and Retained Earnings

	1958	1957 Pro Forma Combined (Note 1)	1957 Cutler-Hammer Alone
Net Income	$ 4,829,692	$ 6,392,363	$ 5,949,947
Less—Dividends Paid	2,949,940	3,299,990	3,299,990
Remainder of Net Income Retained in the Business	1,879,752	3,092,373	2,649,957
Earnings Retained in the Business at Beginning of Year ..	24,127,870	22,138,532	21,025,384
	26,007,622	25,230,905	23,675,341
Add (or Deduct) the Difference Between Par Value of Cutler-Hammer, Inc., Common Stock Issued as at May 29, 1958 and Stated Value of Airborne Instruments Laboratory, Inc., Common Stock (Note 1):			
Outstanding, December 31, 1957	—	(1,103,035)	—
Issued January 1 to May 29, 1958	22,152	—	—
Earnings Retained in the Business at End of Year	$26,029,774	$24,127,870	$23,675,341

Notes to Financial Statements

Note 1: As of May 29, 1958, in a combination treated as a pooling of interests, Cutler-Hammer, Inc., acquired all of the assets and assumed all of the liabilities of Airborne Instruments Laboratory, Inc., in exchange for 202,340 shares of its common stock. The excess of the par value of these shares over the stated value of the shares of Airborne Instruments Laboratory, Inc., in the amount of $1,080,883 was charged to earnings retained in the business. The results of operations shown in the accompanying Financial Statements for the year ended December 31, 1958 is a combination of the results of operations of both businesses for the entire year. For comparative purposes there are included in the accompanying financial statements a combined Statement of Financial Position as at December 31, 1957 and a combined statement of Income and Retained Earnings for the year then ended.

Retained Earnings and Capital Surplus

ADAM CONSOLIDATED INDUSTRIES, INC.
CR.—$652,298—"Earned Surplus (Note 3).
Balance at Beginning of Year:

Adam Consolidated Industries, Inc. and Wholly-Owned Subsidiaries	$1,774,285
The Tire Mart, Inc. and Subsidiaries (Note 3)	652,298"

DR.—$755,430—*"Capital Surplus:*

Excess of Par Value of 467,627 Shares of Common Stock Issued over Stated Capital Acquired of The Tire Mart, Inc. (Note 3) ..	$223,609
Excess of Cost to Subsidiary (The Tire Mart, Inc.) over Par Value of 167,627 Shares of Company Stock Held by Subsidiary at Date of Acquisition by Adam Consolidated Industries, Inc.	531,821
	$755,430"

Note 3: During 1958 the company issued 467,627 shares of common stock in exchange for all the outstanding stock of The Tire Mart, Inc. This transaction has been reflected in the accompanying financial statements in accordance with the pooling of interests principle of accounting. Accordingly, the accompanying statements of consolidated income and earned surplus include the results of operations of The Tire Mart, Inc. for the entire year ended December 31, 1958.

ALLIED LABORATORIES, INC.
CR.—$1,824,451—"Earned Surplus:
Balance at Beginning of Year:

Allied Laboratories, Inc. and Subsidiary Companies	$7,828,012
Campana Sales Company and Subsidiary Companies	1,824,451"

DR.—$58,086—*"Earned Surplus:* Costs incurred in connection with the issuance of Allied Laboratories, Inc. common stock for common stock of Campana Sales Company."

DR.—$767—*"Capital Surplus:*

Balance at Beginning of Year, less charges upon conversion of the common stock of Campana Sales Company into 65,000 common shares of Allied Laboratories, Inc. ($767) .... $6,650,449"

Notes to Financial Statements

Note 1: On July 18, 1958, Allied Laboratories, Inc. issued 65,000 shares of its common stock in exchange for all the outstanding capital stock of Campana Sales Company. The transaction has been reflected in the accounts in accordance with the pooling of interests principle of accounting. The consolidated financial statements for the years 1958 and 1957 represent the combined financial statements of the two companies for those years, giving retroactive effect to the exchange. Net sales and net profit of Campana Sales Company and Subsidiary Companies for the two years were:

	1958	1957
Net sales	$4,971,529	$4,355,364
Net profit	427,117	240,704

CORN PRODUCTS COMPANY

Consolidated Statement of Earned Surplus

Earned Surplus of Corn Products Refining Company and its domestic and Canadian subsidiary companies, December 31, 1957	$ 79,963,924
Transactions Giving Effect to Merger:	
Earned surplus of The Best Foods, Inc., as of December 31, 1957	29,809,397
Excess of $175 principal amount of 4⅝% subordinated debentures over $100 par value of each outstanding share of preferred stock converted therefor	(17,509,200)
Excess of cost over par value of reacquired preferred treasury stock cancelled and retired	(989,216)
Amount Shown as of December 31, 1957 in accompanying balance sheet	$ 91,274,905
Net Income for the Year	32,541,739
	$123,816,644
Dividends Declared, payable in cash:	
Prior to merger:	
Corn Products Refining Company:	
Common stock $1.35 per share	$ 11,331,924
Preferred stock $5.25 per share	1,225,644
The Best Foods, Inc., common stock $2.50 per share	3,750,000
Subsequent to merger:	
Corn Products Company, common stock $.50 per share	5,413,543
	$ 21,721,111
Expenditures Incurred in connection with merger	300,195
	$ 22,021,306
Balance, December 31, 1958	$101,795,338

Consolidated Statement of Capital Surplus

Capital Surplus of Corn Products Refining Company and its domestic and Canadian subsidiary companies, December 31, 1957	$ 6,152,865
Transactions Giving Effect to Merger:	
Capital surplus of The Best Foods, Inc., as of December 31, 1957	14,352,878
Conversion of outstanding shares of Corn Products Refining Company, $10 par value common stock, as of December 31, 1957 into $1 par value common stock of Corn Products Company	75,167,559
Conversion of outstanding $1 par value common stock of The Best Foods, Inc., into one and six-tenths shares of $1 par value common stock of Corn Products Company	(900,000)
Amount Shown as of December 31, 1957 in accompanying balance sheet	$ 94,773,302
Conversion of shares of Corn Products Refining Company, $10 par value common stock, issued upon the exercise of stock options prior to merger in 1958, into $1 par value common stock of Corn Products Company	691,848
Excess of Proceeds over the par value of common stock issued upon the exercise of stock options	1,990,883
Expenditures Incurred in connection with merger	(401,268)
Other additions	1,077
Capital Surplus, December 31, 1958	$ 97,055,842

Notes to Consolidated Financial Statements

Note 1: Merger and Principles of Consolidation—In accordance with an Agreement of Merger dated August 21, 1958, Corn Products Refining Company and The Best Foods, Inc. were merged into Corn Products Company as of the close of business September 30, 1958. The merger has been treated in the accompanying financial statements in accordance with the pooling of interests accounting principle; consequently, the consolidated balance sheet of Corn Products Refining Company and its domestic and Canadian subsidiary companies and the consolidated balance sheet of The Best Foods, Inc. have been combined and restated on a comparative basis as of December 31, 1957.

In the accompanying statements of income the operating results of the companies prior to September 30, 1958, the date of merger, have been combined. Since September 30, 1958 The Best Foods, Inc. has operated as the Best Foods Division of Corn Products Company.

The consolidated financial statements include all domestic and Canadian subsidiary companies engaged in the manufacture and distribution of the company's products. All consolidated subsidiaries are wholly owned with the exception of a small minority in a Canadian subsidiary.

ARMCO STEEL CORPORATION

Statement of Shareholders' Equity (Note 1)
For the Year Ended December 31, 1958

	Total	Common Stock	Capital Contributed in Excess of Par Value of Common Stock	Income Retained in the Business	Capital Surplus
Balance, December 31, 1957:					
Armco Steel Corporation*	$507,690,801	$119,934,711	$ 96,602,515	$291,153,575	
The National Supply Company*	103,894,519	14,708,960		79,609,881	$ 9,575,678
Stock issued by National Supply prior to merger	19,336	4,400			14,936
Stock issued by Armco (2,501,271 20/100 shares) in connection with the merger with National Supply		{ (14,713,360) 25,012,712	(708,738)		(9,590,614)
Total	$611,604,656	$144,947,423	$ 95,893,777	$370,763,456	—
Net income for the year	57,512,151			57,512,151	
Cash dividends:					
Armco ($3.00** a share)	(42,437,787)			(42,437,787)	
National Supply (prior to merger)	(1,765,543)			(1,765,543)	
Stock (264,000 shares) at approximate market value thereof, issued for the net assets and business of Union Wire Rope Corporation	12,111,000	2,640,000	9,471,000		
Stock (25,180 shares) issued for cash in connection with stock options (Note 3)	608,616	251,800	356,816		
Expenses in connection with merger	(194,438)		(194,438)		
Treasury stock transactions, etc.	(22,366)	(3,856)	(18,510)		
Balance, December 31, 1958	$637,416,289	$147,835,367	$105,508,645	$384,072,277	

*As shown in the 1957 reports to shareholders of Armco and National Supply, except that foreign subsidiaries, other than Canadian, of National Supply, which had income retained in the business of $4,994,982 at December 31, 1957, have been excluded from consolidation as of that date.

**Cash dividends of $3.00 a share were paid in 1957.

Amounts in parentheses represent deductions.

Notes to Financial Statements

Note 1: Under the terms of a Joint Plan and Agreement of Merger, effective as of April 30, 1958, The National Supply Company, a Pennsylvania corporation, was merged with and into Armco Steel Corporation, the surviving Company. In connection with the merger, 2,501,271 20/100 shares of common stock of Armco were issued on the basis of converting each share of common stock of National Supply outstanding on the said effective date, into eighty-five one-hundredths of a share of common stock of Armco. For accounting purposes, the merger has been treated as a "pooling of interests." The excess ($10,299,352) of the par value of Armco's shares issued over the par value of National Supply's shares so converted has been charged in part ($9,590,614) to capital surplus and the remainder ($708,738) has been charged to capital contributed in excess of par value of common stock. Income retained in the business of the constituent companies has been combined.

In the accompanying statement of consolidated income for the year 1958, National Supply's results of operations are included from January 1, 1958. In the financial statements for the year 1957, submitted for comparison purposes only, the consolidated financial statements of Armco and National Supply, as presented in their annual reports to shareholders for that year, have been combined with the exception that (a) National Supply's foreign subsidiaries, except Canadian, have been excluded from consolidation, and (b) certain reclassifications of National Supply's figures have been made to conform with Armco's classifications and form of presenting financial statements. The business of The National Supply Company is now carried on by a wholly-owned subsidiary, an Ohio company, having the same name.

Capital Surplus

UNIVERSAL-CYCLOPS STEEL CORPORATION

CR.—$2,136,004—"Capital Paid-in—Other: Other capital paid in arising from the issuance of 600,153 shares of Universal-Cyclops common capital stock for the net assets of Empire and Reeves as of February 28, 1958 (see Note A)."

Note A: Principles of Consolidation—On February 28, 1958, Universal-Cyclops Steel Corporation completed an agreement and plan of reorganization dated November 22, 1957 with Empire Steel Corporation and Reeves Steel and Manufacturing Company. Pursuant to this agreement, a wholly owned subsidiary company of Universal-Cyclops Steel Corporation was formed under the laws of the State of Ohio under the name of Empire-Reeves Steel Corporation, which acquired substantially all of the net assets of Empire Steel Corporation and Reeves Steel and Manufacturing Company.

In accordance with the accounting treatment applicable to a pooling of interests, the difference between the par value of the common stock issued under the agreement (600,153 shares) and the net assets of Empire and Reeves acquired is shown as accumulated earnings in the consolidated statements to the extent existing in the respective companies as of February 28, 1958 with the balance included in "Capital paid in—Other."

The consolidated financial statements include the accounts of Universal-Cyclops Steel Corporation, its wholly owned subsidiary (Empire-Reeves Steel Corporation), Empire Steel Corporation, and Reeves Steel and Manufacturing Company.

The individual income statements of Universal-Cyclops Steel Corporation, Empire Steel Corporation, and Reeves Steel and Manufacturing Company have been consolidated for the year ended December 31, 1957 in accordance with the principles described above. The consolidated statement of income and accumulated earnings for the year ended December 31, 1958 includes the results of operations of Empire Steel Corporation and Reeves Steel and Manufacturing Company, as separate companies, for the period January 1 through February 28, 1958.

At December 31, 1958 the net assets of the Subsidiary exceeded the carrying value of the parent company's investment therein by $2,286,155 which, in consolidation, was credited to accumulated earnings employed in the business.

WALWORTH COMPANY

DR.—$3,820,657—"*Paid-in Capital*: Deduction resulting from retroactive restatement of accounts in 1958 (Note A)."

Note A: Restatement of Accounts—As at September 30, 1958, the accounts of the Company and two of its subsidiaries, Conoflow Corporation and Grove Valve and Regulator Company, were adjusted retroactively to reflect the acquisition in 1956 by the Company of all the outstanding stock of the two subsidiaries as a pooling of interests of the subsidiaries with the Company. Previously the Company had treated the transactions as acquisitions in accordance with the then current accounting principle set forth in a bulletin of the American Institute of Certified Public Accountants in respect of combinations and mergers. Subsequently that bulletin was revised, and the accounts of the Company and of the two subsidiaries have been retroactively adjusted to conform to the principles set forth in the revised bulletin.

The statements submitted herewith pertaining to the year 1957 have been restated to reflect the adjustment, and therefore differ from those submitted to the stockholders in the Annual Report for the year 1957.

ADJUSTMENTS ARISING IN CONSOLIDATION

Retained Earnings

ALLIS-CHALMERS MANUFACTURING COMPANY

CR.—$1,280,945—"Earnings retained and used in the business: Accumulated earnings of Canadian subsidiary—not previously consolidated."

CHRYSLER CORPORATION

CR.—$5,885,325—"Net Earnings retained for use in the business: Corporation's share at January 1, 1958, of undistributed net earnings since acquisition of Australian subsidiary."

THE ELECTRIC STORAGE BATTERY COMPANY

CR.—$31,868—"Earned Surplus: Net surplus of Australian and South African subsidiaries included in consolidation from January 1, 1958."

Notes to Financial Statements

Note 1: . . . The Australian and South African wholly owned subsidiaries have been included in the consolidation from January 1, 1958. This inclusion had no material effect upon the consolidated financial position or results of operations. All subsidiaries (except several insignificant in the aggregate) have been consolidated.

JOHNSON & JOHNSON

CR.—$262,242—"Earnings retained in the business: Equity in retained earnings of a subsidiary at date it became wholly-owned."

THE MEAD CORPORATION

CR.—$660,250—"Retained Earnings: Equity in retained earnings of previously unconsolidated subsidiaries at dates first consolidated."

Notes to Financial Statements

Note A: Basis of Consolidation—The accounts of all subsidiaries over 60% of whose voting stock is owned by the Corporation are consolidated in the accompanying financial statements including, for the first time, the accounts of Upper Michigan Power & Light Company. The accounts of that company, previously excluded because its operations were not homogeneous with those of the Corporation, have been consolidated since April 30, 1958, the date of termination of its public power contracts. . . .

NATIONAL LEAD COMPANY

CR.—$3,858,846—"Earned Surplus, unappropriated."

Notes to Financial Statements

Note 1: The consolidated financial statements for 1958 include the accounts of the Company and all of its wholly owned domestic and Canadian subsidiaries. In all prior years the consolidated financial statements included only wholly owned domestic subsidiaries. Had the wholly owned Canadian subsidiaries been included in prior years the effect on consolidated financial statements for such years would not have been material.

THE NEW BRITAIN MACHINE COMPANY

CR.—$144,737—"Earnings retained for use in the business: Retained earnings of domestic subsidiaries from dates of acquisition, less excess of investment in such subsidiaries over underlying net assets at acquisition dates —Note A."

Note A: Consolidated Statements—Heretofore the financial statements of the two domestic subsidiaries (both totally held) have not been consolidated with the financial statements of the Company. The investments in such subsidiaries were stated on the basis of cost and their earnings were not reflected in the Company's profit and loss statement.

For the year 1958, the consolidated financial statements include the accounts and operating results of the two domestic subsidiaries, and the comparative statements for the year 1957 have been restated accordingly. Net profit of the domestic subsidiaries for the years 1958 and 1957 amounted to $117,585 and $196,780 respectively.

Retained Earnings and Capital Surplus

ARDEN FARMS CO.

CR.—$4,936.79—"Earned Surplus: Earned surplus of subsidiary not previously consolidated."

CR.—$16,825.96—"Capital Surplus: Capital surplus arising in consolidation."

Capital Surplus

GULF OIL CORPORATION

DR.—$1,687,310—"*Other Capital*: Adjustment incident to consolidation of majority-owned Canadian Subsidiary."

GOODWILL—INTANGIBLE ASSETS

Retained Earnings

COLUMBIA BROADCASTING SYSTEM, INC.
DR.—$5,064,950—"*Retained Earnings*: Write-off of goodwill."

TECUMSEH PRODUCTS COMPANY
DR.—$3,064,461—"*Earnings retained for use in the business*: Remaining unamortized cost of certain intangible assets acquired in the purchase of Tresco, Inc."

EMPLOYEE STOCK PLANS*

Stock Options

Capital Surplus

ADMIRAL CORPORATION
DR.—$230,478—"*Capital Surplus.*"

Notes to Financial Statements

Note E: Stock Options—. . . During the year ended December 31, 1958, 10,380 shares of capital stock held in the treasury were used in connection with the issuance of a similar number of shares exercised pursuant to the company's stock option plan. The $230,478 excess of the cost of such treasury shares over the amount received from the optionees was charged to capital surplus.

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$72,330—"Capital Surplus (Note 6):"

Note 6: Capital Surplus—The changes in capital surplus for the year ended December 31, 1958 are summarized below:

Amount at December 31, 1957 (including $1,625,000 arising from contributions by customers to plant construction)	$37,673,012
Changes during 1958:	
Excess of the option price over the par value of 3,200 shares of common stock issued under employees' stock option plan	72,330
Excess of principal amount of convertible subordinated debentures over par value of 18 shares of common stock issued upon conversion, less adjustments for cash paid in lieu of fractional shares and unamortized debenture expense	952
Amount at December 31, 1958	$37,746,294

ASSOCIATED DRY GOODS CORPORATION
CR.—$10,238—"Additional paid-in capital (capital surplus):

Statement of Additional Paid-in Capital (Capital Surplus)

Amount at Beginning of the Year (after adjustment of $122,450, representing the excess over par value of preferred stock issued in connection with acquisition of The Diamond during 1956, previously included in the preferred capital account)	$ 8,848,440
Excess over par value of shares of common stock issued during the year:	
100,694 shares in connection with acquisition of capital stock of Sibley Lindsay & Curr Company on September 25, 1957	3,071,167
350 shares under stock option plan	10,238
Amount at End of the Year	$11,929,845"

*Refer to Section 2, Tables 44 and 45, for detailed information on stock option and stock purchase plans and to the related examples shown for Balance Sheet presentation or other disclosure of such plans.

Notes to Financial Statements

Note C: Common stock options—The number of shares on February 1, 1958 reserved for issuance to key employees under a stock option plan approved by the stockholders on May 21, 1956 was as follows: 60,150 shares, at an option price of $30.25 per share; 1,000 shares, at $32.50 per share; and 3,750 shares, at $30.75 per share. Options for the 3,750 shares were issued during the current year. Other changes during the year consisted of the cancellation of options previously granted for 3,000 shares and the exercise of options for 350 shares, all at an option price of $30.25 per share.

All options are exercisable over not more than five years from dates of grant, and the option prices represent 95% of the closing market price on date of grant.

CANADA DRY CORPORATION
CR.—$217,839—"Capital Stock and Surplus: Capital surplus (increased during year by excess of proceeds received over par value of common stock issued: $217,839 upon exercise of stock options for 21,875 shares plus $5,359,760 in connection with subscription offer to stockholders for 392,611 shares)."

THE EASTERN MALLEABLE IRON COMPANY
CR.—$348—"Capital Surplus: Excess of subscription price over par value of 30 shares of common stock issued at $36.60 per share in accordance with stock option plan in force."

INTERSTATE BAKERIES CORPORATION
CR.—$99,134—"Additional paid-in Capital:"

Notes to Financial Statements

Note 3: Additional paid-in capital was increased by $94,045 in 1958, accounted for as follows:

Excess of proceeds over par value of 5,110 shares of common stock issued under Employee Stock Option Plan	$99,134
Less:	
Redemption cost of 23 shares of preferred stock of predecessor corporation for which the related reserves were written off in the previous year	5,089
	$94,045

NATIONAL STEEL CORPORATION
CR.—$1,624,902—"Capital in excess of par value of capital stock:"

Notes to Financial Statements

Note F: Capital in Excess of Par Value of Capital Stock—The increase of $1,624,902 in capital in excess of par value of capital stock represents the excess of proceeds over the par value of capital stock sold under stock option plans.

THE RELIANCE ELECTRIC AND ENGINEERING COMPANY
CR.—$29,018—"Other Capital:"

Notes to Financial Statements

Note C: The increase of $62,787 in other capital during the year consists of (1) $33,769, representing adjustment of amount previously included herein in connection with acquisition of the net assets and business of The Master Electric Company in prior year and (2) $29,018, representing proceeds in excess of aggregate par value of Common Stock sold to employees (including officers).

THE YALE & TOWNE MANUFACTURING COMPANY
CR.—$37,651—"Capital in Excess of Par Value of Capital Stock."

Notes to Financial Statements

Note 9: Capital in Excess of Par Value of Capital Stock—The increase of $163,401 in capital in excess of par value of capital stock during 1958 represents the excess of the fair value on July 31, 1958 over the par value of 7,000 shares of capital stock issued by the Company in the acquisition of a subsidiary company, $125,750, and the excess of the option price over the par value of 7,104 shares issued pursuant to the Officers and Employees 1951 Stock Option Plan, $37,651.

Restricted Stock Options

Capital Surplus

ALLIS-CHALMERS MANUFACTURING COMPANY
CR.—$15,655—"Capital in excess of par value of common stock."

Notes to Financial Statements

Note: . . . During 1958, 1,726 shares of common stock were sold to officers and employees at $19.07 per share under the Company's restricted stock option plan. All options, which were not exercised, terminated as of January 31, 1958.

Shares of common stock were issued during the year as follows:

	Par Value	Capital in Excess of Par Value
December 31, 1957	$82,142,810	$79,912,441
Sales under stock option plan at $19.07 per share	17,260	15,655
Conversion of scrip certificates	90	(90)
December 31, 1958	$82,160,160	$79,928,006

CROWN ZELLERBACH CORPORATION
CR.—$258,160—"Other Capital."

Notes to Financial Statements

Note 7: Common Stock—At December 31, 1958, 118,495 authorized and unissued common shares were reserved for issuance under the Selected Employees Stock Option Plan at varying prices ranging from $16.59 to $50.77 a share. During the year ended December 31, 1958 there were 10,910 common shares issued to employees under stock options at prices ranging from $16.59 to $50.12 a share; total proceeds were $312,710, of which $258,160 representing amounts in excess of par value, was credited to Other Capital.

There are 128,705 additional shares of authorized and unissued common stock reserved for options which may be granted in the future.

CURTISS-WRIGHT CORPORATION
CR.—$76,338—"Capital surplus: Excess of proceeds over cost of treasury stock issued to employees under Restricted Stock Option Plan: 1958, 10,325 shares."

UNITED ENGINEERING AND FOUNDRY COMPANY
CR.—$42,745—"Capital in Excess of Par Value of Shares."

Notes to Financial Statements

Note 6: Restricted Stock Option Plan—In 1953 the shareholders approved a Restricted Stock Option Plan for executive and other administrative employees, reserving 100,000 shares of the authorized but unissued common stock of the Company, the purchase price to be not less than 95% of the fair market value at the time of the granting of the option. Under the plan, the duration of each option shall not be more than ten years from the date granted, and shall become exercisable after one year from the date granted. The plan expires December 31, 1960 except as to options then outstanding. A summary of the options granted and exercised follows:

	Total Shares	Shares at Option Price of $13.30	$15.44
Options Granted	100,000	87,300*	12,700
Exercised to December 31, 1957	26,020	26,020	—
Exercised to December 31, 1958	31,170	31,170	—
Not Exercised to December 31, 1958	68,830	56,130	12,700

*After deducting cancellations and forfeitures.

All outstanding options are for a term of seven years from the date granted. Payment of $68,495 received for the 5,150 shares issued upon exercise of options during 1958 has been reflected in the Company's cash account, the common capital stock account being credited with $25,750 and paid-in surplus (Capital in Excess of Par Value of Shares) being credited with $42,745.

HOFFMAN ELECTRONICS CORPORATION
CR.—$115,108—"Contributed Capital."

Notes to Financial Statements

Note C: Restricted Stock Option Plans—The shareholders of the company have approved restricted stock option plans which provide that 85,000 shares of the company's common stock may be offered to officers and key employees. At December 31, 1958, 41,228 shares had been issued, 36,350 shares were under option at prices ranging from $19.25 to $29.875 a share and 7,422 shares were available for option. During the current year, options on 5,718 shares were exercised at $15.75, $19.25 and $21.50 a share and the proceeds ($115,108) added to contributed capital. All of the outstanding options are at market prices at the date of grant.

Incentive Stock Options

Capital Surplus

THE CARPENTER STEEL COMPANY
CR.—$99,223—"Capital in excess of par value of common stock: Excess of proceeds received over par value of 2,795 shares of common stock of The Carpenter Steel Company issued under the incentive stock option plan for officers and key executives."

DAYSTROM, INCORPORATED
CR.—$165,984—"Additional Capital."

Notes to Financial Statements

Note 9: Additional Capital—Of the increase of $167,724 in additional capital, $165,984 represents the excess of option prices over the par value of 11,570 shares of common stock issued under the Company's stock option incentive plan. The balance, $1,740, represents the excess of the conversion price over the average cost of 6,510 shares of treasury stock issued upon conversion of debentures.

THE PITTSTON COMPANY
CR.—$457,044—"Capital Surplus: Excess of selling price over par value of 19,425 shares of Common Stock issued by the Company under its Stock Option Incentive Plan."

Stock Options and Stock Purchase

Capital Surplus

JOHNSON & JOHNSON
CR.—$730,670—"Earnings Capitalized and Additions to Capital:"

Financial Review

Note: Employee Stock Compensation and Options—At year-end, the Company was obligated, apart from the Stock Option Plan, to deliver over a period of not more than four years 52,937 shares of its common stock of a par value of $5.00 each in performance of outstanding stock compensation agreements with 674 employees.

Notes to Financial Statements

Note 6: Earnings capitalized and other additions to capital increased $841,188 in 1958 representing gains of $730,670 on distribution of common stock to employees, and refund of income tax of $110,518 charged to this account in prior years.

SINCLAIR OIL CORPORATION
CR.—$176,450—"Other Paid-in Capital: Excess of sales prices over cost of treasury stock delivered under amended stock purchase and option plan."

SYLVANIA ELECTRIC PRODUCTS, INC.
CR.—$134,282—"Additional Paid-in Capital: Option price of 5,445 shares of common stock issued under stock option and purchase plans over par value of such shares."

Stock Purchase Plans

Capital Surplus

AMERICAN CYANAMID COMPANY
CR.—$25,650—"Capital Surplus: Premium ($9.00) per share on shares of Cumulative Preferred Stock, Series D, issued under employees' stock purchase contracts."

GENERAL PLYWOOD CORPORATION
CR.—$49,427—"Capital Surplus: Excess of net amount received over par value of shares of Common Stock issued to officers and employees under stock purchase agreement (11,378 shares)."

HOOKER CHEMICAL CORPORATION
CR.—$55,766—"Capital surplus paid-in."

Notes to Financial Statements

Note 2: Changes in capital surplus paid-in during the year ended November 30, 1958 follow:

Balance at November 30, 1957, per annual accounts	$7,341,098
Less excess of par value of 841,776 shares of common stock of consolidated corporation over the par value of shares of Shea Chemical Corporation exchanged therefor; less $627,102 capital surplus of Shea	2,981,371
Restated amount at November 30, 1957	4,359,727
Less expenses of consolidation	60,812
Add excess of consideration received over par value of 2,314 shares of common stock sold under Employees' Stock Purchase Plan	55,766
Balance at November 30, 1958	$4,354,681

THE NEW BRITAIN MACHINE COMPANY
CR.—$45,799—"Capital in excess of par value of shares."

Notes to Financial Statements

Note D: Capital in Excess of Par Value of Shares—The increase of $45,799 in capital in excess of par value of shares during 1958 represents the excess, over par value, of proceeds from issuance of 2,985 shares under the Employees' Stock Purchase Plan, less related expenses of $1,468.

Stock Bonus Plan

Capital Surplus

ALCO PRODUCTS, INCORPORATED
CR.—$2,413—"Capital Surplus."

Notes to Financial Statements

Note 5: "Amount paid the Company for capital stock in excess of par value (capital surplus)," has been credited with $2,413 representing the excess of the award value over the carrying value of common stock delivered in payment of contingent awards made in prior years under the Incentive Compensation Plan.

CAMPBELL SOUP COMPANY
CR.—$243,341—"Capital Surplus."

Notes to Financial Statements

Note 5: Capital and Income Retained in the Business— . . .

Changes in capital during the year were:

	Issued and Outstanding Shares	Capital Stock	Capital Surplus
July 28, 1957	10,683,812	$19,230,861	$24,449,502
Issued under terms of:			
Salaried Employees' Stock Option Plan	3,383	6,090	120,773
Employee Savings and Stock Bonus Plan	6,270	11,286	243,341
	10,693,465	$19,248,237	$24,813,616

E. I. DU PONT DE NEMOURS & COMPANY
CR.—$22,257,025—"Paid-in Surplus."

Notes to Financial Statements

Note 6: Common Stock Issued to Employees—The company's charter provides that 2,000,000 authorized but unissued common shares may be issued to employees after April 11, 1955, on such terms and conditions as may be prescribed and determined by the Board of Directors. In 1958, 127,183 shares were issued in connection with employee bonus plans. The par value of such shares was added to the common Capital Stock account and the excess of issue price over par value was added to Paid-in Surplus. This excess ($22,257,025) represented the principal adjustment to Paid-in Surplus. At December 31, 1958, there remained 1,872,817 common shares reserved for issuance to employees.

In 1957, purchased common stock of the company was issued for this purpose.

FOOTE MINERAL COMPANY
CR.—$437,052—"Capital in excess of par value of common stock."

Notes to Financial Statements

Note 5: Capital in Excess of Par Value of Common Stock—The increase in capital in excess of par value of common stock during 1958 consisted of:

Excess of assigned value over par value of 24,442 shares of common stock issued as a 2% stock dividend	$1,095,735
Excess of assigned value over par value of 10,907 shares of common stock issued to officers and employees under the incentive bonus plan (50% payable in stock)	437,052
	$1,532,787

APPROPRIATIONS OR RESERVES

Inventory Purposes

THE GRIESS-PFLEGER TANNING CO.
CR.—$30,000—"Retained Earnings: Elimination of reserve for "lifo" inventory valuation no longer required."

MOTOROLA, INC.
CR.—$907,057—"Retained Earnings: Credit for adjustment of inventory valuation (Note D)."

Note D: At prior year-ends the companies have consistently valued their inventories at the lower of prime cost (materials and labor) or market value. As of December 31, 1958 the inventory valuation was increased $907,057 to include certain elements of manufacturing overhead; net worth was increased by the same amount by a credit to Retained Earnings, without entering into income determination for the year. If the results of operations for 1958 had been determined on a basis which included manufacturing overhead in the opening and closing inventories, the effect on earnings would have been immaterial.

Property Purposes

ART METAL CONSTRUCTION COMPANY
CR.—$10,094—"Earned Surplus: Transfer from appreciation surplus (land and buildings of a subsidiary written up in 1934)."

BRISTOL-MYERS COMPANY
DR.—$430,519—*"Earnings Retained in the Business—Unappropriated*: Transfer to Appropriated—to set aside for estimated increase in replacement cost of property, plant and equipment."

PFEIFFER BREWING COMPANY
DR.—$256,876—*"Accumulated Earnings*: Provision to reduce facilities held for disposition to estimated realizable value (Note C)."

Note C: During 1958 a decision was made to dispose of certain facilities. The recorded value of such facilities has been reduced to estimated realizable value by a charge of $256,876 to Accumulated Earnings.

CANADA DRY CORPORATION
DR.—$138,556—"*Earned Surplus*: Increase in reserve for cases, for balance sheet purposes, to amount equal to 50% of ledger value of cases."

WEYERHAEUSER TIMBER COMPANY
CR.—$694,897—"*Earned Surplus*: Realization in 1958 of March 1, 1913 increases in timber value."

Contingency Purposes

CRADDOCK-TERRY SHOE CORPORATION
DR.—$7,654.80—"*Earned Surplus*: Reserve for Contingencies: Current requirements for retirement pay in excess of provision."

GRUEN INDUSTRIES, INC.
DR.—$251,000—"*Retained Earnings—Unappropriated*: Transfer to Appropriated—Retained earnings appropriated for possible losses on abandonments, contingencies, etc."

Tax Purposes

ELGIN WATCH COMPANY
DR.—$334,705—"*Retained Earnings*: Provision for loss of future tax benefits applicable to vacation accruals."

Other Purposes

LONE STAR CEMENT CORPORATION
DR.—$49,307—"*Earned Surplus*: Amount Transferred to Statutory Surplus by South American Subsidiary."

UNITED STATES RUBBER COMPANY
DR.—$1,100,669—"*Capital Surplus*: Excess of equity in net assets over cost of investment in The North British Rubber Company, Limited, consolidated as of October 1, 1956, transferred to Reserve for Foreign Activities."

APPROPRIATIONS OR RESERVES—TRANSFERS

Retained Earnings

AMERICAN SUGAR REFINING CO.
CR.—$600,000—"*Earned Surplus*: Reserves no longer required."

THE ELECTRIC STORAGE BATTERY COMPANY
CR.—$304,971—"*Earned Surplus*: Transfer from reserve for foreign exchange fluctuations."

THE GOODYEAR TIRE & RUBBER COMPANY
CR.—$28,703,650—"*Earned Surplus*: Reserve for contingencies (less $196,350 minority interest) transferred to earned surplus."

THE SEEBURG CORPORATION
CR.—$56,678—"*Earned Surplus*: Reserve for liquidating losses not required."

SPIEGEL, INC.
CR.—$1,500,000—"*Earnings Invested in the Business*: Appropriated earnings at beginning of year restored to unappropriated earnings."

Capital Surplus

STUDEBAKER-PACKARD CORPORATION
CR.—$19,430,114—"*Capital Surplus*: Portion in excess of present estimated requirements of reserve for general obsolescence and possible loss on disposal of high operating cost and surplus plants, property and equipment—Note F."

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 of $481,929 in 1956 and $10,244,732 in 1957 have been charged, and gains of $256,775 in 1958 have been credited to this reserve as a result of disposals of surplus properties. The remaining properties presently classified as "surplus" are carried at approximately $2,600,000, and the possible loss on their disposal is estimated at $2,100,000. The balance of $19,430,114 has been credited to capital surplus, inasmuch as the reserve was established prior to the quasi-reorganization of November 2, 1956.

FINANCING EXPENSES

Retained Earnings

ACME STEEL COMPANY
DR.—$64,891—"*Invested Earnings*: Expenses of sale of preferred stock."

Retained Earnings and Capital Surplus

SAFEWAY STORES, INC.
DR.—$58,668—"*Additional Paid-in Capital.*"
CR.—$58,668—"*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

Note: Additional Paid-in Capital—Changes in 1958 consist of $1,724,146 excess of 4.30% preferred stock par value over that of common stock issued on conversion less $58,668 prorata share of original issue expense; $324,474 excess of proceeds over par value of common stock issued under options exercised; $76,476 discount on 4% preferred stock acquired; transfer of $240,778 to Net Income Retained in the Business of a subsidiary.

Capital Surplus

THE DAYTON RUBBER COMPANY
DR.—$2,119—"*Surplus Paid-in*: Applicable portion of unamortized cost of issuing debentures."

THE EMERSON ELECTRIC MANUFACTURING COMPANY
DR.—$20,072—"*Additional Paid-in Capital*: Excess of par value of 5½% convertible debentures over par value of 19,254 shares of common stock issued therefor, less applicable unamortized debt expense."

EXTRAORDINARY LOSSES OR GAINS*

Retained Earnings

HEYWOOD-WAKEFIELD COMPANY
DR.—$42,530—"*Retained Earnings*: Adjustment resulting from sale of capital stock in Grasse River Railroad Corporation."

*Presentation of extraordinary items in operating statements is discussed in Section 3, in relation to Table 13, where some further illustrative examples of such items are given.

BARIUM STEEL CORPORATION

DR.—$853,365—*"Retained Earnings*: Loss on extraordinary retirements of capital assets, less $1,002,000 estimated federal income tax recovery."

Notes to Financial Statements

Note: Charges Against Retained Earnings—Certain extraordinary losses arising out of realization and abandonment of plant of $456,446 and engineering plans, etc., of $396,919 after reduction for recovery of federal income taxes of $1,002,000, were charged against retained earnings.

ENDICOTT JOHNSON CORPORATION

CR.—$406,802—"Retained Earnings: Special credit-gain on sale of Endicott Water Works, less federal income taxes of $247,000."

Financial Review

During the past year, our wholly owned subsidiary, Endicott Water Works Company, sold its assets and franchise rights to the Village of Endicott for a sum slightly in excess of $3,000,000. It was felt by management that this capital could be employed to greater advantage in our primary business of manufacturing and distributing footwear.

HEYDEN-NEWPORT CHEMICAL CORPORATION

DR.—$162,935—*"Earned Surplus*: Excess of cost over proceeds on sale of investment and advances in St. Maurice Chemicals Limited and The McArthur Chemical Co., Ltd."

Notes to Financial Statements

Note 2: In 1958, the Corporation sold its interest in St. Maurice Chemicals Limited and The McArthur Chemical Co., Ltd. for a consideration of $358,339 and 75,000 shares of common stock of The Shawinigan Water & Power Company, which shares were subsequently sold. The net proceeds received from the sale of this stock and the $358,339 cash received were applied against the investment and advances of $2,496,376, resulting in a loss of $162,935 which is reflected in the Comparative Consolidated Earned Surplus Statement.

SHARON STEEL CORPORATION

DR.—$511,850—*"Accumulated Earnings*: Loss on sale of fixed assets, severance pay, etc., arising from discontinuance of operations at two plants of Brainard Steel Division—$1,066,850, less estimated refund of federal taxes on income of $555,000.

SPENCER KELLOGG AND SONS, INC.

DR.—$618,410—*"Earnings retained for use in the business*: Losses, write-downs and other costs related to disposition and consolidation of plant facilities, less estimated Federal income tax recovery (Note 1)."

Note 1: During the current fiscal year, the Company sold its plant located in Buffalo, New York and materially reduced its operations at Edgewater, New Jersey. A considerable portion of Edgewater plant facilities were either sold, abandoned, demolished or will be disposed of in the near future. Those facilities to be subsequently disposed of were written down to estimated realizable or appraisal values. The net losses and write-downs, amounting to $618,410 after estimated Federal income tax recovery of $670,000, were charged to earnings retained for use in the business.

STANDARD BRANDS INCORPORATED

CR.—$809,752—"Retained earnings: Excess of proceeds from sale over cost of 4% Subordinated Debentures of Minute Maid Corporation (net of taxes)."

Financial Review

Note: During the year, the 4% Subordinated Debentures of Minute Maid Corporation were sold for $5,642,500, and the proceeds were applied against long-term debt. These debentures were acquired in 1956 with other assets of Clinton Foods Inc. and were carried on the books at $4,562,748. The after-tax gain of $809,752, equivalent to $.25 per share, was not included in net income but was credited directly to earned surplus.

STUDEBAKER-PACKARD CORPORATION

CR.—$11,212,209—"Earned Surplus: Profit, including related deferred rental income, on sale of property to Curtiss-Wright Corporation—Note B."

Note B: Termination of Arrangements with Curtiss-Wright Corporation—Pursuant to the refinancing plan adopted on October 15, 1958, Curtiss-Wright Corporation agreed: (1) to terminate its advisory management agreement with the Corporation; (2) to terminate and release its option on 5,000,000 shares of the Corporation's Common Stock at $5 per share; (3) to relinquish certain rights it had in the distribution of Mercedes-Benz vehicles; and (4) to purchase for $2,000,000, plus the rights relinquished in items 1, 2, and 3 above, the Corporation's remaining interest in facilities leased to Curtiss-Wright (for which they had paid advance rentals of $25,000,000 for the full term of the agreement which was to terminate in 1968).

THE UNITED PIECE DYE WORKS

DR.—$1,204,636—*"Earnings retained for use in the business*:

Extraordinary nonrecurring charge in connection with sale of Lodi properties (Note 6):		
Loss realized on 1958 sales including idle plant expense . .	$354,636	
Provision for estimated loss due to difference between balance of book value of fixed assets at Lodi and proceeds of liquidation sale completed in 1959	850,000	$1,204,636"

Note 6: Property, Plant and Equipment—Property, plant and equipment at Lodi, New Jersey, is stated as appraised as of January 1, 1928 by independent appraisers; subsequent additions at Lodi and the fixed assets at all other locations are stated at cost; they consist of the following:

Land, buildings, machinery, equipment, furniture, fixtures and leasehold improvements	$11,999,840
Less accumulatad depreciation	7,164,801
	$ 4,835,039
Less reserve for estimated loss on sale of land, buildings, machinery and equipment at idle Lodi plant after balance sheet date	850,000
	$ 3,985,039
Copper rollers—at cost, less allowance for turn-off	40,055
	$ 4,025,094

In 1957 operations at Lodi were discontinued and facilities having a net book value of $1,343,763 at December 31, 1958 (after sales to outsiders and transfers of certain machinery, etc., to other locations) were, on that date, with minor exceptions, under contract of sale or held for transfer to other plants and for auction sale. Reserve for estimated loss due to difference between balance of book value of fixed assets at Lodi and proceeds of liquidation completed in 1959, in the amount of $850,000, is deducted from net fixed assets and retained earnings as an extraordinary charge on sale of idle plant. The actual loss of $354,636 realized during the calendar year 1958 on sales of land, buildings, machinery and equipment including idle plant expense was also charged to retained earnings.

PRIOR YEAR ADJUSTMENTS—
FIXED ASSETS AND DEPRECIATION

Retained Earnings

CLEVITE CORPORATION

DR.—$918,570—*"Reinvestment of profit*: Adjustment of depreciation (Note 3)."

Note 3: Change in Depreciation Method—In 1958, the Corporation adopted an accelerated method (the sum-of-the-years-digits method) for recording depreciation on new additions to property, plant and equipment, in lieu of the straight-line method previously used. The new method was applied retroactively to the years 1954-1957 in order to conform the books to the Federal income tax returns, and reinvestment of profit was accordingly reduced by $918,570 for additional depreciation during that period. In 1958, application of the new method reduced profit by $557,825.

ELGIN NATIONAL WATCH COMPANY

CR.—$114,845—"Retained earnings: Provision for Federal income taxes applicable to prior years, less assets of $114,845 capitalized in connection therewith ($242,890)."

THE FEDERAL MACHINE AND WELDER COMPANY

CR.—$32,781—"Earned Surplus: Transfer of depreciation on war emergency facilities from capital surplus."

Capital Surplus

THE BORDEN COMPANY

CR.—$18,992—"Capital Surplus."

Notes to Financial Statements

Note 4: There was credited to capital surplus during 1958: $7,843,080, the excess of approximate market price of $10,644,180 at date of declaration over par value of 186,740 shares of capital stock issued on January 3, 1958 as 4% stock dividend; $1,363,617, the excess of option price over par value of 35,664 shares issued pursuant to options exercised; and $18,992, the proceeds from disposal of properties previously written off against capital surplus.

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

CITY STORES COMPANY

DR.—$1,275,796—*"Income reinvested in business*: Adjustments relating principally to income taxes—Note F: Charges for extraordinary items which did not result from the usual or typical business operations of the period."

Note F: Federal Income Taxes—The provision for federal income taxes is approximately $420,000 less than would have been required if certain operating loss carryovers had not been available.

The Company uses for federal income tax purposes a method of accelerated depreciation permitted by the Internal Revenue Code. Such depreciation exceeds the amount included in the accounts. The Company has adopted the policy this year of providing, where applicable, in the accounts of all the companies, for the estimated amount of federal income tax reduction resulting from such accelerated depreciation. An adjustment has been made in the accounts for such accumulated estimated tax, which may be payable in the future, applicable to prior years and of $309,000 applicable to the current year. This amount does not include the provision made in the accounts of unconsolidated subsidiaries for the current year.

Proposed federal income tax assessments relating to Lit Brothers for the fiscal years ended in 1951 and prior were settled. After giving effect to various factors pertaining to that settlement, adjustments of fixed assets to income tax basis and other adjustments of prior years' federal income tax provisions, the net charge to income reinvested in business was $1,275,796, summarized as follows:

Federal income taxes, net of refunds—Lit Brothers		$1,241,199
Interest on above, net of income tax reduction		305,551
Net charge for income taxes and interest		1,546,750
Adjustment of property and leasehold to conform to income tax basis	$1,522,129	
Accumulated depreciation ($807,373), less applicable federal income tax reduction	643,511	878,618
		668,132
Provision for accumulated estimated federal income tax reduction for prior years—accelerated depreciation		668,000
Reduction of prior years' federal income taxes		*60,336*
Net charge to income reinvested in business		$1,275,796

The accompanying financial statements are subject to final determination of federal, state and local taxes.

BEECH AIRCRAFT CORPORATION

CR.—$3,315,585—"Earned surplus: Recovery of income taxes—Note D."

Note D: Income Taxes—Federal tax returns filed by the Company have been examined by the Internal Revenue Service through the year ended September 30, 1955, and settled through fiscal year 1951. Additional assessments proposed for the fiscal years 1952 through 1955 are being contested by the Company. It is expected that final settlement of the proposed assessments will have no material effect upon the financial position and operating results of the Company.

Settlement of a suit in the United States Court of Claims, relating to overassessments of federal income and excess profits taxes for 1949 and prior years, resulted in the recovery (including interest) of $3,315,585, after deducting legal fees and other expenses.

CROWN CORK & SEAL COMPANY, INC.

DR.—$326,000—*"Earned Surplus*: Provision for deferred income taxes for the years 1954-1957 (Note E)."

Note E: Deferred Income Taxes—Depreciation on all new depreciable assets acquired subsequent to 1953 has been computed on the straight-line method in the financial statements and by accelerated methods as permitted by the Internal Revenue Code of 1954 for income tax purposes. Prior to 1958, there was no provision in the accounts for the deferred income tax liability resulting from such practice. In 1958, $326,000 of deferred income taxes was recorded by a charge against earned surplus, $143,000 with respect to 1957 and $183,000 with respect to years 1954-1956. In connection therewith, the 1957 financial statements have been appropriately restated.

LOCKHEED AIRCRAFT CORPORATION

CR.—$1,878,008—"Earnings retained for use in the business: Adjustments Applicable to Prior Years: Refund of 1948 and 1949 federal income taxes and interest thereon less related federal taxes and expenses."

MENASCO MANUFACTURING COMPANY

CR.—$150,000—"Retained earnings: Excess provision for federal income taxes and renegotiation applicable to prior years."

NEPTUNE METER COMPANY

DR.—$198,096—*"Accumulated earnings."*

Notes to Financial Statements

Note 8: Beginning in 1954 the Corporation and certain of its subsidiaries have used accelerated methods of depreciation, for tax purposes only, on certain assets acquired each year. Deferred income taxes resulting from the excess of tax depreciation over book depreciation were not booked until 1958, when accumulated earnings was charged $198,096 for the amount applicable to prior years and $44,648 was charged to current operations. The comparative figures for 1957 vary from those previously submitted to stockholders as the 1958 charge to accumulated earnings has been applied retroactively to operations, accumulated earnings and the statement of financial position as applicable.

Capital Surplus

JOHNSON & JOHNSON

CR.—$110,518—"Earnings capitalized and other additions to capital: Earnings capitalized and other additions to capital (Note 6)."

Note 6: Earnings capitalized and other additions to capital increased $841,188 in 1958 representing gains of $730,670 on distribution of common stock to employees, and refund of income tax of $110,518 charged to this account in prior years.

STUDEBAKER-PACKARD CORPORATION

CR.—$449,063—"Capital Surplus: Refund of federal income taxes paid prior to the quasi-reorganization of November 2, 1956."

PRIOR YEAR ADJUSTMENTS—MISCELLANEOUS

Retained Earnings

ADAM CONSOLIDATED INDUSTRIES, INC.

DR.—$252,086—*"Earned Surplus*: Adjustment of Investment in Subsidiary not Consolidated (Note 6)."

Note 6: The investment in subsidiary not consolidated, which was stated in prior years financial statements at cost, is carried in the accompanying balance sheet at cost adjusted for equity in earnings or losses. Accordingly, earned surplus has been charged for the company's equity in the accumulated results of operations of this subsidiary for the periods prior to 1958. The equity in the 1958 results of operations has been included in the statement of income. The company's equity in the net assets at book value of the subsidiary amounted to $363,469 at December 31, 1958, as compared with the carrying value of $435,784. This equity is based on 1957 audited statement adjusted for the results of 1958 operations as submitted by the company.

BROWN & SHARPE MANUFACTURING COMPANY

CR.—$624,831—"Earnings Employed in the Business: Increase in inventory at January 1, 1958, to Lifo cost basis as determined by Internal Revenue Service."

Financial Review

Note: Federal income tax returns for 1957 and prior years have been examined by the Internal Revenue Service. The Service also made an acceptable final determination of the cost of inventory as of the date we adopted the Lifo method of inventory valuation. The Statements of Income on pages 6 and 7 show that we restored excess accruals of $193,020 with respect to prior years. The statement of Earnings Employed in the Business (shown on page 8) indicates the increase in inventory valuation of $624,831, which results from the determination in regard to Lifo.

MARQUARDT AIRCRAFT CO.

CR.—$153,083—"Earned Surplus: Adjustment of prior years' net income resulting from change in accounting for retirement plan contributions (Note 7)."

Note 7: During 1958, the Company changed its accounting policy with respect to its contributions under a retirement plan (adopted in 1951 for the benefit of all employees with two or more years of service who desire to participate). Prior to 1958, it was the Company's policy to accrue at the beginning of each plan year the computed cost of the plan for the ensuing year. Under its revised policy, the Company accrues a pro rata portion of the computed cost each month during the plan year. As a result of this change, net income for the year 1957 reported in the accompanying financial statements has been increased $69,883 from that previously reported and earned surplus at December 31, 1957 has been increased by $153,083.

MEREDITH PUBLISHING COMPANY

CR.—$3,360,014—"Retained Earnings: Adjustment for deferred circulation expenses."

Notes to Financial Statements

Note: Deferred Circulation Expenses—During the previous year, the Company deducted circulation expenses as incurred, instead of deferring these expenses in conformity with reporting of earned circulation revenue as in prior years. This deduction was authorized by a 1957 ruling of the Internal Revenue Service, having retroactive effect, and the corresponding change for reporting purposes was made for lack of clarity in the ruling as to the effect of inconsistency between the books and the income tax return. The anticipated tax refund for prior years was not reflected.

Subsequently, the Internal Revenue Service issued another ruling, specifically permitting the deduction of circulation expenses as incurred, despite the deferral of such expenses on the taxpayer's books. In view of the above ruling, the Company has resumed the deferral of circulation expenses (on a more inclusive basis) for stockholder reporting purposes, and will continue to deduct such expenses as incurred for income tax purposes.

Deferred circulation expenses and the revision to accumulated earnings, resulting from conversion to the deferral method, were reduced to give effect to related income tax credits.

Current year's net earnings are $516,000 larger than if reported under the method used last year. If last year's net earnings were similarly adjusted, the net effect would be a decrease of about $20,000.

NATIONAL PRESTO INDUSTRIES, INC.

DR.—$1,401,162—*"Earnings retained in the business*: Payment on account of renegotiation for the year ended September 30, 1953, less related tax refunds."

NORTHROP AIRCRAFT, INC.

DR.—$1,938,000—*"Earned Surplus*: Provision for renegotiation refund—net—Note H."

Note H: Renegotiation—The Renegotiation Board has determined that the Company realized excessive profits in the gross amount of $5,000,000 on its renegotiable business for the year ended July 31, 1955, which, after adjustment for applicable federal and state income taxes, amounts to a net refund of $1,938,000. As the Company did not concur in the Board's findings, it is expected that a unilateral order will be issued requiring payment. Provision has been made for such payment by a charge against earned surplus.

POLAROID CORPORATION

CR.—$117,148—"Accumulated Retained Earnings: Prior year's adjustment—Net."

SERVEL, INC.

Statement of Deficit

CR.—"Decreases in deficit:

Net profit from sale of inventories, property, plant, and equipment, tools and dies, patents, etc., in connection with disposal of Home Appliance Division (Net profit was previously reported as $1,135,364 in pro forma Financial Statement as of October 31, 1957)	$1,179,858
Reduction of accrued incentive compensation accrued to president through October 31, 1957	100,000
	$1,279,858"

DR.—"Increases in deficit:

Professional fees, etc., relative to stockholders' suits and other litigation	$ 237,057
Adjustment of sale price relating to sale in 1957 of All-Year Air Conditioning Division	210,000
Provision for interest on formerly contested excise taxes	147,000
Loss on disposals of miscellaneous non-operating property	79,340
	$ 673,397"

WARD BAKING COMPANY

DR.—$418,883—*"Earned Surplus*: Accrued vacation pay at December 28, 1957 (Note 3)."

Note 3: Vacation Pay—During 1958, the Company adopted the accrual basis for recording vacation pay and in connection therewith charged earned surplus with $418,883, the amount of vacation pay accrued at December 28, 1957, less the related estimated tax benefit. This change in policy had no significant effect on the net income for the year.

Retained Earnings and Capital Surplus

CHILTON COMPANY

CR.—$137,600—"Surplus (Capital and Earned):

Adjustment of prior years estimated expenses	$131,600
Adjustment of unearned subscription income	6,000"

McCORMICK & COMPANY

DR.—$120,000—*"Retained Earnings*: Additional year's vacation expense, less related income taxes (due to change in vacation policy in 1958)."

The Mead Corporation and Consolidated Subsidiaries

Statement of Retained Earnings

	Year (52 weeks) Ended December 28, 1958	Year (52 weeks) Ended December 29, 1957
BALANCE AT BEGINNING OF YEAR	$43,648,093	$40,505,910
ADD:		
Net earnings for the year	10,690,879	11,930,142
Equity in retained earnings of previously unconsolidated subsidiaries at dates first consolidated	660,250	1,108,334
	54,999,222	53,544,386
DEDUCT:		
Cash dividends paid:		
The Mead Corporation:		
4¼% preferred shares—$4.25 a share	219,488	226,436
Common Shares—$1.625 (1958) and $1.60 (1957) a share	7,364,317	6,102,618
Atlanta Paper Company—common stock dividends paid prior to merger		68,324
Share dividend paid on Common Shares of The Mead Corporation—2½% (99,969 shares)		3,498,915
	7,583,805	9,896,293
BALANCE AT END OF YEAR	$47,415,417	$43,648,093

CHAIN BELT COMPANY

SIMPLIFIED STATEMENTS FOR 1958

RESULTS OF OPERATIONS

	Amount	Per Dollar of Sales
THE COMPANY RECEIVED from customers	**$56,873,531**	**$ 1.00**
THIS MONEY WAS USED FOR:		
Wages, salaries and employee benefits	$ 23,360,160	$ .41
Materials, supplies and services, and depreciation	23,548,844	.41
	46,909,004	.82
Decrease in inventory during the year	2,265,828	.04
Costs applicable to operations for the year	49,174,832	.86
Estimated state and federal income taxes	3,820,000	.07
Dividends paid to stockholders	2,218,250	.04
Retained for use in the business	1,660,449	.03
	$56,873,531	**$ 1.00**

FINANCIAL CONDITION

	Amount	Per Share
As a result of these operations, the financial statements at October 31, 1958 showed the Company:		
Owned cash and U. S. Government Securities of	$ 7,297,348	$ 9.85
Was owed by customers	7,796,587	10.53
Had raw materials, products being manufactured and products ready for sale of	15,270,509	20.62
Had paid in advance for insurance and other expenses	904,313	1.22
Amounting to total current assets of	31,268,757	42.22
Against this the Company owed:		
To employees for wages and salaries, to suppliers for materials, to stockholders for dividends, etc.	3,350,488	4.52
To state governments for income taxes (federal tax liability is covered by U. S. securities)	350,247	.47
Leaving working capital of	27,568,022	37.23
To this add the buildings, machinery, tools and land of	16,910,788	22.84
And other assets of	374,868	.50
Making a total of	44,853,678	60.57
From this deduct the long term debt of	3.105.526	4.19
This is the stockholders' investment in the Company	**$41,748,152**	**$56.38**

acf Financial Highlights

		FISCAL YEAR ENDED APRIL 30 1958	1957
COMBINED EARNINGS	Net income		
	ACF Industries, Incorporated*	$ 7,851,000	$ 9,033,000
	SHPX group of companies (not consolidated)**	909,000	785,000
		$ 8,760,000	$ 9,818,000
	Earnings per common share (based on shares outstanding at April 30, 1958)		
	ACF Industries, Incorporated*	$ 5.54	$ 6.37
	SHPX group of companies**	.64	.55
		$ 6.18	$ 6.92
ACF INDUSTRIES, INCORPORATED*	Net sales and services	$294,894,000	$294,592,000
	Net income	7,851,000	9,033,000
	Year's earnings retained in the business	2,192,000	4,876,000
	Federal, state and local taxes	12,180,000	13,414,000
	Capital expenditures	9,042,000	8,789,000
	Depreciation	6,116,000	5,728,000
	Working capital, April 30	55,482,000	56,507,000
	Dividends paid per share	4.00	4.00

	AS OF APRIL 30 1958	1957
Shares outstanding	1,417,904	1,412,714
Shareholders	13,580	13,059
Employees	11,532	18,198

** Including consolidated subsidiaries*

*** Wholly-owned subsidiaries which own and finance railroad cars leased to industrial users*

Ampco Highlights

SALES, COSTS AND INCOME FOR 1958

	Total Dollars in Thousands	Dollars Per Share	Dollars Per Employee	Cents Per Dollar of Sales
Our Customers Paid Us	$8,319.5	$17.83	$15,265	$1.00
We Paid Others as Follows:				
For Materials Used in Our Products	$2,881.8	$ 6.18	$ 5,288	$ .35
For Wages, Salaries and Employee Benefits	3,405.2	7.30	6,248	.41
For Supplies and Expenses — Such as Power, Light, Heat, etc.	1,536.8	3.29	2,820	.18
For Federal, State and Local Taxes	327.7	.70	601	.04
To Stockholders for the Use of Their Money (Dividends)	233.3	.50	428	.03
Withdrawn From Surplus	(65.3)	(.14)	(120)	(.01)
Total	$8,319.5	$17.83	$15,265	$1.00

FINANCIAL STORY — YEAR END 1958

	Total Dollars in Thousands	Dollars Per Share	Dollars Per Employee	Cents Per Dollar of Sales
Ampco Owned:				
Cash and Securities	$ 480.1	$ 1.03	$ 881	$ .06
Amounts Due From Customers	667.5	1.43	1,225	.08
Inventories	2,013.9	4.32	3,695	.24
Total	$3,161.5	$ 6.78	$ 5,801	$ .38
Ampco Owed:				
Amounts Due to Employees, Suppliers, Government (Taxes)	757.8	1.63	1,390	.09
Leaving a Balance of Cash or Current Assets of	$2,403.7	$ 5.15	$ 4,411	$ .29
Ampco Also Owned:				
Other Assets	108.9	.23	200	.01
Land, Buildings and Equipment	1,641.4	3.52	3,011	.20
To Equal Net Worth or Total Value of the Company Amounting to	$4,154.0	$ 8.90	$ 7,622	$ .50

Ex-Cell-O Corporation and Subsidiaries

Source and Use of Funds

Year Ended November 30, 1958

Funds were available from:	
Current year operations:	
Net earnings and special item	$10,728,090
Depreciation and amortization	2,839,299
Depreciation of leased machines	5,462,913
Amortization of intangible assets	396,886
Reduction in investments	42,479
Decrease in net working capital	1,603,534
Net working capital at date of acquisition of subsidiaries acquired in 1958	3,439,389
	24,512,590
Deduct:	
Adjustment of property accounts and accumulated depreciation for prior years	4,277,639
	$20,234,951

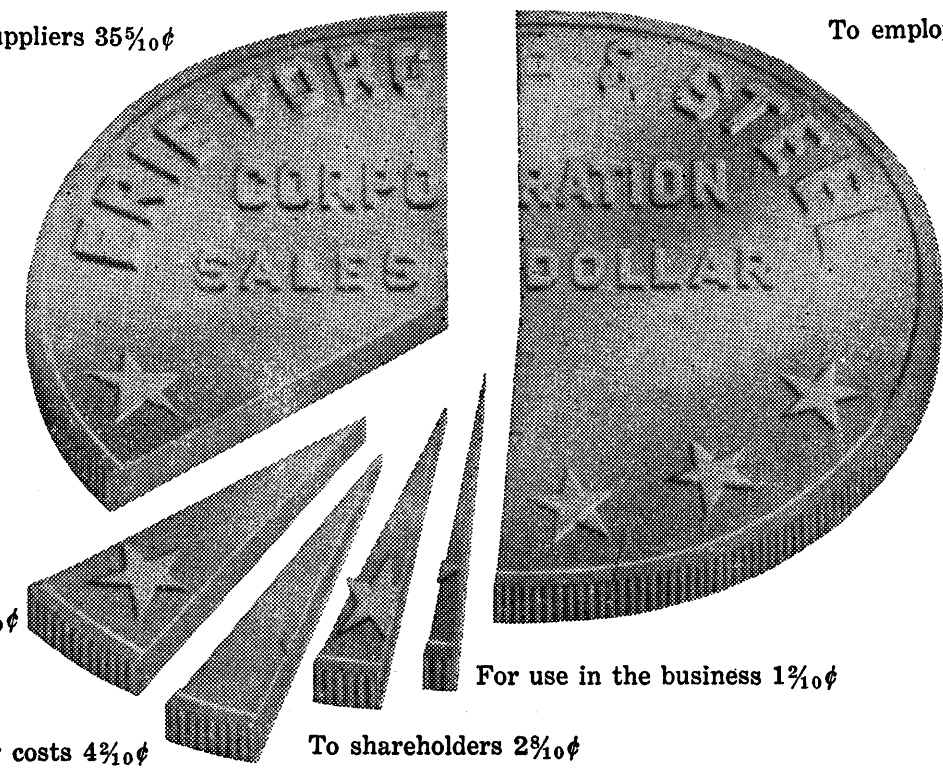
These funds were used for:	
Expenditures for plant and equipment	$ 2,743,897
Additions to rental machines	4,408,218
Payments on term loans	7,000,000
Purchase of capital stock of foreign subsidiary	143,540
Purchase of treasury stock	203,779
Payments of dividends	5,567,309
Decrease in unearned rentals	168,208
	$20,234,951

DISTRIBUTION OF SALES DOLLAR

ERIE FORGE & STEEL CORPORATION

YEAR ENDED APRIL 30, 1958

Income from Net Sales	**$22,614,000**
Where It Went:	
Wages, Vacations, and Other Employee Benefits	11,536,000
Materials and Supplies	8,025,000
All Other Costs	957,000
Federal, State, and Local Taxes	1,194,000
For Use in the Business	262,000
Stockholders	640,000



Section 5 AUDITORS' REPORT

SHORT-FORM AUDITORS' 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 auditors' 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 auditors' 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, 1958 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, 599 (or practically all) contained, as shown in Table 1, the recommended short-form auditors' report or its modified version. The various other forms of reports decreased from 16 in 1950 to 1 in 1958, so that the trend towards uniformity in this respect continues. Of the 599 reports referred to above, 507 used the recommended short-form and 92 used the modified version.

Wording Variations

Table 1 indicates that many of the auditors' reports relating to the financial statements of the 600 survey companies are presented with variations in form or wording. Minor wording variations were found in 286

TABLE 1: SHORT-FORM AUDITORS' REPORT

Number of Reports with:	1958	1957	1955	1950
"Recommended Short-Form of Report" with scope set forth in first paragraph and opinion stated in a following paragraph:				
Adopted—				
In full	221	247	234	251
With minor wording variations	286	257	259	265
	507	504	493	516
"Modified Short-Form Report" with *opinion* stated in opening sentence of a single paragraph form	88	91	92	65
"Modified Short-Form Report" with *opinion* stated in first paragraph and *scope* set forth in a following paragraph	4	3	2	3
Various other forms	1	2	13	16
Total	600	600	600	600

of the 507 reports which used the recommended short-form for the year 1958. Among these variations were the following items, which are summarized below.

81 reports used in the opening sentence of the report the conjunction "at" or "as at" instead of "as of" (*Co. Nos. 37, 61, 99, 229, 260, 499).

70 reports refer to "similar examinations for the preceding year" (*Co. Nos. 4, 30, 85, 269, 312, 409, 411).

61 reports used the phrase "for the fiscal year" instead of "for the year then ended" (*Co. Nos. 22, 33, 137, 155, 201, 508).

58 reports modified the phrase "for the year then ended" in the scope paragraph to read "for the year ended . . . (date shown)" (*Co. Nos. 41, 193, 267, 292, 408, 413).

52 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. 109, 251, 290, 423, 486, 525).

37 reports shortened the last clause in the opinion paragraph to read "generally accepted principles applied on a consistent basis" (*Co. Nos. 70, 107, 186, 318, 440).

19 reports included in the last clause the words "in all material respects" with regard to the consistency phrase (*Co. Nos. 88, 118, 208, 253, 374).

*Refer to Company Appendix Section.

TABLE 2: AUDITING STANDARDS

Auditors' Report:	1958	1957	1955	1950
States that the examination was made in accordance with "generally accepted auditing standards"	597	598	591	593
States that the examination was made in accordance with "generally accepted auditing standards" with certain exceptions	2	1	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 review of the system of internal control	1	1	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

"GENERALLY ACCEPTED AUDITING STANDARDS"

Table 2 indicates that only 3 of the 600 survey companies annual reports deviated from the recommended report statement that the auditors' examination has been made "in accordance with generally accepted auditing standards." In two reports the auditors stated that the examination was made "in accordance with generally accepted auditing standards" with certain exceptions (*Co. Nos. 27, 312). The third report included reference to a review of the system of internal control (*Co. No. 451).

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 598 of the auditors' reports of the 600 survey companies.

As will be noted in Table 3, 47 of these reports, for the year 1958, also referred to the omission of certain normal auditing procedures.

Omission of Auditing Procedures

Table 4 discloses that the 47 auditors' reports of the 1958 survey companies revealed 53 instances of omission of certain normal auditing procedures. Of these, 50 omissions pertained to the confirmation of accounts receivable, including 44 with regard to U.S. Government accounts, in which it was stated that other auditing procedures had been applied. It is of interest to note that only four (*Co. Nos. 27, 47, 509, 537) of the 47 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:

*Refer to Company Appendix Section.

TABLE 3: AUDITING PROCEDURES

Auditors' Report:	1958	1957	1955	1950
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	551	549	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	—	—	4	5
B. Refers to the omission of certain normal auditing procedures and the employment of *other* procedures	45	47	52	24
C. Refers to the omission of certain normal auditing procedures, the employment of *other* procedures, and *describes* such procedures (*Co. Nos. 27, 47)	2	2	3	3
	598	598	593	590
Indicates that the examination *included all procedures which were considered necessary* (*Co. Nos. 451)	1	—	4	6
States "have examined or tested accounting records of the company and other supporting evidence by methods and to the extent deemed appropriate"	—	1	2	2
Omits reference to "such other auditing procedures" or phrase similar in meaning thereto (*Co. No. 319)	1	1	1	2
Total	600	600	600	600

*Refer to Company Appendix Section.

Confirmation of Accounts Receivable—U.S. Government

To the Shareholders of Minneapolis-Honeywell Regulator Company: We have examined the consolidated balance sheet of *Minneapolis-Honeywell Regulator Company* and its subsidiaries as of December 31, 1958 and the related summaries 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 United States Government departments, but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and surplus present fairly the financial position of the companies at December 31, 1958 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 23, 1959.*

Board of Directors and Shareholders of Sundstrand Machine Tool Co.: We have examined the consolidated statement of financial condition of *Sundstrand Machine Tool Co.* (an Illinois corporation) and subsidiary companies as of December 31, 1958, and the related consolidated statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm by direct communication amounts due from the United States Government, as to which we satisfied ourselves by other auditing procedures. We made a similar examination for the year ended December 31, 1957.

In our opinion, the accompanying consolidated statement of financial condition and consolidated statement of earnings and retained earnings present fairly the financial position of Sundstrand Machine Tool Co. and subsidiary companies at December 31, 1958, 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—February 4, 1959.*

United Industrial Corporation: We have examined the consolidated balance sheet of *United Industrial Corporation* and its wholly-owned subsidiaries and the balance sheet of Aircraft Armaments, Inc., a partially-owned subsidiary, as of September 30, 1958 and the related statements of income and earned surplus for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; it was not practicable to confirm receivables from United States Government departments or agencies, but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet of *United Industrial Corporation* and its wholly-owned subsidiaries, the balance sheet of Aircraft Armaments, Inc., and the related statements of income and earned surplus present fairly the financial position of the respective companies at September 30, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*Accountants' Certificate—November 21, 1958.*

Confirmation of Accounts Receivable—Foreign Accounts

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, 1958, 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, 1958, 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—February 18, 1959.*

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, 1958. 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, 1958, 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 F), 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, 1958, 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—January 19, 1959.*

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, 1958. 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 statement of financial position and statement of income and retained earnings present fairly the consolidated financial position of *The Garrett Corporation* and its subsidiaries at June 30, 1958, 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 21, 1958.*

Observation and Test of Inventories

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, 1958 and the related consolidated statements of earnings, additional paid-in capital, and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Inventory quantities and pricing were independently determined and certified by The American Appraisal Company in respect to inventories totaling $7,258,040 at the beginning of the year and $6,973,436 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 $1,552,951 at the beginning of the year and $1,506,715 at the end of the year, our examination included observation of inventory-taking procedures and tests of inventory quantities and pricing.

In our opinion, the accompanying balance sheet and statements of earnings, additional paid-in capital, and earnings retained in the business, together with the related notes, present fairly the consolidated financial position of *American Seating Company* and its subsidiary at December 31, 1958 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.—*Auditors' Report—February 16, 1959.*

To the Stockholders of Smith-Corona Marchant Inc.: We have examined the consolidated financial statements of *Smith-Corona Marchant Inc.* and subsidiary companies for the fiscal year ended June 30, 1958. 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 or reasonable to make physical tests of all inventories located at numerous field offices. We satisfied ourselves with respect to such inventories by means of other auditing procedures.

In our opinion, the accompanying balance sheet and related statement of income and retained earnings, together with notes thereto, present fairly the consolidated financial position of *Smith-Corona Marchant Inc.* and subsidiary companies at June 30, 1958, and the consolidated 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. —*Auditors' Report—August 25, 1958.*

Explanation of Auditing Procedures

As shown in Table 4, only two companies (*Co. Nos. 60, 473) revealed instances in which the auditor's report provided explanation of certain normal auditing procedures.

The following examples illustrate the methods used in the 1958 annual reports to discuss certain auditing procedures employed:

*Refer to Company Appendix Section.

Confirmation of Accounts Receivable

Board of Directors of the Archer-Daniels-Midland Company: We have examined the consolidated financial statements of *Archer-Daniels-Midland Company* and its subsidiaries for the year ended June 30, 1958. 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 statements of profit and loss and reinvested earnings and summary of changes in working capital present fairly the consolidated financial position of *Archer-Daniels-Midland* Company and its subsidiaries at June 30, 1958 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 18, 1958.*

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, 1958, 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, 1958, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Certified Public Accountants—January 30, 1959.*

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

TABLE 4: AUDITING PROCEDURES

Normal Procedures Omitted	1958	1957	1955	1950
Confirmation of Accounts Receivable, with report—				
Stating that other procedures were employed:				
For government accounts (*Co. Nos. 136, 218, 226, 362, 364, 525)	44	46	48	23
For foreign accounts (*Co. No. 251)	1	1	1	3
For other accounts (*Co. Nos. 119, 199, 243, 413)	4	4	2	—
Detailing the other procedures employed for foreign accounts (*Co. No. 27)	1	1	1	1
Confirmation of Accounts Payable, with report—				
Stating that other procedures were employed for government accounts	—	—	1	1
Observation and Test of Inventories, with report—				
Stating that other procedures were employed (*Co. No. 502)	1	2	3	1
Detailing the other procedures employed (*Co. No. 47)	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. 435)	1	1	1	2
Total	53	56	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, 473)	2	3	6	12
Verification of:				
Cash or securities	—	—	—	5
Investment in subsidiaries	—	—	—	1
Property accounts	—	—	—	1
Total	3	4	8	25
Number of Reports				
Containing no reference to the omission of auditing procedures and no explanation regarding auditing procedures employed	551	546	534	554
Containing no reference to the omission of auditing procedures with supplementary explanation of certain normal auditing procedures employed	2	3	6	13
Referring to the omission of certain normal auditing procedures	47	50	59	30
Omitting reference to "auditing procedures"	—	1	1	3
Total	600	600	600	600

*Refer to Company Appendix Section

been consistently observed in the current period in relation to the preceding period.

3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

PRESENTATION OF FINANCIAL STATEMENTS

In Conformity with Generally Accepted Accounting Principles

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:

Deferred Development Expenses

The Board of Directors and Stockholders, The W. L. Maxson Corporation: We have examined the accompanying balance sheet of *The W. L. Maxson Corporation* at September 30, 1958 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 provision of a reserve to reduce the net balance of deferred development expenses to $1, as described in Note 4, represents a change, which we approve, to an alternative generally accepted accounting principle. However, the resulting special charge of $685,047 in the statement of consolidated income and earned surplus includes $80,362 applicable to development expenses incurred during the current fiscal year which, in our opinion, should have been deducted prior to the determination of net income for the year under generally accepted accounting principles.

In our opinion, the statements mentioned above present fairly the financial position of *The W. L. Maxson Corporation* at September 30, 1958 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—November 14, 1958.*

Valuation of Fixed and Intangible Assets

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, 1958 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, 1958 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 16, 1959.*

TABLE 5: STANDARDS OF REPORTING

Auditors' Report:	1958	1957	1955	1950
Generally Accepted Principles of Accounting				
States that the financial statements are presented in accordance with generally accepted principles of accounting	596	597	599	599
Sets forth exceptions to the presentation of the financial statements in accordance with generally accepted principles of accounting (*Co. Nos. 328, 364, 370)	3	3	1	1
Omits reference to generally accepted principles of accounting (*Co. No. 209)	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	553	557	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.	46	43	85	92
Omits reference to consistent observation of generally accepted principles of accounting (*Co. No. 185)	1	—	—	1
Total	600	600	600	600
Informative Disclosures				
Contains informative disclosures or explanatory remarks	22	8	25	21
Does not contain informative disclosures or explanatory remarks	578	592	575	579
Total	600	600	600	600
Expression of Opinion				
Contains an unqualified expression of opinion	539	548	503	489
Contains a qualified expression of opinion	61	52	97	111
Total	600	600	600	600

*Refer to Company Appendix Section.

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 46 in 1958.

Examples selected from 1958 reports illustrating the treatment of these exceptions are set forth in this section under the title "Examples of Qualified Opinions—1958."

Expression of Opinion

An unqualified expression of opinion was given in 539 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 70 instances of qualification in the 61 qualified auditors' reports. Changes in accounting for depreciation, depletion, and amortization; principles of consolidation, and inventory pricing methods, remain in 1958, as in previous years, the principal reasons for qualifying the auditors' reports. It will be noted that most of these qualifications relate to consistency rather than to principles of accounting.

Thirty-seven 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 15 instances, 14 were neither approved nor disapproved, and one was disapproved.

Examples of Qualified Opinions—1958

The examples which follow illustrate the presentation of qualified opinions in the 1958 annual reports.

TABLE 6: AUDITORS' OPINION QUALIFIED

Reason for Qualification*	1958	1957	1955	1950
Changes in Consistent Application of or Deviations from Generally Accepted Principles of Accounting				
A: Lifo inventory method—initial adoption or readoption	1	3	5	47
Lifo inventory method—abandonment	—	1	2	—
Lifo inventory method—modification	2	1	1	14
B: Other methods of inventory valuation	3	4	7	3
C: Fixed assets	2	1	1	—
D: Higher plant replacement cost	—	—	—	1
E: Other assets	1	3	2	—
F: Liabilities	—	1	—	1
Income and Expense:				
G: Deferred income	—	1	1	—
H: Estimated expenses re: Section 462 I.R.C.	—	—	5	—
I: Vacation pay deduction	1	1	7	—
J: Depreciation, depletion, amortization	23	13	42	5
K: Amortization under Certificates of Necessity	1	—	6	—
L: Other income and cost items	9	9	9	21
M: Principles of consolidation	9	11	10	6
Total	52	49	98	98
Reasons for Qualification as to Fair Presentation:				
N: Contingencies, uncertainty, litigation	16	8	8	15
O: Scope of examination	—	—	1	2
P: Miscellaneous	2	5	2	1
Total	18	13	11	18
Number of Auditors' Reports Containing:				
An unqualified expression of opinion	539	548	503	489
A qualified expression of opinion	61	52	97	111
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 115, 389, 585
B: Co. Nos. 115, 226, 391
C: Co. Nos. 370, 556
E: Co. No. 370
I: Co. No. 583
J: Co. Nos. 64, 104, 203, 242, 303, 536
K: Co. No. 70
L: Co. Nos. 1, 116, 328, 568, 569
M: Co. Nos. 71, 215, 402, 435, 536
N: Co. Nos. 100, 140, 199, 344, 353, 412
P: Co. No. 208.

Changes in Inventory Pricing

To the Shareholders, Artloom Carpet Co., Inc.: We have examined the Consolidated Balance Sheet of the *Artloom Carpet Co., Inc.*, and Subsidiaries, as of August 2, 1958, and the related Statements of Income and Earnings Retained in the Business for the period 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 Earnings Retained in Business, present fairly the financial position of the *Artloom Carpet Co., Inc.*, and Subsidiaries at August 2, 1958, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (which we approve) described in "General Notes," "Inventories" to the Consolidated Statements.—*Report of Auditors—September 16, 1958.*

Note "A": Inventories—During the year ended August 2, 1958, the Company decided to go off "Last-in—First-out" method of "Lifo" covering Cotton and Jute, in raw materials, work in process and finished goods, resulting in an increase in Inventory in the amount of $236,145.02 and a resulting decrease in amount of loss transferred to Earnings Retained in Business from the Statement of Income. This change in Inventory method was approved by the U.S. Treasury Department Commissioner of Internal Revenue.

The net inventories in the Consolidated Balance Sheet and those used in computing cost of sales, are stated as to raw material, wool, included in the Finished Goods, Work in Process and Raw Materials at cost on the basis of Last-in—First-out; other materials, labor and burden are stated at standard costs. The miscellaneous supplies, etc., are stated at cost (on First-in—First-out basis) or market, whichever is lower. The amount at which the inventories are stated at August 2, 1958 is less than current replacement cost.

To the Board of Directors and Stockholders of Wesson Oil & Snowdrift Co., Inc.: In our opinion, the accompanying statements present fairly the consolidated financial position of *Wesson Oil & Snowdrift Co., Inc.* and its wholly owned subsidiaries at August 31, 1958 and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year, except for the change, which we approve, in the method of determining the provision required, if any, to reduce the inventories of vegetable oils to market values, as described in Note 1 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report—November 10, 1958.*

Note 1: The vegetable oils and their by-products included in the inventories were valued at cost under the last-in, first-out method, established originally at August 31, 1941. The aggregate value of such inventories on that basis was below market value at August 31, 1958. In preceding years the carrying value of individual oils was reduced to market value if required. In the current year, and in consonance with present day accounting concepts, it was decided that a more realistic comparison for determining whether a provision is required to reduce inventories carried on a "lifo" basis to market value would be to base such comparison on the combined values of all vegetable oil inventories. Under this method, no provision was required at August 31, 1958. Had the company followed the method previously used, a provision of some $500,000 would have been required at August 31, 1958 to reduce one of the oils to its market value. The other finished goods and other raw materials were valued at the lower of cost (computed principally 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 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.

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, 1958 and the related statement of income and retained earnings for the year then ended, and the balance sheet of Motoralo Finance Corporation as of December 31, 1958.

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, 1958 and the results of their operations for the year then ended, and (b) the financial condition of Motorola Finance Corporation as of December 31, 1958, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (which we approve) in the basis of valuing the December 31, 1958 inventories, as explained in Note D of Notes to Financial Statements.—*Accountants' Report —February 20, 1959.*

Note D: At prior year-ends the companies have consistently valued their inventories at the lower of prime cost (materials and labor) or market value. As of December 31, 1958 the inventory valuation was increased $907,057 to include certain elements of manufacturing overhead; net worth was increased by the same amount by a credit to Retained Earnings, without entering into income determination for the year. If the results of operations for 1958 had been determined on a basis which included manufacturing overhead in the opening and closing inventories, the effect on earnings would have been immaterial.

Changes in the Accounting for Depreciation, Depletion, and Amortization

To the Board of Directors of Armour and Company: In our opinion, the accompanying statements present fairly the financial position of *Armour and Company* and consolidated subsidiary companies at November 1, 1958, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles. Other than the change explained in Note 3 to the financial statements, these principles have been applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Public Accountants—January 8, 1959.*

Note 3: Federal Income Taxes—In its financial accounts the Company has followed the consistent practice of recording depreciation computed on the composite basis using straight-line rates. As allowed under the Internal Revenue Code of 1954, the Company has for Federal income tax purposes, on additions since January 1, 1954, deducted depreciation charges computed under the sum-of-the-years-digits method. During the fiscal year ended November 1, 1958, in accordance with the revised ruling issued in July 1958 by the American Institute of Certified Public Accountants, the Company for the first time provided for deferred Federal income taxes, deemed under this ruling to result from the difference between the tax and financial accounting for depreciation described above. As a result of this change, net earnings for the year were reduced by approximately $1,056,000.

To the Board of Directors of Calumet & Hecla, Inc.: We have examined the consolidated balance sheet and the consolidated earned surplus account of *Calumet & Hecla, Inc.* and its significant subsidiaries at December 31, 1958 and the consolidated statement of *Calumet & Hecla, Inc.* and its significant operating subsidiaries for the year then ended. Our examination, which covered the financial statements of *Calumet & Hecla, Inc.,* was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records of this company and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the Canadian subsidiary companies were not examined by us but were examined by chartered accountants whose reports on their examinations were furnished to us. We have reviewed the same and have obtained explanations from such chartered accountants relating to the examinations made by them and we have accepted such statements for the purpose of the consolidations made.

In our opinion, based upon our examination and upon the reports of the chartered accounts referred to above, the accompanying consolidated balance sheet and consolidated earned surplus account and consolidated income statement, together with the notes to the financial statements applicable thereto, present fairly the financial position of *Calumet & Hecla, Inc.* and its significant subsidiaries at December 31, 1958 and the consolidated income of *Calumet & Hecla, Inc.* and its operating subsidiaries for the year then ended. These financial statements conform to generally accepted accounting principles applied, except as hereinafter noted, in all material respects on a basis consistent with practices observed by each of such companies in the preceding year. While depreciation for the facilities used in the copper mining operations of *Calumet & Hecla, Inc.* was formerly determined on an economic life of the mine basis, the unit of production basis was adopted in 1958 for such facilities and for facilities used in the company's uranium mining division.—*Auditors' Certificate—February 19, 1959.*

Notes to Financial Statements

Note 3: While depreciation for the facilities used in the copper mining operations was formerly determined on an economic life of the mine basis, in 1958 a unit of production basis was accepted as a better basis for computing depreciation on said facilities, such method being consistent with that adopted in calculating depreciation on uranium mining facilities. As a result the depreciation provision for the current period is $341,697 less than would have been provided under the method previously used for the copper mining facilities.

To the Board of Directors, Hygrade Food Products Corporation: We have examined the consolidated balance sheet of *Hygrade Food Products Corporation* and subsidiary companies as of November 1, 1958, and the related statements of earnings, capital surplus 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 financial statements referred to above present fairly the financial position of *Hygrade Food Products Corporation* and subsidiaries at November 1, 1958, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change (of which we approve) in providing for deferred Federal income taxes as indicated in Note 2 to the financial statements, on a basis consistent with that of the preceding year.—*Accountants' Report—December 12, 1958.*

Note 2: 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, but for financial accounting purposes has recorded depreciation computed on the "straight line" method. In July, 1958, the American Institute of Certified Public Accountants adopted the principle that provision should be made in the accounts for the reduction in Federal income taxes resulting from the deduction of such additional depreciation. Accordingly, provision ($56,000) has been made for deferred Federal income taxes, computed at current rates, on additional depreciation to be deducted for Federal income tax purposes on accelerated bases over that recorded in the accounts for the period from August 1 to November 1, 1958. If provision had been made for the entire year on this basis the amount would have been approximately $220,000 compared with $180,000 for the prior year.

To the Stockholders of S. S. Kresge Company: In our opinion, the accompanying consolidated statements present fairly the financial position of *S. S. Kresge Company* and its subsidiary companies at December 31, 1958, and the results of their operations for the year, in conformity with generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year, except for the change, which we approve, whereby the company and its Canadian subsidary have made provision for deferment of federal income taxes resulting from the use of accelerated depreciation for income tax purposes but not for financial statement purposes, as described in Note C. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report—February 9, 1959.*

Note C: Depreciation—The company and its Canadian subsidiary have used accelerated depreciation for computations of income taxes since 1954 in the U.S. and 1953 in Canada but have not used accelerated depreciation for financial statement purposes. In 1958 the company and its Canadian subsidiary adopted the policy of recognizing deferred income taxes by increasing the provision for income taxes charged to earnings by the amount of the tax reduction attributable to such excess depreciation. As a result of this change net income for 1958 was reduced by $1,215,500. To give retroactive effect to the change, net income for 1957 was reduced by $1,129,700 and income retained for use in the business at January 1, 1957 by $2,163,800.

To the Board of Directors and Stockholders of Neptune Meter Company: We have examined the consolidated statement of financial position of *Neptune Meter Company* and subsidiaries as of December 31, 1958 and the related statement of income and accumulated earnings for the year then ended. As to companies other than two 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. With respect to the two subsidiaries we have reviewed the reports of other independent accountants. The total assets of these subsidiaries represent approximately 11% of the consolidated total assets.

In our opinion, based on our examination and on the reports of other accountants, the accompanying consolidated statement of financial position and consolidated statement of income and accumulated earnings present fairly the financial position of *Neptune Meter Company* and subsidiaries at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (which we approve) explained in Note 8 to the financial statements have been applied on a basis consistent with that of the preceding year.—*Report of Auditors—February 10, 1959.*

Note 8: Beginning in 1954 the Corporation and certain of its subsidiaries have used accelerated methods of depreciation, for tax purposes only, on certain assets acquired each year. Deferred income taxes resulting from the excess of tax depreciation over book depreciation were not booked until 1958, when accumulated earnings was charged $198,096 for the amount applicable to prior years and $44,648 was charged to current operations. The comparative figures for 1957 vary from those previously submitted to stockholders as the 1958 charge to accumulated earnings has been applied retroactively to operations, accumulated earnings and the statement of financial position as applicable.

The Board of Directors, Standard Packaging Corporation: We have examined the consolidated balance sheet of *Standard Packaging Corporation* and its subsidiary companies as of December 31, 1958 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.

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1958 and the results of their operations (including Eastern Corporation's prior to merger) for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, in providing for deferred Federal income taxes as explained in Note 3 to the financial statements) on a consistent basis.—*Opinion of Certified Public Accountants—March 2, 1959.*

Note 3: Deferred Federal Income Taxes—Depreciation has been provided in the accompanying financial statements on the straight-line basis. However, in computing Federal income taxes an accelerated depreciation basis allowable for income tax purposes has been used in recent years for certain depreciable properties. The excess of the taxes which would have been payable on the straight-line depreciation basis over the taxes actually payable on the accelerated depreciation basis has been placed (recognizing a recent trend in accounting practice) in a reserve for deferred taxes. The portion applicable to the year 1958 has been charged against income and that applicable to prior years has been charged to earned surplus.

Changes in the Accounting for Other Income and Cost Items

To the Board of Directors and the Shareholders of ACF Industries, Incorporated: In our opinion, the statements appearing on pages 24 through 26 of this report present fairly the financial position of *ACF Industries, Incorporated* and its consolidated subsidiaries at April 30, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles. With the comments in Note 5 regarding pension expense, these principles were applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report—June 26, 1958.*

Note 5: Pension Contributions—For the past several years the Company has contributed approximately the maximum permitted by the United States Internal Revenue Service as tax deductible under its retirement and pension plans. In the opinion of the consulting actuary, it is not necessary to continue funding at this maximum rate in order to maintain the programs on an actuarially sound basis. To do so causes a drain on working capital. Upon the recommendations of the consulting actuary, using an alternative computation, contributions for the fiscal year ended April 30, 1958 totalled $2,675,000 as compared with $4,913,000 which represents the maximum allowable as a tax deduction for the period. The unfunded past service credits of employees at April 30, 1958 amounted to $16,800,000 after deducting amounts provided during the year.

To the Stockholders and Board of Directors, The Atlantic Refining Company: We have examined the consolidated balance sheets of *The Atlantic Refining Company* and its consolidated subsidiary companies as of December 31, 1958 and 1957, and the related consolidated statements of income, net income retained for use in the business, and capital in excess of par value of stock for the 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.

As stated in Note 4 to the financial statements, effective January 1, 1958, with our concurrence, the method of writing off the cost of emergency facilities has been changed.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of *The Atlantic Refining Company* and its consolidated subsidiary companies at December 31, 1958 and 1957, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied (except as stated in the preceding paragraph) on a consistent basis.—*Report of Independent Public Accountants—February 13, 1959.*

Note 4: Prior to 1958, amortization of emergency facilities was charged to income over a five-year period for book and tax purposes. Effective January 1, 1958, the unamortized cost, less salvage value, of this plant is being depreciated over its remaining expected useful life. This change resulted in a decrease of $4,948,000 in charges to income and a corresponding increase in consolidated net income.

Intangible development costs carried on the books, but deducted for income tax purposes, less the amount of amortization of domestic nonproducing leases and certain other items charged to income on the books but not deducted for tax purposes, amounted to $45,300,000 at December 31, 1958, and $41,800,000 at December 31, 1957.

Board of Directors, Harris-Intertype Corporation: We have examined the consolidated financial statements of *Harris-Intertype Corporation* and consolidated subsidiaries for the year ended June 30, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial condition and statements of income, other capital, and income employed in the business present fairly the consolidated financial position of *Harris-Intertype Corporation* and consolidated subsidiaries at June 30, 1958, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (in which we concur) in accounting for certain long-term contracts referred to in Note F, have been applied on a basis consistent with that of the preceding year.—*Auditors' Report—August 1, 1958.*

Note F: Accounting for Long-Term Contracts—During the year a consolidated subsidiary changed its accounting for certain long-term contracts from a completed contract method to a percentage of completion method. This change increased net income for the year by approximately $225,000.

The Board of Directors and Stockholders, Pullman Incorporated: We have examined the accompanying balance sheet of *Pullman Incorporated* and consolidated subsidiaries at December 31, 1958 and the related consolidated statements of income and earned surplus and capital surplus for the year then ended. We have also examined the accompanying balance sheet of Trailmobile Finance Company at December 31, 1958. 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 statements mentioned above present fairly (1) the financial position of *Pullman Incorporated* and consolidated subsidiaries at December 31, 1958 and the results of their operations for the year then ended, and (2) the financial position of Trailmobile Finance Company at December 31, 1958, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change as described in Note B to Trailmobile Finance Company's balance sheet, which has our approval.—*Accountants' Report—February 18, 1959.*

Note B: During the year 1958 notes receivable were purchased from Trailmobile Inc. at a discount of 2½%, whereas the prior practice was to purchase such notes without a discount. The amount of discount received has been taken into income.

To the Shareholders, Ward Baking Company: We have examined the balance sheet of *Ward Baking Company* (a New York corporation) as of December 27, 1958, and the related statements of income and surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the fiscal year ended December 28, 1957.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of *Ward Baking Company* as of December 27, 1958, and the results of its operations for the fiscal year then ended, and were prepared in conformity with generally accepted accounting principles which, except for the change relating to vacation pay referred to in Note 3 (which we approve), have been applied on a basis consistent with that of the preceding year.—*Auditors' Certificate—January 23, 1959.*

Note 3: Vacation Pay—During 1958, the Company adopted the accrual basis for recording vacation pay and in connection therewith charged earned surplus with $418,883, the amount of vacation pay accrued at December 28, 1957, less the related estimated tax benefit. This change in policy had no significant effect on the net income for the year.

To the President and Board of Directors, United Carbon Company: We have examined the consolidated balance sheet of *United Carbon Company* and its subsidiary companies as of December 31, 1958, and the related consolidated statement of income and reinvested earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the consolidated position of *United Carbon Company* and its subsidiary companies at December 31, 1958, 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 the change, in which we concur, indicated by Note 1.—*Certificate of Accountants—February 10, 1959.*

Note 1: As discussed on page 11, intangible drilling costs of oil wells, heretofore charged against earnings, were capitalized in 1958. The effect of this change in accounting practice was to increase earnings by $841,455.19 for the year.

TABLE 7: AUDITORS' SPECIFIC APPROVAL OR DISAPPROVAL
of Changes in Consistent Application of or Deviation from Generally Accepted Principles of Accounting

	1958*			1957*			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	1	—	—	3	—	—	5	—	—	41	—	6
Lifo inventory method—abandonment	—	—	—	1	—	—	2	—	—	—	—	—
Lifo inventory method—modification	2	—	—	1	—	—	1	—	—	13	—	1
Other methods of inventory valuation	2	—	1	3	—	1	7	—	—	3	—	—
Fixed assets	1	—	1	—	—	1	1	—	—	—	—	—
Higher plant replacement cost	—	—	—	—	—	—	—	—	—	1	—	—
Other assets	—	—	1	—	—	3	1	—	1	—	—	—
Liabilities	—	—	—	1	—	—	—	—	—	—	—	1
Income and Expense:												
Deferred income	—	—	—	1	—	—	1	—	—	—	—	—
Estimated expenses re: Section 462 I.R.C.	—	—	—	—	—	—	2	—	3	—	—	—
Vacation pay deduction	1	—	—	1	—	—	4	—	3	—	—	—
Depreciation, depletion, amortization	18	—	5	11	—	2	33	—	9	4	1	—
Amortization under Certificates of Necessity	—	—	1	—	—	—	4	—	2	—	—	—
Other income and cost items	4	1	4	7	1	1	6	1	2	17	2	2
Nature of Change or Deviation**												
Principles of consolidation	8	—	1	9	—	2	7	—	3	3	—	3
Total	37	1	14	38	1	10	74	1	23	82	3	13

*Summary of Auditors' Approval or Disapproval	1958	1957	1955	1950
A—Approved	37	38	74	82
D—Disapproved	1	1	1	3
N—Neither approved nor disapproved	14	10	23	13
Total	52	49	98	98

**Refer to Table 6 for reference to company numbers.

Changes in Basis of Consolidation

Board of Directors, Pfaudler Permutit Inc.: We have examined the consolidated financial statements of *Pfaudler Permutit Inc.* and consolidated subsidiaries for the year ended December 31, 1958. 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 the amounts included for investment in and earnings and retained earnings of the German subsidiary were based on its unaudited financial statements as explained in Note A.

In our opinion, subject to the comments set forth above and in Note A with respect to the wholly-owned German subsidiary, the accompanying statement of financial position and statements of operations and retained earnings present fairly the consolidated financial position of *Pfaudler Permutit Inc.* and its consolidated subsidiaries at December 31, 1958, 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 described in Note A to the financial statements.—*Accountants' Report—February 23, 1959.*

Note A: Consolidation—The consolidation includes all accounts of wholly-owned subsidiaries except the German company. Amounts included in 1958 for foreign subsidiaries consolidated were: $257,855 for net working assets; $14,790 for equipment; $209,069 for undistributed retained earnings; and $96,911 for net earnings. Dividends of $50,000 were received from such foreign subsidiaries in 1958.

The accounts of the German subsidiary, heretofore excluded from consolidation, have been audited annually by other accountants for its fiscal years ended March 31. Because of the improved economic climate and easing of restrictions, it is planned to include all its accounts in future consolidations on the basis of (changed) years ending December 31. Pending such change the Company took up as 1958 income the recorded net earnings of the German subsidiary for the twelve months ended December 31, 1958 and restated its investment in the subsidiary at the equity in its net assets as shown by unaudited financial statements at that date. Amounts included in 1958 for the German company were $889,714 for undistributed retained earnings and $461,213 for net earnings. Dividends of $84,000 were received in 1958. Retroactive effect has been given in the comparative 1957 financial statements to the application of this policy to that year.

Board of Directors and Stockholders, The May Department Stores Company: We have examined the consolidated balance sheet of *The May Department Stores Company* and subsidiary companies consolidated as of January 31, 1958 and the related consolidated statements of net earnings, of accumulated earnings retained in the business, and of 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, of accumulated earnings retained in the business, and of additional paid-in capital present fairly the consolidated financial position of *The May Department Stores Company* and subsidiary companies consolidated at January 31, 1958, 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 that The May Stores Realty Corporation (a wholly-owned real estate subsidiary) is not included in the consolidated financial statements as explained in Notes A and B to the financial statements, in which practice we concur.—*Accountants' Report—April 22, 1958.*

Note A: Principles of Consolidation—The consolidated statements include all subsidiaries except The May Stores Realty Corporation (100% owned), for which separate statements are submitted.

Note B: Investment in the May Stores Realty Corporation—The investment in The May Stores Realty Corporation is stated at the Company's equity in the net assets of the subsidiary. For purposes of comparison, the financial statements for the year ended January 31, 1957 have been restated to conform to the current policy of excluding The May Stores Realty Corporation from the consolidated statements. Accumulated earnings of the subsidiary in the amounts of $662,390 and $267,148 for the years ended January 31, 1958 and 1957, respectively, are included in the consolidated accumulated earnings retained in the business. See financial statements of The May Stores Realty Corporation included elsewhere in this report.

To the Board of Directors and the Stockholders of Symington Wayne Corporation: In our opinion, the accompanying statements present fairly the consolidated financial position of *Symington Wayne Corporation* and its consolidated subsidiaries at December 31, 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year except for the change, which we approve, in principles of consolidation, as described in Note 1 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report—February 16, 1959.*

Note 1: Consolidated Statements—The Company and its subsidiaries conduct foreign operations in Canada, England, South Africa and Brazil. Accounts maintained in currencies of those countries have been expressed in U.S. dollars on the following bases:

Property accounts, capital and other long-term accounts on a historical basis related to exchange rates in effect at dates of acquisition.
Current assets and liabilities, income and expense, except depreciation, at appropriate free exchange rates.

The consolidated financial statements include the accounts of the parent Company and its foreign subsidiaries with the exception of Equipamentos Wayne do Brasil S.A. The accounts of Vitreous Enamelling Corporation (Pty.) Limited, a South African corporation, in which an 86% interest was acquired in the latter part of 1957, are included for the first time in the consolidation in 1958. The minority interest in this subsidiary is insignificant and has not been segregated in the statements.

Because of the instability of the Brazilian currency Equipamentos Wayne do Brasil S.A. has been excluded from the consolidation in 1958. The sales and profits of this subsidiary for 1958 (expressed in Brazilian currency) increased over 1957 as did the dividends paid by this subsidiary to the parent company. At the exchange rates in effect at the year end the Company's equity in the undistributed earnings of this subsidiary substantially exceeded the cost of the investment therein.

The accompanying financial statements for 1957 have been revised to reflect the foregoing basis of consolidation.

Earnings from operations of the foreign subsidiaries (excluding Brazil) were $413,790 for 1958 and $298,737 for 1957. The corporation's equity in the undistributed earnings of its foreign subsidiaries (excluding Brazil) was roundly $2,225,000 at December 31, 1958 as compared with $1,872,000 at the end of 1957. Such earnings may be subject to charges for income and other taxes when remitted to the parent Company.

Qualification as to Fair Presentation because of Contingencies, Uncertainty, or Litigation

To the Board of Directors, City Stores Company: We have examined the consolidated statement of financial condition of *City Stores Company* and its consolidated subsidiaries as at February 1, 1958, and the related consolidated statements of income and income reinvested in business for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The balances at the beginning of the year of other capital and income reinvested in business and the amounts of opening inventories used in determining cost of goods sold are those shown as at February 2, 1957, in the consolidated financial statements for the year then ended, which were reported upon by other public accountants partly on the basis of reports submitted by us on the financial statements of certain subsidiaries. The opinion of the other public accountants on such consolidated financial statements was qualified with respect to the matter stated in Note E of the notes to financial statements accompanying this report.

In our opinion, subject to the effect of the disposition of the suspense account balance discussed in Note E of the notes to financial statements, the accompanying consolidated statement of financial condition and related consolidated statements of income and income reinvested in business, together with the notes to financial statements, present fairly the consolidated financial position of *City Stores Company* and its consolidated subsidiaries at February 1, 1958, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding fiscal year, other than for the change, which we approve, as set forth in Note F of the notes to financial statements.—*Accountants' Report—April 23, 1958.*

Note E: Suspense—The suspense account of $933,725 results from accounts receivable differences disclosed in the previous year on the records of B. Lowenstein & Bros., Inc., a consolidated subsidiary. The management believes that the final disposition of this matter will result in little, if any, effect on shareholders' equity. Accordingly, no reserve has been provided for this account.

(*Note F—not reproduced here*)

To the Stockholders of General Refractories Company: We have examined the financial statements of the *General Refractories Company* for the years ended December 31, 1958 and 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.

Subject to the uncertainties with respect to the ultimate settlement of income tax liabilities, as explained in Note 5 to Financial Statements, in our opinion, the accompanying balance sheets and statements of income, capital surplus and earned surplus present fairly the financial position of *General Refractories Company* at December 31, 1958 and 1957, and the results of its operations for the years 1958 and 1957, in conformity with generally accepted accounting principles applied on a basis consistent with that of the respective preceding years, except as to the change in 1958 in providing for the deferral of Federal income tax benefits applicable to declining-balance depreciation, explained in Note 2 to Financial Statements, which change we approve.—*Report of Certified Public Accountants—February 12, 1959.*

(*Note 2*—not reproduced here)

Note 5: The Federal income tax liabilities of the company for 1950 and subsequent years have not been settled with the Internal Revenue Service. The balance sheet provision for income taxes includes amounts for possible assessments of additional income taxes, which amounts were deemed adequate at the close of 1957 in view of certain tentative compromise settlements with Service officials for the years 1950-53. During 1958, however, it became apparent that such tentative settlements may not be finally acceptable to the Internal Revenue Service.

In view of the conditions mentioned above, the company's basis for the determination of Federal income taxes is not agreed upon and the amount of the liability for unsettled taxes, as of December 31, 1958, is not presently determinable.

To the Board of Directors of Good Humor Corporation: We have examined the consolidated balance sheet of *Good Humor Corporation* and its Subsidiaries as of December 31, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Except for the loss, if any, which may be sustained from settlement of the uncertainties explained in Note 1, in our opinion, the accompanying balance sheet presents fairly the consolidated financial position of *Good Humor Corporation* and its subsidiaries at December 31, 1958, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*Accountants' Report—February 2, 1959.*

Note 1: Includes accounts receivable and mortgage instalments $65,555, due in 1957 and 1958, $15,018 due in 1959 and $13,325 due from 1960 to 1962, from a distributor; the extent to which these amounts may eventually be collectible is uncertain but if not collected, the mortgages will be foreclosed and distributors' operations may be conducted by Good Humor Corporation. In any event, it is not anticipated that the company will sustain a material loss.

To the Board of Directors of Penn-Dixie Cement Corporation: In our opinion, except for the effect on the financial statements of the adjustments which will be required upon final determination of depletion allowable for federal income tax purposes, as explained on pages 1 and 2 of the accompanying report, the consolidated statements of financial position, profit and loss and retained earnings fairly present the position of *Penn-Dixie Cement Corporation* and its wholly owned subsidiary companies at December 31, 1958 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.—*Opinion of Independent Public Accountants—February 18, 1959.*

President's Letter: The favorable basis for computing percentage depletion, permitted by recent court decisions, has been used in calculating the provisions for federal income taxes shown in the statement of profit and loss for 1958 and 1957. The tax provision for 1958 is approximately $1,500,000 less than it would have been on the prior basis and net profit is higher by a similar amount. The corresponding figure for 1957 was $1,000,000.

Since the original court decision in the Dragon Cement Company case, several other one- or two-plant producers have secured favorable decisions in the lower courts but the Treasury Department has, as yet, shown no inclination to settle with the large multi-plant companies. Several of the larger companies have instituted suit to enforce their claims for refund. Penn-Dixie has filed refund claims for the years 1951 through 1955, aggregating in excess of $6,000,000 before interest, which have not yet been acted upon by the Internal Revenue Service. However, because of the possibility of further controversy, and a conservative reluctance to record substantial amounts which may be in dispute until cash is in hand, these claims have not been reflected as a receivable in the Corporation's financial statements.

Board of Directors, The Martin Company: We have examined the balance sheet of *The Martin Company* as of December 31, 1958, and the related statements of income, capital surplus and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; although we were unable to obtain confirmation of accounts receivable from the Government, we satisfied ourselves as to these accounts by other means.

In our opinion, subject to such adjustments (which neither we nor the Company are able to evaluate) as may be required as a result of renegotiation described in Note B, the accompanying balance sheet and statements of income, capital surplus and earned surplus present fairly the financial position of *The Martin Company* at December 31, 1958, 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 20, 1959.*

Note B: The Company has received clearance from The Renegotiation Board for 1952 and prior years. The Renegotiation Board has made unilateral determinations that the Company's profits were excessive in the amounts of $3,162,759 ($3,500,000 before adjustment for state income taxes) for 1953 and $5,868,319 ($6,250,000 before adjustment for state income taxes) for 1954 which, after Federal tax credits, would result in net refunds of $1,526,192 and $2,816,793 respectively. The amount of $3,162,759 for 1953 having been paid under protest, the Company has a claim for Federal income tax refundable in the amount of $1,636,567. The Company has posted a bond with The Renegotiation Board in lieu of payment of the 1954 refund. The Company believes that no excessive profits were realized for the years 1953 and 1954 and has appealed to the Tax Court for a redetermination of the Board's findings for these years. Sales and profits for 1955 and subsequent years are also subject to renegotiation. The Company has no basis for anticipating the final actions of The Renegotiation Board and intends to take such actions as may be required to sustain its position that no excessive profits have been realized for any year. Accordingly, no provisions have been made in the accounts for 1955 or subsequent years.

Informative Disclosures

The standards of reporting referred to earlier in this section call for the inclusion of all informative disclosures not made in the financial statements which are regarded as necessary (See also *Codification of Statements on Auditing Procedure,* issued by the committee on auditing procedure of the American Institute of Certified Public Accountants in 1949—page 15).

Such informative disclosures or explanatory remarks were included in 22 of the auditors' reports of the 600 survey companies (*Co. Nos. 119, 142, 145, 285, 432, 573).

Examples of the additional information provided in some of the auditors' reports for 1958 are as follows:

To the Board of Directors, The Anaconda Company: We have examined the Consolidated Balance Sheet of *The Anaconda Company* and its consolidated subsidiaries as of December 31, 1958 and the related Statements of Consolidated Income and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and its subsidiaries and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, the accompanying Balance Sheet and Statements of Income and Surplus, together with the explanatory notes, present fairly the consolidated financial position of *The Anaconda Company* and its consolidated subsidiaries at December 31, 1958 and the combined results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—March 2, 1959.*

To the Board of Directors of Gulf Oil Corporation: In our opinion, based on our examination and the report of other independent accountants as to a subsidiary company in Canada, the accompanying statements present fairly the financial position of *Gulf Oil Corporation* and its consolidated subsidiaries at December 31, 1958 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. In December 1958, certain foreign countries removed or modified exchange restrictions; the effects on the financial statements are explained in the notes to financial statements under the caption of deferred income. 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.—*Independent Auditors' Report—February 24, 1959.*

To the Stockholders of Ingersoll-Rand Company: We have examined the balance sheet of *Ingersoll-Rand Company* at December 31, 1958 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 1958 of foreign subsidiary companies not consolidated, as shown by their books, converted at rates of exchange in effect at December 31, 1958 was in excess of the dividends received from those companies and credited to other income in 1958. 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, 1958 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 20, 1959.*

To the Board of Directors and the Stockholders of Philco Corporation: In our opinion, the statements appearing on pages 12 through 15 of this report present fairly the financial position of *Philco Corporation* and its consolidated subsidiaries at December 28, 1958 and the consolidated results of operations for the year (52 weeks), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated (see note to financial statements). 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.—*Auditors' Report—February 11, 1959.*

Notes to Financial Statements: Deferred Income Tax Liability—Depreciation on all new depreciable assets acquired after 1953 has been computed on the straight line method in the financial statements and on accelerated methods as permitted by the Internal Revenue Code of 1954 for income tax purposes. Prior to 1958,

*Refer to Company Appendix Section.

there was no provision in the accounts for the deferred income tax liability resulting from such practice. In 1958, $931,000 of deferred income taxes accruing prior to 1958 was recorded by a charge against retained earnings ($282,000 of this was applicable to the year 1957). The 1957 financial statements have been restated for comparative purposes.

RELIANCE UPON OTHERS

Table 8 discloses that 68 auditors' reports contained references to the reliance upon others in connection with the examination of the accounts. As in prior years, the reliance upon other auditors occurred most frequently in the examination of the accounts of domestic or foreign subsidiaries, consolidated or unconsolidated.

The following examples illustrate the manner in which the auditors' reports disclose reliance upon other auditors, the client, or an independent appraiser:

Reliance Upon Other Auditors

Domestic Subsidiaries—Consolidated

To the Directors of The Eastern Malleable Iron Company: We have examined the financial statements of *The Eastern Malleable Iron Company,* a Connecticut corporation, for the year ended December 27, 1958. 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 previously made a similar examination for the preceding year. The financial statements for the year 1958 of Pattin Manufacturing Company, an Ohio corporation, wholly owned subsidiary of *The Eastern Malleable Iron Company,* were examined by another independent certified public accountant, whose report thereon we have accepted.

In our opinion, the accompanying statement of financial position, summary of changes in earnings retained for business needs and capital surplus present fairly the con-

TABLE 8: RELIANCE UPON OTHERS

	Scope Paragraph				Scope and/or Opinion Paragraph			
Reliance*	1958	1957	1955	1950	1958	1957	1955	1950
Upon Other Auditors for Examination of:								
A: Consolidated domestic subsidiary	1	3	1	6	11	10	16	13
B: Consolidated foreign subsidiary	7	8	6	10	29	26	21	17
C: Consolidated domestic and foreign subsidiaries	1	2	2	—	8	8	4	—
D: Unconsolidated foreign subsidiary and/or affiliated company	1	1	2	3	2	3	4	5
E: Unconsolidated domestic and foreign subsidiaries and/or affiliated company	—	—	—	1	2	1	1	1
F: Domestic branch or division	—	—	—	—	2	1	3	—
G: Foreign branch or division	1	1	1	1	2	2	2	2
H: Subsidiaries merged or liquidated	—	—	—	—	3	1	—	—
I: Beginning-of-the-year inventory	—	—	—	—	1	—	—	—
Miscellaneous	—	—	—	1	—	—	1	2
	11	15	12	22	60	52	52	40
Upon Client re:								
Consolidated domestic subsidiary	—	1	1	—	—	—	—	—
J: Consolidated foreign subsidiary	1	1	1	6	—	—	1	1
K: Unconsolidated domestic or foreign subsidiary and affiliated company	1	1	1	1	1	—	1	—
	2	3	3	7	1	—	2	1
L: *Upon Independent Appraiser*	1	2	2	2	—	—	—	—
Total	14	20	17	31	61	52	54	41

Number of Reports expressing:	1958	1957	1955	1950
Reliance upon other auditors	64	62	58	51
Reliance upon other auditors and client	1	2	4	9
Reliance upon client	2	1	1	3
Reliance upon independent appraiser	1	2	2	2
Not expressing reliance upon others	532	533	535	535
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 138, 188, 379, 389, 440
B: Co. Nos. 32, 97, 353, 446, 559
C: Co. Nos. 351, 428, 549
D: Co. Nos. 40, 45, 319
E: Co. Nos. 259, 402
F: Co. Nos. 285, 374
G: Co. Nos. 36, 97, 488
H: Co. Nos. 40, 173, 235
J: Co. No. 353
K: Co. Nos. 435, 573
L: Co. No. 47

solidated financial position of *The Eastern Malleable Iron Company* and its wholly owned subsidiary, Pattin Manufacturing Company, as of December 27, 1958, and related consolidated results of their operations for the year then ended, on a basis consistent with that of the preceding year.—*Opinion of Independent Certified Public Accountants—February 12, 1959.*

To the Stockholders, The Grand Union Company: We have examined the consolidated balance sheet of *The Grand Union Company* and its subsidiaries as of March 1, 1958 and the related statements of income and retained earnings and of capital surplus 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. We were furnished with financial statements of certain domestic subsidiaries, together with the reports thereon of other accountants. We made a similar examination for the fifty-two weeks ended March 2, 1957.

In our opinion, based upon our examinations and upon the above-mentioned reports of other accountants, the accompanying balance sheets and related statements of income and retained earnings and of capital surplus (pages 4 to 6) present fairly the consolidated financial position of *The Grand Union Company* and its subsidiaries at March 1, 1958 and March 2, 1957 and the consolidated results of their operations for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—April 21, 1958.*

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, 1958, and the related consolidated statement 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, 1958 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 previous year.—*Report of Accountants—February 13, 1959.*

To the Stockholders of Colgate-Palmolive Company: We have examined the consolidated balance sheet of *Colgate-Palmolive Company* (a Delaware corporation) and subsidiaries as of December 31, 1958, 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. Financial statements of certain foreign subsidiaries included in the consolidated statements were not examined by us but we were furnished with reports of other auditors thereon.

In our opinion, based upon our examination and upon the reports of other auditors referred to above, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the financial position of *Colgate-Palmolive Company* and subsidiaries as of December 31, 1958, 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—February 11, 1959.*

To the Stockholders of F. W. Woolworth Co.: In our opinion, the accompanying statements present fairly the consolidated financial position of *F. W. Woolworth Co.* and its Canadian subsidiary at December 31, 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, 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, the financial statements of the Canadian subsidiary as certified to by other independent accountants, which statements are included in consolidation at parity of exchange.—*Auditors' Certificate—February 2, 1959.*

Domestic and Foreign Subsidiaries—Consolidated

Armco Steel Corporation, its Shareholders and Directors: We have examined the financial statements of *Armco Steel Corporation* and its consolidated subsidiaries except The National Supply Company and the latter's Canadian subsidiary, for the year ended December 31, 1958. 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 National Supply Company and its Canadian subsidiary (whose assets and revenues constitute approximately 16% to 23% of the respective consolidated totals), we were furnished with a report of other accountants on their examination of the financial statements of those two subsidiaries for the year.

In our opinion, which in so far as it relates to the amounts included for The National Supply Company and its Canadian subsidiary is based solely upon the above-mentioned report of other accountants, the accompanying statements of consolidated financial condition, consolidated income, and shareholders' equity, and the supplemental schedules referred to therein, present fairly the financial condition of *Armco Steel Corporation* and consolidated subsidiaries at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Opinion of Certified Public Accountants—February 9, 1959.*

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, 1958, and the related statements of consolidated earnings, retained earnings and capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records 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, 1957. 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 earnings, retained earnings and capital surplus, together with the schedules referred to therein, present fairly the consolidated financial position of the companies as of December 31, 1958, 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 4, 1959.*

Domestic and/or Foreign Subsidiaries—Unconsolidated

The Board of Directors and Stockholders, American Radiator & Standard Sanitary Corporation: We have examined the accompanying balance sheet of *American Radiator & Standard Sanitary Corporation* at December 31, 1958 and the related statements of income and earned surplus for the year then ended. We have also examined the accompanying combined financial statements of the Company's foreign subsidiaries (not consolidated) for the same period. Of the foreign subsidiaries included therein, we examined the financial statements of the subsidiaries 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 financial position of *American Radiator & Standard Sanitary Corporation* at December 31, 1958 and the results of their operations for the year then ended, and summarize fairly the financial position of the Company's foreign subsidiaries at December 31, 1958 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 27, 1959.*

To the Stockholders of National Lead Company: We have examined the consolidated balance sheet of *National Lead Company* and its Consolidated Subsidiaries as of December 31, 1958 and the related statement of income and earned surplus unappropriated for the year then ended. We have examined the 1958 financial statements of the consolidated domestic subsidiaries and have examined or have received reports of other public accountants upon their examinations of the consolidated Canadian subsidiaries and the major unconsolidated domestic and foreign subsidiaries, other than Continental European, for their respective 1958 fiscal years. 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 were made for the 1957 fiscal years.

In our opinion, based upon the above-outlined examinations and the above-mentioned reports of other public accountants, the accompanying consolidated balance sheets and related consolidated statements of income and earned surplus unappropriated present fairly the consolidated financial position of *National Lead Company* and its consolidated subsidiaries at December 31, 1958 and 1957 and the consolidated results of their operations for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except for the inclusion in 1958 of the wholly owned Canadian subsidiaries as described in Note 1 to the financial statements, which change we approve.—*Auditors' Report—February 27, 1959.*

Branches or Divisions

To the Board of Directors and Stockholders of Melville Shoe Corporation: We have examined the statement of consolidated financial condition of *Melville Shoe Corporation* and subsidiary companies as of December 31, 1958 and the related statements of earnings and balance of earnings retained in the business for the year then ended. Our examination, which included all divisions and companies except the Miles Shoes division and related subsidiaries (which are of major importance), 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 Miles Shoes division and related subsidiaries, the accounts of which are incorporated in the accompanying consolidated financial statements, we have been furnished with the report of S. D. Leidesdorf & Co., Certified Public Accountants.

In our opinion, based on our examination and on the report referred to in the paragraph above, the accompanying statement of consolidated financial condition and statement of consolidated earnings and balance of consolidated earnings retained in the business present fairly the financial position of *Melville Shoe Corporation* and subsidiary companies at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.—*Accountants' Report—February 20, 1959.*

Board of Directors, Scovill Manufacturing Company: We have examined the financial statements of *Scovill Manufacturing Company* and consolidated subsidiaries for the year ended December 31, 1958. 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.

Statements of the English branch, which were not examined by us, have been incorporated in the accompanying financial statements on the basis reported by Chalmers, Wade & Co., chartered accountants in England.

In our opinion, the accompanying balance sheet and statement of earnings and earnings retained in the business present fairly the consolidated financial position of *Scovill Manufacturing Company* and consolidated subsidiaries at December 31, 1958, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 25, 1959.*

Subsidiaries Merged or Liquidated

To the Shareholders of Corn Products Company: We have examined the consolidated balance sheets of *Corn Products Company* and its domestic and Canadian subsidiary companies as of December 31, 1958 and 1957 and the related consolidated statements of income, earned surplus and capital surplus for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements include the accounts, examined by other independent accountants, of The Best Foods, Inc., which was merged into *Corn Products Company* September 30, 1958.

In our opinion, based on our examination and the reports of the other independent accountants, the accompanying consolidated balance sheets and statements of income, earned surplus and capital surplus present fairly the financial position of *Corn Products Company* and its domestic and Canadian subsidiary companies at December 31, 1958 and 1957 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 19, 1959.*

To the Board of Directors and Stockholders, The Flintkote Company: We have examined the consolidated balance sheets of *The Flintkote Company* and subsidiaries as of December 31, 1958 and 1957 and the related statements of income and earned surplus for 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. We have received reports from other public accountants upon the financial statements of The Hankins Container Company and Orangeburg Manufacturing Co., Inc. for 1957 and statements of income and surplus for the eleven months ended November 30, 1958 (see Note 1 to financial statements).

In our opinion, based on our examinations and the reports of other public accountants, the accompanying balance sheets and statements of income and earned surplus present fairly the consolidated financial position of *The Flintkote Company* and Subsidiaries at December 31, 1958 and 1957, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—January 31, 1959.*

Note 1: On December 1, 1958, The Hankins Container Company was merged with The Flintkote Company by conversion of Hankins common stock into 330,043 shares of Flintkote common stock, and on the same date Flintkote acquired all of the assets of Orangeburg Manufacturing Co., Inc. in exchange for the assumption by Flintkote of Orangeburg's liabilities and the issue to Orangeburg of 132,416 shares of Flintkote's $4.50 Series A Convertible Second Preferred Stock. For accounting purposes, these transactions have been treated as "pooling of interests," and accordingly, the consolidated financial statements for the years 1958 and 1957 include the financial position and results of operations of The Hankins Container Company and Orangeburg Manufacturing Co., Inc. (each of which became a division of The Flintkote Company at December 1, 1958), as if such pooling of interests had taken place as of January 1, 1957.

Beginning-of-the-Year Inventory

The Board of Directors, Hathaway Industries, Inc.: We have examined the balance sheet of *Hathaway Industries, Inc.* as of December 27, 1958 and the related statements of income and retained earnings and additional capital for the year then ended. Our examination which included all divisions of the company except The Ismert-Hincke Milling Company division, 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 Ismert-Hincke Milling Company division, which are included in the statements, were examined by Arthur Young & Company, independent accountants. The assets and net sales of this division constitute 35% and 43% respectively of the total related figures in the accompanying statements. Also, since this was our initial examination of the financial statements of *Hathaway Industries, Inc.* we were not in attendance to observe procedures followed in determining physical quantities recorded in the inventories of the other divisions except as to the end of the year. However, based on the reports of the independent accountants who examined the previous year's financial statements we have no reason to believe that the amounts of the opening inventories were not fairly stated.

In our opinion, based on our examination and on the reports of other independent public accountants as explained in the preceding paragraph, the accompanying financial statements present fairly the financial position of *Hathaway Industries, Inc.* at December 27, 1958 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—March 20, 1959.*

Reliance Upon Other Auditors and Client

To the Board of Directors of Lone Star Cement Corporation: We have examined the Consolidated Balance Sheet of *Lone Star Cement Corporation* and Consolidated Subsidiaries as of December 31, 1958 and the related Consolidated Statement of Income and Earned Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; as to the accounts of the South American subsidiaries, such procedures comprised review of monthly and annual accounting reports received by the Corporation from the subsidiaries and also review of the reports of other public accountants on their audits of such accounts. A similar examination was made for the year 1957.

In our opinion, except for the effect of amounts recoverable in connection with claims for refund of Federal income taxes (see Note 2 to financial statements), the accompanying Consolidated Balance Sheet and Consolidated Statement of Income and Earned Surplus, together with the notes relating thereto, present fairly the consolidated financial position of *Lone Star Cement Corporation* and Consolidated Subsidiaries at December 31, 1958 and December 31, 1957, and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—March 24, 1959.*

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, 1958, 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, 1958, 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 19, 1958.*

Reliance Upon Independent Appraiser

American Seating Company: We have examined the consolidated balance sheet of *American Seating Company* (a New Jersey corporation) and its subsidiary as of December 31, 1958 and the related consolidated statements of earnings, additional paid-in capital, and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Inventory quantities and pricing were independently determined and certified by The American Appraisal Company in respect to inventories totaling $7,258,040 at the beginning of the year and $6,973,436 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 $1,552,951 at the beginning of the year and $1,506,715 at the end of the year, our examination included observation of inventory-taking procedures and tests of inventory quantities and pricing.

In our opinion, the accompanying balance sheet and statements of earnings, additional paid-in capital, and earnings retained in the business, together with the related notes, present fairly the consolidated financial position of *American Seating Company* and its subsidiary at December 31, 1958 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.—*Accountants' Report—February 16, 1959.*

IDENTIFICATION OF FINANCIAL STATEMENTS

As will be noted in Table 9, 521 of the 600 auditors' reports for the year 1958 included in this survey, identify the financial statements upon which an opinion is expressed by listing separately the title of each such statement. The remaining 79 reports used group references such as "accompanying financial statements," "statements 1 through 4," etc. Examples of the identification of financial statements may be noted from the various auditors' reports presented in this section and by reference to the reports designated by company number at the foot of Table 9.

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

Statements Identified in Auditors' Reports* by:	1958	1957	1955	1950
A: Title listing of customary statements	418	438	478	469
B: Title listing of customary statements and specific mention of accompanying footnotes	81	73	44	66
Title listing of customary statements and specific mention of accompanying footnotes with:				
C: Title listing of additional statements	5	6	1	—
D: Group reference to additional statements	2	1	—	1
Title listing of customary statements with:				
E: Title listing of additional statements	12	13	9	12
F: Group reference to additional statements	3	2	6	7
	521	533	538	555
G: Group reference to customary statements	60	54	48	35
H: Group reference to customary statements and specific mention of accompanying footnotes	11	11	12	3
Group reference to customary statements with:				
I: Title listing of additional statements	2	2	1	1
J: Group reference to additional statements	6	—	1	6
	79	67	62	45
Total	600	600	600	600
Number of Reports Referring to:				
Additional statements	30	24	18	27
Accompanying footnotes	99	91	57	70

*Refer to Company Appendix Section—
A: Co. Nos. 6, 32, 107, 143, 259, 346
B: Co. Nos. 56, 133, 232, 342, 439, 507
C: Co. Nos. 301, 310, 455, 491, 593
D: Co. Nos. 40, 391
E: Co. Nos. 60, 120, 196, 295, 561, 565
F: Co. Nos. 45, 63, 312
G: Co. Nos. 27, 82, 212, 308, 400, 519
H: Co. Nos. 98, 119, 276, 344, 492, 560
I: Co. Nos. 18, 309
J: Co. Nos. 90, 129, 130, 179, 185, 319

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 1958 reports.

Although reference to the reporting company and its subsidiaries or affiliates may be observed from the examples of auditors' reports to be found elsewhere in this section, some additional examples from the 1958 reports pertaining particularly to Table 10 are given below.

To the Stockholders and Board of Directors, O'Sullivan Rubber Corporation: We have examined the balance sheet of *O'Sullivan Rubber Corporation* consolidated with its wholly-owned subsidiary, O'Sullivan Rubber Sales, Inc., (Virginia Corporations) as of December 31, 1958 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statements of earnings and retained earnings present fairly the financial position of *O'Sullivan Rubber Corporation* and its wholly-owned subsidiary at December 31, 1958, and the results of their consolidated operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.—*Report of Certified Public Accountants—March 13, 1959.*

To the Stockholders and Board of Directors, American Metal Climax, Inc.: We have examined the consolidated balance sheets of *American Metal Climax, Inc.* and its consolidated subsidiaries as of December 31, 1958 and 1957 and the related consolidated statements of income and earnings retained for use in the business for the years then ended. We have received reports of other public accountants upon their examinations of the 1957 consolidated financial statements of Climax Molybdenum Company and of the consolidated financial statements of Rhodesian Selection Trust Limited for the years ended June 30, 1958 and 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.

TABLE 10: NAME OF COMPANY

Reference by Use of*	1958	1957	1955	1950
Corporate Name of Company supplemented with—				
A: Names of consolidated subsidiaries	17	18	14	29
B: Names of consolidated and unconsolidated subsidiaries	1	—	—	1
C: Consolidated subsidiaries not named	462	458	423	387
Consolidated subsidiaries not named, and reference to—				
D: Unconsolidated subsidiaries named	7	3	2	5
E: Unconsolidated subsidiaries not named	3	5	8	12
F: Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	—	—	—	1
G: Affiliates, branches, etc.	1	2	2	3
H: "Corporation"**	—	—	1	1
	491	486	450	439
I: Corporate name of company	106	111	145	155
Corporate Name of Company, and reference to—				
J: Unconsolidated subsidiaries named	1	2	2	2
K: Unconsolidated subsidiaries not named	2	1	3	3
L: "Company"**	—	—	—	1
	109	114	150	161
Total	600	600	600	600
Number of Reports				
**Omitting corporate name of company	—	—	1	2
Referring to unconsolidated subsidiaries	13	11	15	24
Referring to affiliates, branches, or divisions, etc.	1	2	2	4
Referring to consolidated subsidiaries	491	486	450	439

*Refer to Company Appendix Section—
A: Co. Nos. 79, 111, 209, 379, 451, 577
B: Co. No. 40
C: Co. Nos. 36, 138, 276, 287, 329, 454
D: Co. Nos. 11, 129, 196, 391, 561
E: Co. Nos. 402, 435, 573
G: Co. No. 344
I: Co. Nos. 169, 205, 334, 436, 447, 570
K: Co. Nos. 45, 69

In our opinion, based upon the above-outlined examinations and the above-mentioned reports of other public accountants, the accompanying consolidated balance sheets and the related statements of income and earnings retained for use in the business (pages 32 to 39) present fairly the consolidated financial position of *American Metal Climax, Inc.* and its consolidated subsidiaries at December 31, 1958 and 1957 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—March 17, 1959.*

To the Board of Directors, Consolidated Cigar Corporation: We have examined the consolidated balance sheet of *Consolidated Cigar Corporation* and subsidiaries as of December 31, 1958 and the related statements of earnings and of earnings employed in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and of earnings employed in the business present fairly the financial position of *Consolidated Cigar Corporation* and subsidiaries at December 31, 1958 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 19, 1959.*

To the Board of Directors of Allis-Chalmers Manufacturing Company: In our opinion, the accompanying statements present fairly (a) the financial position of *Allis-Chalmers Manufacturing Company* and its consolidated subsidiaries at December 31, 1958, and the consolidated results of their operations for the year, and (b) the financial position of Allis-Chalmers Credit Corporation at December 31, 1958, 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.—*Report of Independent Public Accountants—February 6, 1959.*

To the Board of Directors, R. G. LeTourneau, Inc.: In our opinion, with the explanations in the notes relating to inventories and advances to affiliated companies, the accompanying statements present fairly the consolidated financial position of *R. G. LeTourneau, Inc.* and its subsidiary company at December 31, 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report—March 3, 1959.*

TABLE 11: PERIOD OF EXAMINATION

Auditors Refer to:	1958	1957	1955	1950
One year in *scope and opinion* paragraphs	393	406	411	443
One year in *scope and opinion* paragraphs, with reference to examination of prior year contained in *scope* paragraph	42	42	43	31
One year in *opinion* paragraph—				
No period mentioned in *scope* paragraph	3	3	4	4
Modified short-form of report	88	82	79	60
Modified short-form of report, with additional comment referring to examination of prior year	3	2	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	8	10	11	13
Two or three years in *scope and opinion* paragraphs	32	30	20	22
Two or three years in *opinion* paragraph only; in modified short-form of report	5	4	5	3
Six to ten years in *opinion* paragraph	—	—	—	1
Period of 52 or 53 weeks in *scope and opinion* paragraphs	18	16	13	12
Period of 52 or 53 weeks in *opinion* paragraph (modified short-form of report)	5	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 more than one year in *scope and opinion* paragraphs	1	—	8	4
Period of less than one year in *scope and opinion* paragraphs	2	1		
Total	600	600	600	600

Copperweld Steel Company: We have examined the statement of financial position of *Copperweld Steel Company* as of December 31, 1958 and the related summary 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 statement of financial position and summary of income and retained earnings present fairly the financial position of the Company at December 31, 1958 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.—*Opinion of Independent Public Accountants—February 19, 1959.*

Board of Directors and Stockholders, Holland Furnace Company: We have examined the balance sheet of *Holland Furnace Company* as of December 31, 1958 and the related statement of earnings for the year then ended, and the balance sheet of Heating Acceptance Corp. as of December 31, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year ended December 31, 1957.

In our opinion, the accompanying statements present fairly (a) the financial position of *Holland Furnace Company* at December 31, 1958 and 1957 and the results of its operations for the years then ended and (b) the financial position of Heating Acceptance Corp. at December 31, 1958 and 1957, all in conformity with generally accepted accounting principles applied on a consistent basis. —*Auditors' Report—March 4, 1959.*

PERIOD OF EXAMINATION

In the great majority of instances (as shown in Table 11) the reports indicated that the examination

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Auditors' Report	1958	1957	1955	1950
Accountant's (or accountants') report (*Co. Nos. 1, 2, 3, 4, 17, 60)	164	144	134	114
Accountant's (or accountants') certificate (*Co. Nos. 124, 138, 154, 219)	27	52	59	64
Accountant's (or accountants') opinion (*Co. Nos. 98, 125, 432, 446)	25	13	7	3
Auditor's (or auditors') report (*Co. Nos. 117, 159, 160, 167, 232)	80	78	72	49
Auditor's (or auditors') certificate (*Co. Nos. 95, 96, 103, 123)	51	50	45	43
Report of independent public accountants (*Co. Nos. 122, 151, 444, 496)	20	24	21	12
Opinion of independent public accountants (*Co. Nos. 64, 75, 141, 246)	16	13	15	7
Certificate of independent public accountants (*Co. Nos. 111, 207)	4	5	7	12
Report of independent certified public accountants (*Co. Nos. 118, 152, 188)	9	14	13	10
Opinion of independent certified public accountants (*Co. Nos. 178, 209)	3	2	5	4
Report of certified public accountants (*Co. Nos. 10, 48, 239, 332)	14	10	6	5
Independent auditor's (or auditors') report (*Co. Nos. 36, 130, 190, 252)	9	10	10	7
Report of independent auditors (*Co. Nos. 442, 454)	4	4	4	3
Report of auditors (*Co. Nos. 29, 76, 155, 395)	7	7	6	8
Report of independent accountants (*Co. Nos. 59, 200, 281, 327)	9	11	6	5
Opinion of independent accountants (*Co. Nos. 83, 216)	3	3	3	1
Various other (*Co. Nos. 63, 80, 93, 112, 203)	33	25	33	29
	478	465	446	376
No title shown	122	135	154	224
Total	600	600	600	600

	1958 Reference to Report				
1958 Reference to Auditor's(s')	Report	Certificate	Opinion	Other Terms	1958 Total
Accountant's (s')	164	27	25	—	216
Auditor's (s')	87	51	—	—	138
Certified public accountant's (s')	14	—	—	—	14
Independent certified public accountant's (s')	9	—	3	—	12
Independent public accountant's (s')	20	4	16	—	40
Independent accountant's (s')	9	—	3	—	12
Independent auditor's (s')	13	—	—	—	13
Various other	—	—	—	33	33
Total	316	82	47	33	478
No title shown					122
Total					600

*Refer to Company Appendix Section.

covered a period of one year or 52 or 53 weeks as the case may be, in both scope and opinion paragraphs where the recommended short-form of auditors' report has been adopted. Where the modified short-form report was used the period of examination was also invariably given as one year.

Title of the Auditors' 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 1958 annual reports. Although there were many variations in the titles assigned, the word *report* was the usual term of reference. It was used in 316 annual reports in 1958, as compared with 302 in 1957, 272 in 1955, and 213 in 1950.

Addressee of the Auditors' 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."

TABLE 13: ADDRESSEE OF AUDITORS' REPORT

Combined Addressee	1958	1957	1955	1950
The Company and Its:				
Directors	242	248	283	309
Directors and President	4	4	7	10
Directors and Stockholders	151	142	111	87
Directors and Shareholders	42	39	28	10
Directors and Shareowners	11	8	8	—
Stockholders	65	64	67	85
Shareholders	34	34	34	22
Shareowners	6	6	4	1
Single Addressee				
The Company	42	52	56	72
No Addressee	3	3	2	4
Total	600	600	600	600
Frequency of Reference to:				
Company—with other addressees	555	545	542	524
Company—with no other addressee	42	52	56	72
Directors	450	441	437	416
President	4	4	7	10
Stockholders	216	206	178	172
Shareholders	76	73	62	32
Shareowners	17	14	12	1

Signature on the Auditors' Report

Table 14 discloses that although the use of a handwritten facsimile to indicate the firm's name, continued to increase, the printed form still remains the most frequent in use.

TABLE 14: AUDITORS' SIGNATURE ON REPORT

Form of Signature	1958	1957	1955	1950
Firm name—printed or typed	363	367	387	452
Firm name—handwritten facsimile	231	227	206	145
Firm name—printed and handwritten facsimile	4	3	4	—
Firm and individual auditors' names—printed or typed	1	1	1	1
Individual auditors' names—printed or typed	1	2	2	2
Total	600	600	600	600

Natural Business Year

A total of 404 companies had fiscal year endings in December (or the week-end closest to the end of the year) as compared with 411 companies in 1957, and 416 companies in 1956, which may be taken as an indication of the slow but steady trend toward the adoption of the natural business year. The fiscal year endings other than in December are summarized for 1958 as follows:

November—23 companies
October—40 companies
September—32 companies
August—17 companies
July—12 companies
June—23 companies
May—5 companies
April—6 companies
March—13 companies
February—10 companies
January—15 companies

Number of Accounting Firms Represented

There were 71 certified public accounting firms or individual practitioners represented among the 600 companies included in the survey. Changes in the accounting firms engaged during 1958, as compared with 1957, were noted in the reports of 12 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.	Alco Products, Incorporated	12
12.	Allegheny Ludlum Steel Corporation	12
13.	Allen Industries, Inc.	12
14.	Allied Chemical Corporation	12
15.	Allied Laboratories, Inc.	12
16.	Allied Mills, Inc.	6
17.	Allied Stores Corporation	1
18.	Allis-Chalmers Manufacturing Company	12
19.	Alpac Corporation	3
20.	Alpha Portland Cement Company	12
21.	Aluminum Company of America	12
22.	The Amalgamated Sugar Company	9
23.	Amerada Petroleum Corporation	12
24.	The American Agricultural Chemical Company	6
25.	American Air Filter Company, Inc.	10
26.	American Bakeries Company	12
27.	American Bank Note Company	12
28.	American Box Board Company	11
29.	American Can Company	12
30.	American Chain & Cable Company, Inc.	12
31.	American Chicle Company	12
32.	American Cyanamid Company	12
33.	The American Distilling Company	9
34.	American Enka Corporation	1
35.	The American Hardware Corporation	12
36.	American Home Products Corporation	12
37.	American Machine & Foundry Company	12
38.	American Machine and Metals, Inc.	12
39.	American Maize-Products Company	12
40.	American Metal Climax, Inc.	12
41.	American Metal Products Company	12
42.	American Motors Corporation	9
43.	American Optical Company	1
44.	American Potash & Chemical Corporation	12
45.	American Radiator & Standard Sanitary Corporation	12
46.	American-Saint Gobain Corporation	12
47.	American Seating Company	12
48.	The American Ship Building Company	6
49.	American Smelting and Refining Company	12
50.	American Stores Company	3
51.	The American Sugar Refining Company	12
52.	The American Tobacco Company	12
53.	American Viscose Corporation	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	11
65.	Armstrong Cork Company	12
66.	Art Metal Construction Company	12
67.	Artloom Carpet Co., Inc.	8
68.	The Arundel Corporation	12
69.	Associated Dry Goods Corporation	2
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
89.	Bell Aircraft Corporation	12
90.	Bell & Gossett Company	11
91.	Bell & Howell Company	12
92.	Bendix Aviation Corporation	9

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
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 and 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	5
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.	12
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.	Canada Dry Corporation	9
125.	Cannon Mills Company	12
126.	Capitol Records, Inc.	6
127.	Carnation Company	12
128.	Carrier Corporation	10
129.	J. I. Case Company	10
130.	Caterpillar Tractor Company	12
131.	Celanese Corporation of America	12
132.	The Celotex Corporation	10
133.	Central Soya Company, Inc.	8
134.	Century Electric Company	12
135.	Certain-Teed Products Corporation	12
136.	The Cessna Aircraft Company	9
137.	Chain Belt Company	10
138.	The Champion Paper and Fibre Company	3
398.	Chemetron Corporation (National Cylinder Gas Company)	12
139.	Cherry-Burrell Corporation	10
140.	Chesapeake Industries, Inc.	12
141.	Chicago Pneumatic Tool Company	12
142.	Chile Copper Company	12
143.	Chrysler Corporation	12
144.	Cities Service Company	12
145.	City Stores Company	2
146.	Clark Equipment Company	12
147.	The Cleveland Builders Supply Co.	9
148.	Clevite Corporation	12
149.	The Coca-Cola Company	12
150.	Colgate-Palmolive Company	12
151.	Collins & Aikman Corporation	3
152.	Colonial Stores Incorporated	12
153.	The Colorado Fuel and Iron Corporation	6
154.	The Colorado Milling & Elevator Company	5
155.	Columbia Broadcasting System, Inc.	12
156.	Columbia River Packers Association, Inc.	12
157.	Columbian Carbon Company	12
158.	Combustion Engineering, Inc.	12
159.	Commercial Solvents Corporation	12
160.	Congoleum-Nairn, Inc.	12
161.	Consolidated Cigar Corporation	12
162.	Consolidated Foods Corporation	6
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 Company	12
174.	Craddock-Terry Shoe Corporation	12
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	12
181.	The Cuban-American Sugar Company	9
182.	The Cudahy Packing Company	11
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.	Dan River Mills, Incorporated	1
189.	Daystrom, Incorporated	3
190.	The Dayton Rubber Company	10
191.	Decca Records Inc.	12
192.	Deere & Company	10
193.	Dennison Manufacturing Company	12
194.	Detroit Harvester Company	7
195.	Diamond Gardner Corporation	12
196.	Diana Stores Corporation	7
197.	Dictaphone Corporation	12
198.	Walt Disney Productions	9
199.	Douglas Aircraft Company, Inc.	11
200.	The Dow Chemical Company	5
201.	The Drackett Company	9
202.	Dravo Corporation	12
203.	Dresser Industries, Inc.	10
204.	Drexel Furniture Company	11
205.	Allen B. Du Mont Laboratories, Inc.	1
206.	The Duplan Corporation	9
207.	E. I. du Pont de Nemours & Company	12
208.	The Eagle-Picher Company	11
209.	The Eastern Malleable Iron Company	12
210.	Eastern Stainless Steel Corporation	12
211.	Eastman Kodak Company	12
212.	Eaton Manufacturing Company	12
213.	Elastic Stop Nut Corporation of America	11
214.	The Electric Auto-Lite Company	12
215.	The Electric Storage Battery Company	12
216.	Electrolux Corporation	12
217.	Elgin National Watch Company	3
218.	The Emerson Electric Manufacturing Company	9
219.	Emerson Radio & Phonograph Corporation	10
220.	Endicott Johnson Corporation	11
221.	Erie Forge & Steel Corporation	4
222.	Evans Products Company	12
223.	Eversharp, Inc.	2

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
224.	Ex-Cell-O Corporation	11
225.	Fairbanks, Morse & Co.	12
226.	Fairchild Engine and Airplane Corporation	12
227.	Falstaff Brewing Corporation	12
228.	Fansteel Metallurgical Corporation	12
229.	Fedders-Quigan Corporation	8
230.	The Federal Machine and Welder Company	9
231.	Federated Department Stores, Inc.	2
232.	The Firestone Tire & Rubber Company	10
233.	First National Stores Inc.	3
234.	M. H. Fishman Co., Inc.	12
235.	The Flintkote Company	12
236.	Food Machinery and Chemical Corporation	12
237.	Foote Mineral Company	12
238.	Foremost Dairies, Inc.	12
239.	Freeport Sulphur Company	12
240.	Fruehauf Trailer Company	12
241.	Gar Wood Industries, Inc.	10
242.	The Garlock Packing Company	12
243.	The Garrett Corporation	6
244.	General American Transportation Corporation	12
245.	General Aniline & Film Corporation	12
246.	General Baking Company	12
247.	General Box Company	12
248.	General Bronze Corporation	12
249.	General Cable Corporation	12
250.	General Cigar Co., Inc.	12
251.	General Dynamics Corporation	12
252.	General Electric Company	12
253.	General Mills, Inc.	5
254.	General Motors Corporation	12
255.	General Plywood Corporation	10
256.	General Railway Signal Company	12
257.	General Refractories Company	12
258.	General Shoe Corporation	10
259.	The General Tire & Rubber Company	11
260.	Giddings & Lewis Machine Tool Company	12
261.	The Gillette Company	12
262.	Gimbel Brothers, Inc.	1
263.	The Glidden Company	8
264.	Goebel Brewing Company	12
265.	Goldblatt Bros., Inc.	1
266.	Good Humor Corporation	12
267.	The B. F. Goodrich Company	12
268.	The Goodyear Tire & Rubber Company	12
269.	The Grand Union Company	3
270.	Granite City Steel Company	12
271.	W. T. Grant Company	1
272.	The Great Western Sugar Company	2
273.	The Greiss-Pfleger Tanning Company	12
274.	Gruen Industries, Inc.	3
275.	Grumman Aircraft Engineering Corporation	12
276.	Gulf Oil Corporation	12
277.	W. F. Hall Printing Company	3
278.	Haloid Zerox, Inc.	12
279.	Hamilton Watch Company	1
280.	Harbison-Walker Refractories Company	12
281.	Harnischfeger Corporation	10
282.	Harris-Intertype Corporation	6
283.	The Harshaw Chemical Company	9
284.	Hart Schaffner & Marx	11
285.	Hathaway Industries, Inc.	12
286.	Hazeltine Corporation	12
287.	H. J. Heinz Company	4
288.	Hercules Motors Corporation	7
289.	Hercules Powder Company	12
290.	Hershey Chocolate Corporation	12

Co. No.		*Month in which fiscal year ends
291.	Heyden Newport Chemical Corporation	12
292.	Heywood-Wakefield Company	12
293.	The Hobart Manufacturing Company	12
294.	Hoffman Electronics Corporation	12
295.	Holland Furnace Company	12
296.	Holly Sugar Corporation	3
297.	Hooker Chemical Corporation	11
298.	Geo. A. Hormel & Company	10
299.	Houdaille Industries, Inc.	12
300.	Howell Electric Motors Company	12
301.	Hudson Pulp & Paper Corp.	8
302.	Hunt Foods and Industries, Inc.	12
303.	Hygrade Food Products Corporation	11
304.	Indian Head Mills, Inc.	11
305.	Industrial Rayon Corporation	12
306.	Ingersoll-Rand Company	12
307.	Inland Steel Company	12
308.	Interchemical Corporation	12
309.	International Business Machines Corporation	12
310.	International Harvester Company	10
311.	International Minerals & Chemical Corporation	6
312.	International Paper Company	12
313.	International Shoe Company	11
314.	The International Silver Company	12
315.	Interstate Bakeries Corporation	12
316.	Iron Fireman Manufacturing Company	12
317.	Jantzen, Inc.	8
318.	Johns-Manville Corporation	12
319.	Johnson & Johnson	12
320.	Jones & Lamson Machine Company	12
321.	Jones & Laughlin Steel Corporation	12
322.	Joslyn Mfg. and Supply Co.	12
323.	Joy Manufacturing Company	9
324.	The E. Kahn's Sons Company	12
325.	Kellogg Company	12
326.	Kelsey-Hayes Company	8
327.	The Kendall Company	12
328.	Kennecott Copper Corporation	12
329.	Keystone Steel & Wire Company	6
330.	Walter Kidde & Company, Inc.	12
331.	Kimberly-Clark Corporation	4
332.	Koppers Company, Inc.	12
333.	S. S. Kresge Company	12
334.	S. H. Kress & Company	12
335.	The Kroger Co.	12
336.	Kuhlman Electric Company	12
337.	Kuner-Empson Company	3
338.	Landers, Frary & Clark	12
339.	Lear, Incorporated	12
340.	James Lees and Sons Company	12
341.	Lehigh Portland Cement Company	12
342.	Lerner Stores Corporation	1
343.	Leslie Salt Co.	12
344.	R. G. LeTourneau, Inc.	12
345.	Libbey-Owens-Ford Glass Company	12
346.	Libby, McNeill & Libby	6
347.	Liggett & Myers Tobacco Company, Inc.	12
348.	Lily-Tulip Cup Corporation	12
349.	Link-Belt Company	12
350.	Lockheed Aircraft Corporation	12
351.	Loew's Incorporated	8
352.	Loft Candy Corporation	6
353.	Lone Star Cement Corporation	12
354.	P. Lorillard Company	12
355.	Lukens Steel Company	12
356.	Macfadden Publications, Inc.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
357.	Mack Trucks, Inc.	12
358.	R. H. Macy & Co., Inc.	8
359.	P. R. Mallory & Co., Inc.	12
360.	Manning, Maxwell & Moore, Incorporated	12
361.	Marshall Field & Company	1
362.	The Martin Company	12
363.	Masonite Corporation	8
364.	The W. L. Maxson Corporation	9
365.	The May Department Stores Company	1
366.	Oscar Mayer & Co., Inc.	10
367.	The Maytag Company	12
368.	McCall Corporation	12
369.	McCormick & Company, Incorporated	11
370.	McGraw-Hill Publishing Company, Inc.	12
371.	McKesson & Robbins, Incorporated	3
372.	The Mead Corporation	12
373.	Medusa Portland Cement Company	12
374.	Melville Shoe Corporation	12
375.	The Mengel Company	12
376.	Merck & Co., Inc.	12
377.	Metal & Thermit Corporation	12
378.	Midwest Rubber Reclaiming Company	10
379.	Miller Manufacturing Co.	9
380.	Minneapolis-Honeywell Regulator Company	12
381.	Minnesota Mining and Manufacturing Company	12
382.	Mirro Aluminum Company	12
383.	Mohasco Industries, Inc.	12
384.	The Mohawk Rubber Company	12
385.	Monsanto Chemical Company	12
386.	Montgomery Ward & Co., Incorporated	1
387.	Moore Drop Forging Company	6
388.	John Morrell & Co.	11
389.	Motor Products Corporation	6
390.	Motor Wheel Corporation	12
391.	Motorola, Inc.	12
392.	Munsingwear, Inc.	12
393.	G. C. Murphy Company	12
394.	The Murray Corporation of America	8
395.	National Biscuit Company	12
396.	The National Cash Register Company	12
397.	National Company, Inc.	12
398.	National Cylinder Gas Company (Chemetron Corporation)	12
399.	National Dairy Products Corporation	12
400.	National Distillers and Chemical Corporation	12
401.	National Gypsum Company	12
402.	National Lead Company	12
403.	National Presto Industries, Inc.	9
404.	National Steel Corporation	12
405.	The National Sugar Refining Company	12
406.	National-U.S. Radiator Corporation	3
407.	Neptune Meter Company	12
408.	The New Britain Machine Company	12
409.	The New York Air Brake Company	12
410.	J. J. Newberry Co.	12
411.	Newport News Shipbuilding and Dry Dock Company	12
412.	North American Aviation, Inc.	9
413.	Northrop Aircraft, Inc.	7
414.	The Ohio Oil Company	12
415.	The Oliver Corporation	10
416.	O'Sullivan Rubber Corporation	12
417.	Otis Elevator Company	12
418.	Outboard Marine Corporation	9
419.	Owens-Illinois Glass Company	12
420.	Oxford Paper Company	12
421.	Paramount Pictures Corporation	12
422.	Parke, Davis & Company	12
423.	The Parker Pen Company	2
424.	Parkersburg-Aetna Corporation	12
425.	The Patterson-Sargent Company	10
426.	Peden Iron & Steel Co.	12
427.	Penn Fruit Co., Inc.	8
428.	Penn-Texas Corporation	12
429.	J. C. Penney Company	12
430.	Pennsalt Chemicals Corporation	12
431.	Peoples Drug Stores, Incorporated	12
432.	Pepsi-Cola Company	12
433.	Permanente Cement Company	12
434.	Pet Milk Company	12
435.	Pfaudler Permutit Inc.	12
436.	Pfeiffer Brewing Company	12
437.	Chas. Pfizer & Co., Inc.	12
438.	Phelps Dodge Corporation	12
439.	Philco Corporation	12
440.	Philip Morris, Incorporated	12
441.	Phillips Petroleum Company	12
442.	Pillsbury Mills, Inc.	5
443.	Piper Aircraft Corporation	9
444.	Pitney-Bowes, Inc.	12
445.	Pittsburgh Brewing Company	10
446.	Pittsburgh Plate Glass Company	12
447.	Pittsburgh Screw and Bolt Corporation	12
448.	Pittsburgh Steel Company	12
449.	The Pittston Company	12
450.	Plymouth Oil Company	12
451.	Polaroid Corporation	12
452.	H. K. Porter Company, Inc.	12
453.	Pratt & Lambert, Inc.	12
454.	The Procter & Gamble Company	6
455.	Pullman, Incorporated	12
456.	The Pure Oil Company	12
457.	Purolator Products, Inc.	12
458.	The Quaker Oats Company	6
459.	Quaker State Oil Refining Corporation	12
460.	Radio Corporation of America	12
461.	Ralston Purina Company	9
462.	The Rath Packing Company	10
463.	Raybestos-Manhattan, Inc.	12
464.	Rayonier Incorporated	12
465.	The Reliance Electric and Engineering Company	10
466.	Reliance Manufacturing Company	12
467.	Remington Arms Company, Inc.	12
468.	Republic Aviation Corporation	12
469.	Republic Steel Corporation	12
470.	Revere Copper and Brass Incorporated	12
471.	Rexall Drug Company	12
472.	Reynolds Metals Company	12
473.	R. J. Reynolds Tobacco Company	12
474.	Rheem Manufacturing Company	12
475.	Richfield Oil Corporation	12
476.	Ritter Company, Inc.	12
477.	H. H. Robertson Company	12
478.	Rohm & Haas Company	12
479.	The Ruberoid Company	12
480.	Jacob Ruppert	12
481.	The Ryan Aeronautical Co.	10
482.	Saco-Lowell Shops	11
483.	Safety Industries, Inc.	12
484.	Safeway Stores, Incorporated	12
485.	St. Regis Paper Company	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
486.	Schenley Industries, Inc.	8
487.	Scott Paper Company	12
488.	Scovill Manufacturing Company	12
489.	Sears, Roebuck and Co.	1
490.	Seeburg Corporation	10
491.	Servel, Inc.	10
492.	Sharon Steel Corporation	12
493.	Frank G. Shattuck Company	12
494.	Shell Oil Company	12
495.	The Sherwin-Williams Company	8
496.	Shoe Corporation of America	12
497.	Signode Steel Strapping Company	12
498.	Simmons Company	12
499.	Simonds Saw and Steel Company	12
500.	Sinclair Oil Corporation	12
501.	Skelly Oil Company	12
502.	Smith-Corona Marchant Inc.	6
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.	Stahl-Meyer, Inc.	10
514.	A. E. Staley Manufacturing Company	9
515.	Standard Brands Incorporated	12
516.	Standard Oil Company of California	12
517.	Standard Oil Company (Indiana)	12
518.	Standard Oil Company (Kentucky)	12
519.	Standard Oil Company (New Jersey)	12
520.	Standard Oil Company (Ohio)	12
521.	Standard Packaging Corporation	12
522.	Standard Railway Equipment Manufacturing Company	12
523.	The L. S. Starrett Company	6
524.	J. P. Stevens & Co., Inc.	11
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	11
537.	Sylvania Electric Products, Inc.	12
538.	Symington Wayne Corporation	12
539.	Tecumseh Products Company	12
540.	The Texas Company	12
541.	Texas Gulf Sulphur Company	12
542.	Textron Inc.	1
543.	Thatcher Glass Manufacturing Company, Inc.	12

Co. No.		*Month in which fiscal year ends
544.	Thompson Ramo Wooldridge Inc.	12
545.	Tidewater Oil Company	12
546.	Time Incorporated	12
547.	The Timken Roller Bearing Company	12
548.	Tobin Packing Co., Inc.	11
549.	The Torrington Company	6
550.	Twentieth Century-Fox Film Corporation	12
551.	Union Bag-Camp Paper Corporation	12
552.	Union Carbide Corporation	12
553.	Union Oil Company of California	12
554.	Union Tank Car Company	12
555.	United Aircraft Corporation	12
556.	United Carbon Company	12
557.	United Elastic Corporation	12
558.	United Engineering and Foundry Company	12
559.	United Fruit Company	12
560.	United-Greenfield Corporation	12
561.	United Industrial Corporation	9
562.	United Merchants and Manufacturers Inc.	6
563.	The United Piece Dye Works	12
564.	United Shoe Machinery Corporation	2
565.	United States Gypsum Company	12
566.	United States Plywood Corporation	4
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.	United Whelan Corporation	12
572.	Universal-Cyclops Steel Corporation	12
573.	Universal Leaf Tobacco Co., Inc.	6
574.	Universal Match Corporation	12
575.	Utah-Idaho Sugar Company	2
576.	Vanadium-Alloys Steel Company	6
577.	Veeder-Root Incorporated	12
578.	Wagner Electric Corporation	12
579.	Waitt & Bond, Inc.	12
580.	Walgreen Co.	9
581.	Walker Manufacturing Company of Wisconsin	10
582.	Walworth Company	12
583.	Ward Baking Company	12
584.	Warner Bros. Pictures, Inc.	8
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 & Co., Inc.	11
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.

INDEX TO TABLES

Table No. | Section 3: Income Statement | Page

Table No. | Page

Section 4: Retained Earnings and Capital Surplus

Section 5: Auditors' Report

INDEX TO EXHIBITS

SUBJECT INDEX

B

C

L

M