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Accounting trends and techniques, 15th annual survey, 1961 edition

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ACCOUNTING TRENDS AND TECHNIQUES

FIFTEENTH EDITION
1961

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

ACCOUNTING TRENDS AND TECHNIQUES

In Published Corporate Annual Reports • Fifteenth Edition • 1961

Fifteenth 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 1960.

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PREFACE

Accounting Trends and Techniques in Published Annual Reports—1961 is the Fifteenth 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., Director of the *Accounting Trends and Techniques* department 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. Also, the statistics for the year 1955 will not be subject to further adjustment. 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 1960 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.

Special acknowledgment is due to Stanley S. Borowik, C.P.A.; Sidney J. Fenton, C.P.A.; Arnold Kaufman, Ph.D.; Thomas P. O'Connor, C.P.A.; Joseph H. Riley, C.P.A.; Harold M. Silverman, C.P.A.; Bernard Weintraub, C.P.A.; and Paul R. Young, C.P.A., for their assistance in the analysis of the financial reports.

RICHARD C. LYTLE, *Director of Technical Services*
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Section 1 FINANCIAL STATEMENTS

THIS SECTION OF THE SURVEY is concerned with the form, title, terminology, and frequency of use of the various types of financial statements presented in the published annual reports of the 600 companies which were included in the survey. The financial statements considered here comprise not only the statements covered by the auditors' reports, but also the summaries and supplementary schedules, etc., which are frequently included in the annual reports for the information of stockholders.

FINANCIAL STATEMENTS COVERED BY AUDITORS' REPORTS

Customary Statements

The customary financial statements are the balance sheet (or statement of financial position), 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, surplus (unclassified) statement, the combined income and surplus (unclassified) 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 1960.

Of the 600 survey companies, 598 presented two or more of the customary statements. The remaining two companies (*Co. Nos. 264 and 424) 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 emphasizes 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 1960 reports and the table shows in comparative form the various combinations for the years 1960, 1959, 1958, 1955, 1950, and 1946.

NOTES TO FINANCIAL STATEMENTS

The committee on auditing procedure of the American Institute of Certified Public Accountants, in its *Codification of Statements on Auditing Procedure* (page 15) discusses the necessity for including in the auditor's report "all informative disclosures not made in the financial statements which are regarded as necessary." Such disclosures are generally presented in the form of notes to financial statements.

Regulation S-X, of the Securities and Exchange Commission, affirms the concept of full disclosure, and mentions the type of information which is normally required. This includes among other things:

(1) Changes in accounting principles
(2) Any material retroactive adjustments
(3) Significant purchase commitments
(4) Long-term lease agreements
(5) Assets subject to lien
(6) Preferred stock data—any callable, convertible, or preference features
(7) Pension and retirement plans
(8) Restrictions on the availability of retained earnings for cash dividend purposes
(9) Contingent liabilities
(10) Depreciation and depletion policies
(11) Stock option or stock purchase plans

The importance attached to the principle of adequate disclosure and the prominent part of Notes to Financial Statements in the presentation of most of the annual reports to stockholders may be observed from the tabulation presented herewith, particularly

*Refer to Company Appendix Section.

TABLE 1: CUSTOMARY FINANCIAL STATEMENTS

Combination of Statements	1960	1959	1958	1955	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statements (*Co. Nos. 1, 177, 271, 291, 386, 456)	241	235	226	202	168	141
Balance Sheet, Income, and Retained Earnings Statements (*Co. Nos. 12, 129, 228, 397, 412, 595)	155	155	168	169	191	157
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements (*Co. Nos. 79, 118, 200, 396, 482, 576)	143	144	135	149	149	198
Balance Sheet, Income and Combined Capital Surplus & Retained Earnings Statements (*Co. Nos. 54, 173)	2	3	4	4	15	30
Balance Sheet, Income, and Stockholders' Equity Statements (*Co. Nos. 62, 274, 371, 478, 484, 582)	23	24	22	19	15	6
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements (*Co. Nos. 5, 18, 73, 74, 111, 487)	21	24	29	22	20	22
Balance Sheet and Income Statements (*Co. Nos. 66, 109, 136, 358, 421, 494, 569)	7	8	11	19	21	20
Balance Sheet, Income ,and Surplus (unclassified) Statements (*Co. No. 434)	1	1	—	8	14	15
Balance Sheet and Combined Income & Surplus (unclassified) Statements (*Co. No. 318)	1	1	1	4	2	2
Balance Sheet—alone or in other combinations of statements not mentioned above (*Co. Nos. 264, 299, 424, 514, 529, 531)	6	5	4	4	5	9
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

with respect to notes with direct reference shown within related statements. The tabulation has been prepared from information supplied in previous editions of *Accounting Trends and Techniques.* Unfortunately this information is available only for the last few years but it does indicate an interesting trend. In addition it should be noted that while some of the companies present no "notes" as such, they do incorporate the information normally found in the notes as part of the president's letter or financial review.

Since Notes to Financial Statements are reproduced throughout the book, no tabulation is presented here disclosing types of subjects covered. However, it may be mentioned that the balance sheet is usually the source of most of the references to notes.

Examples of the types of subjects dealt with and the points typically covered can be readily ascertained by reference to the Subject Index under the following headings:

Accounts receivable—Current and Noncurrent
Capital stock—Conversions and in treasury
Consolidations—Partial and complete
Contingencies—Assets and liabilities
Fixed assets—Valuation of properties, Depreciation, Depletion etc.
Government contracts—Cost reimbursement, Fixed price, and other types
Income taxes—Federal and other
Inventories—Pricing, Lifo and Fifo
Long-term leases—Sale and lease-back
Pension and retirement plans—Funded and unfunded
Post balance sheet disclosures—Materiality
Reserves—Contingency, Employee benefit, Foreign activity, Guarantee or Warranty, Insurance, Inventory, Miscellaneous, Property, Taxes

NOTES TO FINANCIAL STATEMENTS

Manner of Presentation*	1960	1959	1955
A. Notes with direct reference shown within related statements	459	438	372
B. Notes included by general reference on accompanying statements	76	83	95
C. Notes included by placement within or at the foot of statements	35	34	59
D. No notes as such, but supplementary information provided at foot of statements	5	13	11
E. No reference to notes; however they are provided separately	3	5	4
F. No notes presented	22	27	59
	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 49, 316, 415, 419, 471, 571; B: Co. Nos. 122, 183, 243, 351, 455, 489; C: Co. Nos. 76, 174, 246, 379, 400, 518; D: Co. Nos. 123, 410, 450, 488, 499; E: Co. Nos. 16, 44, 384.

TABLE 2: INCOME PRESENTATION IN REPORTS

Manner of Presentation*	1960	1959	1958	1955	1950	1946
A: As a separate statement of income	330	336	343	368	407	427
B: As a combined statement of income and retained earnings	265	259	253	224	187	164
C: As a combined statement of income and unclassified surplus	1	1	1	4	2	2
D: As a section within the statement of stockholders' equity	—	—	—	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 and stockholders' equity"	2	2	1	1	—	—
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 2, 142, 277, 361, 482, 592; B: Co. Nos. 4, 192, 232, 362, 418, 493; C: Co. No. 318; E: Co. No. 264; F: Co. No. 424; G: Co. Nos. 514, 531.

INCOME PRESENTATION IN REPORTS

A separate statement of income or a combined statement of income and retained earnings was provided by 595 of the 600 survey companies in their 1960 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 6 companies (a similar increase was reported last year). Details of the income presentation in the reports are presented in Table 2 above.

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

RETAINED EARNINGS PRESENTATION IN REPORTS

Table 3 sets forth the various methods of presentation of retained earnings in the 1960 annual reports. The increased use of the combined statement of retained earnings and income referred to above continued in the current year, with 265 of the 600 survey companies now presenting this form of statement.

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

TABLE 3: RETAINED EARNINGS PRESENTATION IN REPORTS

Manner of Presentation	1960	1959	1958	1955	1950	1946
As a separate statement of retained earnings (*Co. Nos. 72, 187, 247, 384, 461, 574) ..	298	299	303	320	341	356
As a combined statement of retained earnings and income (*Co. Nos. 49, 275, 293, 368, 493, 555)	265	259	253	224	187	164
As a combined statement of retained earnings and capital surplus (*Co. Nos. 54, 173) ..	2	3	4	4	17	30
As a section within the statement of stockholders' equity (see Table 15) (*Co. Nos. 100, 229, 274, 296, 484, 519)	23	24	24	19	14	5
As a section within the balance sheet (*Co. Nos. 66, 109, 136, 264, 358, 421, 494, 569)	8	11	11	12	19	22
As an item within the balance sheet (*Co. No. 424)	1	1	2	7	6	4
As a combined statement of income and net worth (*Co. No. 514)	1	1	1	2	1	1
Total Retained Earnings	598	598	598	588	585	582
Surplus not classified (*Co. Nos. 318, 434) ..	2	2	2	12	15	18
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

CAPITAL SURPLUS PRESENTATION IN 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 488 of the 600 survey companies. Separate statements of capital surplus either alone or in combination with retained earnings were presented by 166 companies. Capital surplus was shown as an item within the balance sheet by 304 companies, of which 95 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.

TITLE OF THE INCOME STATEMENT

The terminology used in the income statement titles of the 1960 annual reports is summarized in Table 5. The use of the term "income" as the key word in the title of the income statements of the 600 survey companies predominates. However, the term "earnings" still holds its high position on the list, while the use of the term "profit and loss" continues to decline.

Changes in 1960

Changes made by the survey companies in the terminology used for their income statements for the year 1960 were not significant from the standpoint of the trends already established. As has been previously noted the title "income" still predominates, while the term "earnings" continues to gain favor. Perhaps the most outstanding trend has been away from the use of the title "profit and loss," from 236 companies in 1946 to 23 companies in 1960. Nine of the companies changing the key word in the title of their income statements for the year 1960 are *Company Numbers 119, 219, 307, 342, 350, 360, 392, 420, 436.

TABLE 4: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation	1960	1959	1958	1955	1950	1946
As a separate statement of capital surplus (*Co. Nos. 73, 141, 143, 223, 487, 497)	164	169	166	183	170	224
As a combined statement of capital surplus and retained earnings (*Co. Nos. 54, 173)	2	3	4	4	16	31
Total	166	172	170	187	186	255
As a section within the statement of stockholders' equity (see Table 14) (*Co. Nos. 15, 268, 411, 478, 517, 551)	18	20	21	17	17	7
As an item within the balance sheet and changes set forth:						
Under balance sheet caption (*Co. Nos. 125, 294, 311, 314, 421, 458)	26	31	27	17	28	12
In notes to financial statements (*Co. Nos. 168, 177, 194, 328, 362, 480)	148	131	108	81	17	12
In other statements or schedules covered by auditors' reports (*Co. Nos. 514, 538)	2	2	1	4	1	1
In other statements	—	—	1	1	—	—
In letter to stockholders (*Co. Nos. 496, 555)	2	2	3	1	2	—
Not set forth in report (*Co. Nos. 67, 127, 261, 364, 537, 590)	31	29	36	32	6	1
As an item within the balance sheet:						
Stated to be "Not changed during the year" (*Co. Nos. 95, 102, 167, 324, 335, 419)	13	20	26	36	54	54
With identical dollar balances for the current and prior year but no reference to such unchanged status (*Co. Nos. 117, 123, 243, 263, 418, 535)	82	88	100	85	119	88
Total	304	303	302	257	227	168
Number of Companies						
Presenting capital surplus	488	495	493	461	430	430
Not presenting capital surplus	110	103	105	127	156	156
Not classifying surplus (*Co. Nos. 318, 434)	2	2	2	12	14	14
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 5: INCOME STATEMENT TITLE

Terminology Used	1960	1959	1958	1955	1950	1946
Income	382	384	369	361	329	317
Earnings	152	147	150	135	92	10
Profit and Loss	23	27	32	56	127	236
Operations	34	32	31	30	30	10
Income and Expense	2	3	3	5	8	5
Income and Profit and Loss	—	—	1	2	2	10
Income, Costs	1	1	—	1	1	—
Loss	2	2	5	2	1	—
Operating Results	—	—	3	3	3	3
Profit	2	2	3	3	4	1
Profits and Income	—	—	—	—	—	1
	598	598	597	598	597	593
No income statement	2	2	3	2	3	7
Total	600	600	600	600	600	600

Examples

Examples of the various titles of the income statements contained in the 1960 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 statement.

Income—(382 Companies):
- Comparative Consolidated Statement of Income (*Co. No. 525)
- Consolidated Income Statement (*Co. Nos. 60, 107, 121)
- Consolidated Statement of Income (*Co. No. 131)
- Consolidated Statement of Income and *Retained Earnings* (*Co. No. 119)
- Consolidated Statements of Income and *Surplus* (*Co. No. 143)
- Consolidated Statement of Income and *United States Earned Surplus* (*Co. No. 259)
- Statement of Consolidated Income (*Co. Nos. 62, 122, 411)
- Statement of Consolidated Income and *Earnings* (*Co. No. 240)
- Statements of Consolidated Income and *Income Retained* (*Co. No. 147)
- Statement of Consolidated Income and *Retained Earnings* (*Co. No. 241)
- Statements of Income and *Accumulated Earnings* (*Co. No. 106)
- Statements of Income and *Surplus* (*Co. No. 218)
- Summary of Consolidated Income (*Co. No. 136)
- Summary of Income (*Co. No. 146)

Earnings—(152 Companies):
- Consolidated Earnings (*Co. Nos. 348, 427)
- Consolidated Statement of Earnings (*Co. No. 527)
- Consolidated Statements of Earnings and *Retained Earnings* (*Co. No. 214)
- Consolidated Statement of Net Earnings (*Co. Nos. 215, 421)
- Earnings (*Co. Nos. 153, 374, 448)
- Statement of Comparative Consolidated Earnings (*Co. No. 414)
- Statement of Consolidated Earnings (*Co. Nos. 43, 344, 506)
- Statement of Consolidated Earnings and *Cash Dividends* (*Co. No. 416)
- Statement of Earnings (*Co. Nos. 89, 296, 403)
- Statement of Net Earnings (*Co. Nos. 342, 370)

Profit and Loss—(23 Companies):
- Comparative Statement of Profit and Loss (*Co. No. 562)
- Comparative Statement of Consolidated Profit and Loss and *Earned Surplus* (*Co. Nos. 568, 585)
- Consolidated Profit and Loss and *Reinvested Earnings* (*Co. No. 59)
- Consolidated Profit and Loss Statement (*Co. No. 149)
- Consolidated Statement of Profit and Loss (*Co. Nos. 187, 247, 510)
- Consolidated Statements of Profit and Loss, *Retained Earnings,* and *Capital Surplus* (*Co. No. 181)
- Consolidated Surplus and Profit and Loss Accounts (*Co. No. 573)
- Statement of Consolidated Profit and Loss (*Co. Nos. 152, 175, 528, 566)
- Statement of Consolidated Profit and Loss and *Earnings Retained For Use in the Business* (*Co. No. 405)
- Statements of Consolidated Profit and Loss and *Retained Earnings* (*Co. No. 205)
- Statements of Profit and Loss (*Co. No. 334)
- Statements of Profit and Loss and *Earned Surplus* (*Co. Nos. 288, 408)
- Statement of Profit and Loss and *Net Income Retained in the Business* (*Co. No. 480)
- Statement of Profit and Loss and *Retained Earnings* (*Co. No. 463)

Operations—(34 Companies):
- Comparative Consolidated Statement of Operations (*Co. No. 217)
- Condensed Statement of Operations and *Retained Earnings* (*Co. No. 67)

*Refer to Company Appendix Section.

Consolidated Results of Operations (*Co. Nos. 128, 188)
Consolidated Statement of Operations (*Co. Nos. 26, 38, 202)
Consolidated Statement of Results of Operations (*Co. Nos. 219, 392, 576)
Results of Operations (*Co. No. 251)
Statement of Operations (*Co. Nos. 12, 262, 388)
Statement of Operations and *Earnings Reinvested in Business* (*Co. No. 134)
Statement of Operations and *Retained Earnings* (*Co. No. 97)

Various Other—(7 Companies):
Comparative Statement of Income and Expense (*Co. No. 443)
Income, Costs, and Changes in Capital Investment (*Co. No. 514)
Statements of Consolidated Income and Expense (*Co. No. 402)
Statement of Consolidated Loss (*Co. No. 115)
Statement of Net Loss (*Co. No. 335)
Statement of Profit and of Retained Earnings (*Co. No. 213)
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 income statements, in that they contained a separate last section in which there were set forth tax items or various other special items, or both.

As may be noted from Table 6 the use of the single-step form of income statement now predominates in the 1960 annual reports of the 600 companies surveyed. This is the result of a long-established trend in which the use of the multiple-step form has steadily declined.

Changes During 1960

The survey, this year, reveals that thirteen companies *adopted* the single-step form of the income statement (*Co. Nos. 45, 142, 221, 366, 379, 556).

*Refer to Company Appendix Section.

TITLE OF THE BALANCE SHEET

The term "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity was used by 457 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 137 companies in 1960, has remained fairly constant during the last four 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 shown a slight decrease in the current year after having remained unchanged during the preceding three 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 frequently 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 1960 reports of the 600 survey companies:

Balance Sheet—(Customary form: 457 Companies)
Balance Sheet (*Co. Nos. 130, 342, 360, 426, 551)
Balance Sheets (*Co. Nos. 12, 177, 237, 336, 380)
Balance Sheet (Consolidated) (*Co. No. 116)
Comparative Balance Sheet (*Co. Nos. 51, 244)
Comparative Balance Sheets (*Co. No. 255)
Comparative Consolidated Balance Sheet (*Co. Nos. 41, 211, 283, 571)
Comparative Consolidated Balance Sheets (*Co. No. 511)
Condensed Comparative Balance Sheet (*Co. No. 61)
Consolidated Balance Sheet (*Co. Nos. 55, 79, 186, 199, 435, 521, 561)
Consolidated Balance Sheets (*Co. Nos. 48, 139, 219, 238, 320, 396)

Financial Position—(Customary form: 44 Companies)
Comparative Statement of Financial Position (*Co. No. 570)
Condensed Consolidated Statement of Financial Position (*Co. No. 56)
Consolidated Financial Position (*Co. Nos. 4, 457, 510)
Consolidated Statement of Financial Position (*Co. Nos. 26, 110, 250, 341, 404, 576)
Statement of Consolidated Financial Position (*Co. Nos. 9, 113, 152, 241, 412, 439)
Statement of Financial Position (*Co. Nos. 87, 90, 171, 196, 201, 338)
Statements of Financial Position (*Co. No. 447)

Financial Position—(Financial position form: 57 Companies)
Comparative Consolidated Statement of Financial Position (*Co. No. 440)

TABLE 6: INCOME STATEMENT FORM

Form of Statement	1960	1959	1958	1955	1950	1946
Multiple-step form	208	215	211	258	302	263
Multiple-step form with a separate last section presenting:						
Nonrecurring tax items	8	11	16	24	41	63
Nonrecurring tax and nontax items	21	21	24	23	11	57
Nonrecurring nontax items	27	30	35	25	31	85
Total	264	277	286	330	385	468
Single-step form	279	267	256	218	177	76
Single-step form with a separate last section presenting:						
Nonrecurring tax items	13	8	12	22	13	13
Nonrecurring tax and nontax items	24	23	24	9	7	20
Nonrecurring nontax items	18	23	19	19	15	16
Total	334	321	311	268	212	125
No income statement presented	2	2	3	2	3	7
Total	600	600	600	600	600	600
Current year—Federal income tax estimate:						
Listed among operating items	155	154	145	141	159	100
Presented in separate last section	413	416	394	437	423	450
Total	568	570	539	578	582	550
Current estimate not required	30	28	58	20	15	43
No income statement presented	2	2	3	2	3	7
Total	600	600	600	600	600	600

Comparative Statement of Financial Position (*Co. No. 15)
Consolidated Financial Position (*Co. Nos. 50, 128, 158, 278, 354, 484)
Consolidated Statement of Financial Position (*Co. Nos. 312, 327, 364, 413, 523, 534)
Financial Position (*Co. Nos. 81, 251, 393, 476, 497)
Statement of Consolidated Financial Position (*Co. Nos. 185, 315, 416, 520, 597)
Statement of Financial Position (*Co. Nos. 53, 176, 313, 328, 385, 403)

Financial Condition—(Customary form: 24 Companies)
Comparative Consolidated Statement of Financial Condition (*Co. No. 409)
Consolidated Statement of Financial Condition (*Co. Nos. 74, 287, 356, 549)
Consolidated Statements of Financial Condition (*Co. Nos. 181, 532)
Statement of Consolidated Financial Condition (*Co. Nos. 62, 96, 280, 308, 372, 454)
Statement of Financial Condition (*Co. Nos. 3, 156, 332, 365, 370, 494)

Financial Condition—(Financial position form: 12 Companies)
Consolidated Statement of Financial Condition (*Co. Nos. 75, 192, 465, 512, 594, 596)
Financial Statement (*Co. No. 448)
Statement of Consolidated Financial Condition (*Co. No. 345)
Statement of Financial Condition (*Co. Nos. 31, 208, 563, 586)

Assets and Liabilities—(Customary form: 4 Companies)
Assets, Liabilities and Capital Investment (*Co. No. 514)
Consolidated Statement of Assets and Liabilities (*Co. No. 183)
Statement of Assets and Liabilities (*Co. No. 105)
Statement of Consolidated Assets and Liabilities (*Co. No. 179)

Other Captions—(Financial position form: 2 Companies)
Assets, Liabilities and Capital (*Co. No. 191)
Investment (*Co. No. 316)

*Refer to Company Appendix Section.

TABLE 7: BALANCE SHEET TITLE

Terminology Applied	1960	1959	1958	1955	1950	1946
Balance Sheet, used with:						
Customary form (*Co. Nos. 211, 238, 283, 360, 426, 561)	457	455	455	467	492	578
Financial position form	—	—	—	—	—	—
	457	455	455	467	492	578
Financial Position, used with:						
Customary form (*Co. Nos. 9, 26, 87, 152, 241, 341)	44	43	42	33	13	3
Financial position form (*Co. Nos. 15, 120, 278, 328, 403, 503)	57	60	60	59	52	9
	101	103	102	92	65	12
Financial Condition, used with:						
Customary form (*Co. Nos. 96, 181, 287, 318, 424, 494)	24	22	23	19	15	1
Financial position form (*Co. Nos. 31, 208, 345, 448, 465, 512)	12	14	14	16	19	5
	36	36	37	35	34	6
Assets and Liabilities** (*Co. Nos. 105, 179, 183)	3	3	4	3	4	2
"Assets, Liabilities, and Capital Investment"** (*Co. No. 514)	1	1	—	1	1	—
"Statement of Ownership"	—	—	—	—	1	—
"Investment"*** (*Co. No. 316)	1	1	1	1	2	1
"Assets, Liabilities and Capital"*** (*Co. No. 191)	1	1	1	1	1	1
	6	6	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.*

FORM OF THE BALANCE SHEET

The balance sheets presented by the 600 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 (Table 8, Form A). In five instances in the 1960 reports, the customary form of balance sheet is varied to show *total* assets less *total* liabilities equaling stockholders' equity (Table 8, Form B). In the 1960 reports, 529 of the survey companies presented the customary form of the balance sheet.

The remaining 71 survey companies presented a financial position form of balance sheet. In this form of balance sheet, net assets are shown equal to stockholders' equity (Table 8, Form C), or in other variations of the financial position form of presentation as shown in Forms D, E, and F, in Table 8.

Changes During 1960

There was an increase of five in the number of companies presenting the customary form of balance sheet in the 1960 annual reports of the 600 survey companies, as will be noted in Table 8 (*Co. Nos. 108, 119, 321, 332, 340). This form predominates and has remained fairly constant since 1950 except possibly for adjustments arising from eliminations and substitutions due to mergers, etc. Other changes which have occurred were for the most part limited to variations in presentation of the financial position form.

*Refer to Company Appendix Section.

TABLE 8: BALANCE SHEET FORM

Customary Form*	1960	1959	1958	1955	1950	1946
A: Assets *equal* liabilities plus stockholders' equity	524	519	520	517	523	584
B: Assets less liabilities *equal* stockholders' equity	5	5	4	5	3	—
Total	529	524	524	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	44	48	49	51	32	7
D: Current assets less current liabilities, plus other assets less other liabilities, *equal* long-term indebtedness plus stockholders' equity	7	7	7	8	6	—
E: Current assets less current liabilities plus other assets less other liabilities, *equal* stockholders' equity (long-term indebtedness not shown)	20	19	18	17	34	9
F: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	—	2	2	2	2	—
Total	71	76	76	78	74	16
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 79, 199, 219, 342, 396, 435; B: Co. Nos. 62, 250, 338, 412, 589; C: Co. Nos. 16, 158, 185, 251, 476, 520; D: Co. Nos. 8, 63, 176, 364, 394, 484, 537; E: Co. Nos. 53, 327, 393, 413, 534, 597.

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 almost one third, or 181 of the survey companies, but the number decreases each year.

Examples

The following examples of titles appearing over the "stockholders' equity" section of the balance sheet have been selected from 1960 annual reports of the survey companies:

Capital (*Co. Nos. 33, 85, 184, 187, 333, 336)
Capital and accumulated earnings (*Co. No. 106)
Capital and retained earnings (*Co. Nos. 7, 108, 323, 470, 471)
Capital and surplus (*Co. Nos. 60, 276, 351)
Capital stock and accumulated earnings (*Co. No. 536)
Capital stock and accumulated income retained for use in the business (*Co. No. 286)
Capital stock and earnings reinvested (*Co. Nos. 305, 546)
Capital stock and retained earnings (*Co. Nos. 4, 145, 275, 488, 593)
Capital stock and surplus (*Co. Nos. 52, 92, 140, 443, 464, 600)
Derived from (*Co. Nos. 413, 558)
Equity capital (*Co. No. 308)
Ownership (*Co. Nos. 128, 144, 440)
Ownership evidenced by (*Co. Nos. 250, 327, 569)
Ownership interest (*Co. No. 274)
Ownership of net assets (*Co. Nos. 16, 208, 448)
Represented by (*Co. Nos. 80, 213, 312, 328, 393)
Shareholders' equity (*Co. Nos. 45, 265, 303, 376, 592)
Shareholders' interest (*Co. Nos. 465, 590)
Shareholders' investment (*Co. Nos. 148, 211, 329, 526, 543)
Shareholders' ownership evidenced by (*Co. No. 9)
Shareowners' equity (*Co. Nos. 90, 207, 226, 365, 530, 582)
Shareowners' investment (*Co. Nos. 71, 156)
Sources from which capital was obtained (*Co. Nos. 120, 394, 523)

*Refer to Company Appendix Section.

TABLE 9: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1960	1955	1951
Capital stock and surplus	95	143	164
Capital stock and earned surplus	1	1	4
Capital stock, surplus, and reserve	—	1	—
Capital stock and retained earnings	13	10	10
Capital stock and accumulated earnings	1	1	2
Capital stock and accumulated (earnings, income) invested, reinvested	1	2	3
Capital stock and (earnings, retained profits [invested, reinvested])	4	3	2
Capital shares and surplus	—	—	2
Capital and surplus	3	8	12
Capital and retained earnings	11	14	9
(Equity, stated) capital and retained earnings	—	2	2
Capital and (accumulated earnings, profit retained and employed)	2	—	2
Capital	49	66	72
Capitalization	—	1	1
Capital (accounts, invested, investment, structure)	1	5	7
Derived from	2	3	3
Investment represented by	1	—	1
Investors' equities	—	1	2
Net worth	—	1	10
Ownership	3	1	2
Ownership evidenced by	3	3	3
Ownership (equities, interest, etc.)	1	2	2
Ownership of net assets	3	3	—
Provided by	1	1	1
Represented by	8	16	13
Source from which capital was obtained	3	3	6
Sources from which net assets were obtained	1	1	6
Stockholders' equity	193	123	85
Stockholders' investment	40	44	51
Stockholders' ownership	5	7	10
Stockholders' interest	4	2	3
Stockholders' capital	—	1	1
Shareholders' equity	91	55	19
Shareholders' investment	15	10	6
Shareholders' ownership	2	1	2
Shareholders' interest	3	3	4
Shareowners' equity	19	7	1
Shareowners' investment	4	6	2
Miscellaneous	2	1	1
	585	552	526
No title set forth	15	48	74
Total	600	600	600

*Refer to Company Appendix Section.

Sources from which net assets were obtained (*Co. No. 403)
Stockholders' equity (*Co. Nos. 37, 61, 133, 241, 557)
Stockholders' interest (*Co. Nos. 197, 297, 520)
Stockholders' investment (*Co. Nos. 100, 105, 343, 367, 550)
Stockholders' ownership (*Co. Nos. 135, 240, 390)

"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 1960, only 239 of the survey companies used the term "surplus" in their balance sheet captions, as compared with 375 in 1948, as shown in Table 10.

It will also be observed from this table that over 50 per cent of the companies included in the survey have not replaced the term "surplus" in the balance sheet designation of the various terms formerly used in the presentation of capital surplus.

Examples

The following examples, taken from the 1960 annual reports of the survey companies, are illustrative of the various phrases still used to describe "capital surplus" in the balance sheet.

Captions Retaining "Surplus"—(239 Companies)

Source Indicated

Excess over par value—capital surplus (*Co. No. 75)
Capital surplus from restatement of common shares (*Co. No. 40)
Capital surplus (principally paid-in) (*Co. Nos. 154, 541)
Capital (paid-in) surplus (*Co. No. 17)
Capital surplus paid-in (*Co. No. 295)
Initial surplus (*Co. No. 14)
Paid-in surplus (*Co. Nos. 56, 166, 207, 232, 488, 551)
Paid-in surplus—arising from sale of stock for amounts in excess of par value (*Co. No. 565)
Surplus arising through capital transactions (*Co. No. 54)

Source Not Indicated

Capital and other surplus (*Co. No. 418)
Capital and paid-in surplus (*Co. Nos. 63, 246)

TABLE 10: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1960	1959	1955	1950	1948
Including term "surplus"—					
Capital surplus (Note A)	179	184	198	224	257
Paid-in surplus	47	44	52	72	92
Capital surplus—paid-in	9	10	9	4	4
Surplus (classified) (Note B)	2	3	2	4	5
Surplus (unclassified) (Note C)	2	4	10	15	17
Surplus reinvested (unclassified)	—	—	1	—	—
Total retaining term "surplus"	239	245	272	319	375
Total replacing term "surplus"**	251	252	201	126	70
Total presenting accounts	490	497	473	445	445
Not presenting accounts	110	103	127	155	155
Total	600	600	600	600	600
Percentage of Companies					
Retaining term "surplus"	49	49	58	71	84
Replacing term "surplus"	51	51	42	29	16
	100%	100%	100%	100%	100%

Note A: Includes four instances where "Capital surplus" and "Paid-in surplus" appeared with separate dollar amounts designated for each (*Co. Nos. 161, 218, 411, 447).
Note B: Includes the usage of "Initial surplus" each year (*Co. No. 14).
Note C: (*Co. Nos. 318, 434).

*Refer to Company Appendix Section.

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

	1960	1959	1955
Additional paid-in capital	70	71	48
Additional capital	15	14	7
Capital paid-in or Paid-in capital	6	6	5
Other paid-in capital	5	5	5
Other capital	14	15	14
Other contributed capital	3	1	1
Capital contributed by owners	—	—	1
Sundry capital credits	—	1	1
Capital in excess of par or stated values	93	83	65
Amount in excess of par value	5	6	2
Investment in excess of (par, stated) value	3	4	6
Capital (contributed, received) in excess of (par, stated, par or stated) values	8	15	11
Capital paid-in in excess of par value	13	14	11
Amount (paid-in, paid-in or assigned, realized, received) in excess of (par, stated, par or stated values)	9	10	8
Excess of (amounts received, amounts contributed, amounts paid-in, capital paid-in net proceeds) over (par, stated) values	2	1	1
(Paid-in, premium received) in excess of par value	—	—	1
Capital arising from (conversion, retirement, stock dividends)	1	—	—
(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	2	1
Earnings (segregated, transferred, allocated, capitalized)	2	2	3
Excess of proceeds received from sale of treasury stock over cost thereof	1	—	1
Excess of (net assets, equity in net assets) of subsidiary	—	2	2
Increase in value . . . resulting from revaluation	—	—	—
Earnings of subsidiary at acquisition	—	—	1
Retained earnings transferred to capital	—	—	1
Excess of value assigned to properties acquired over par value of capital stock issued therefor	—	—	1
Miscellaneous	—	—	2
Total	251	252	201

Capital surplus (*Co. Nos. 114, 309, 354, 385, 437, 497)
Other capital surplus (*Co. No. 411)
Paid-in and other capital surplus (*Co. Nos. 378, 491)

Captions Replacing "Surplus"—(251 Companies)

Source Indicated

Additional capital arising from exercise of employee stock options (*Co. No. 87)
Additional contributed capital (*Co. No. 463)
Additional paid-in capital (*Co. No. 512)
Amounts received for stock in excess of par value (*Co. No. 293)
Capital contributed or assigned in excess of stated or par value (*Co. No. 423)
Capital contributed in excess of stated value of capital stock (*Co. No. 138)
Capital contributed and earnings capitalized in excess of stated value of common stock (*Co. No. 492)
Capital in excess of par value (*Co. Nos. 118, 135)
Capital in excess of par value of shares outstanding (*Co. No. 442)
Earnings capitalized and other additions to capital (*Co. No. 317)
Excess of amount paid in over par value of common stock (*Co. No. 237)

*Refer to Company Appendix Section.

Excess of proceeds received from sale of treasury shares over the cost thereof (*Co. No. 331)
Investment in excess of par value of common stock (*Co. No. 72)
Other capital (transferred from accumulated earnings in connection with stock dividends) (*Co. No. 125)
Other capital contributed upon issuance of shares (*Co. No. 486)
Other paid-in capital (principally on common stock) (*Co. No. 373)
Paid by shareowners (*Co. No. 448)
Paid-in capital (*Co. Nos. 58, 587)
Proceeds in excess of par value received for stock sold or from appropriations from earnings for stock dividends (*Co. No. 67)
Shareholders' investment in excess of par value (paid-in surplus) (*Co. No. 164)

Source Not Indicated

Additional capital (Co. Nos. 134, 188, 211, 487)
Other capital (*Co. Nos. 195, 204, 323, 445)

SOURCE OF CAPITAL SURPLUS

The committee on terminology previously referred to (*Accounting Terminology Bulletin Number 1, Review and Résumé*) also 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.

TABLE 11: SOURCE OF CAPITAL SURPLUS

Source Set Forth in Caption	1960	1959	1955
Excess (received, paid-in, contributed) over par value	118	114	100
Excess (received) over par or stated value	8	14	11
Excess received over stated value (stated amounts, value shown)	7	6	10
Earnings capitalized	4	2	7
Revision in capital structure	—	—	3
Retirement of capital stock	—	—	2
Conversion of preferred stock	—	2	3
Sale of treasury stock	1	1	4
Revaluation of capital assets	—	—	1
Subsidiary acquisition or merger	—	2	7
Common shareholders' (stockholders') equity	—	—	2
Total	138	141	150
Number of Companies			
Referring to source of capital surplus	138	141	150
Not referring to source of capital surplus	350	352	313
Not referring to capital or unclassified surplus	112	107	137
Total	600	600	600

"RETAINED EARNINGS" CAPTION IN THE BALANCE SHEET

The committee on terminology of the American Institute of Certified Public Accountants (*Accounting Terminology Bulletin Number 1, Review and Résumé*) recommended 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.* In the case of a deficit, the amount should be shown as a deduction from contributed capital with appropriate description.

Table 12 reveals that in accord with the above recommendation there has been a steady decrease in the use of the term "earned 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 1960 there were only 174 survey companies that continued to use such terminology.

This table also shows that the 426 survey companies which by 1960 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 referred to above.

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 1960 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—(369 Companies):
Accumulated earnings (*Co. Nos. 333, 404, 432, 445, 492, 525)
Accumulated earnings employed in the business (*Co. Nos. 53, 229, 416)
Accumulated earnings in use in the business (*Co. No. 364)
Accumulated earnings reinvested in the business (*Co. Nos. 76, 106, 523)
Accumulated earnings retained (earned surplus) (*Co. No. 69)

*Refer to Company Appendix Section.

TABLE 12: TERMS REPLACING "EARNED SURPLUS"

Earned Surplus replaced:	1960	1959	1958	1955	1950	1948
With "source" words—						
Earnings	369	350	340	301	204	69
Income	52	51	50	43	35	21
Profit	4	6	6	6	8	8
Deficit	1	1	—	1	1	1
Total	426	408	396	351	248	99
Combined with "status" words—						
Retained	326	306	294	250	154	60
Accumulated	30	30	31	37	37	5
Reinvested	36	36	34	26	24	14
Employed	22	22	22	20	17	9
Invested	9	11	11	11	10	6
Undistributed	—	—	—	2	2	2
Undivided	—	1	1	1	2	2
Operations	1	1	2	2	—	—
Other	2	1	1	2	2	1
	426	408	396	351	248	99
Earned Surplus retained as:						
Earned Surplus	162	179	190	213		
Earned Surplus *combined with—*						
Earnings retained	4	4	5	10		
Earnings reinvested	—	—	—	3		
Earnings employed	—	—	—	1		
Earnings accumulated	1	1	1	1	335	481
Income retained	2	2	2	5		
Income reinvested	—	—	—	1		
Accumulated	—	—	1	1		
Appropriated for contingent liability	—	—	1	—		
Deficit	—	—	2	2		
Surplus*	2	2	1	10	17	20
Surplus, operating	1	1	1	1	—	—
Deficit	2	3	—	1	—	—
	174	192	204	249	352	501
Total	600	600	600	600	600	600
Number of Companies						
Replacing "earned surplus"	426	408	396	351	248	99
Retaining "earned surplus"	174	192	204	249	352	501
Total	600	600	600	600	600	600

*Surplus not classified.

Accumulated earnings retained for reinvestment in the business (*Co. No. 127)

Accumulated earnings, retained and used in the business (*Co. No. 440)

Accumulated earnings retained for use in the business (*Co. Nos. 499, 597)

Accumulated earnings retained in the business (*Co. Nos. 355, 363, 591)

Accumulated earnings used in the business (*Co. Nos. 132, 224)

Accumulated retained earnings (*Co. Nos. 217, 448)

Earnings employed in the business (*Co. Nos. 2, 12, 29, 46, 231, 494)

Earnings invested in the business (*Co. Nos. 458, 486, 510, 534, 546)

Earnings reinvested (*Co. Nos. 191, 194, 316, 535)

Earnings reinvested and employed in business (*Co. No. 519)

Earnings reinvested in the business (*Co. Nos. 13, 26, 58, 221, 268, 384)

Earnings retained and employed in the business (*Co. Nos. 94, 433, 442, 467)

Earnings retained and invested in the business (*Co. Nos. 152, 275, 277, 425, 517)

Earnings retained and used in the business (*Co. Nos. 312, 459, 593)

Earnings retained for use in the business (*Co. Nos. 37, 56, 219, 282, 427, 471)

*Refer to Company Appendix Section.

TABLE 13: RETAINED EARNINGS TERMINOLOGY IN 1960

"Status" Words:	"Source" Words Earnings	Income	Profit	Total
Retained	157	3	—	160
Retained in the business	66	17	1	84
Retained—Employed in the business	5	1	—	6
Retained—Reinvested	—	—	1	1
Retained—Retained in the business	—	—	—	—
Retained—Used in the business	62	13	—	75
Accumulated	8	—	—	8
Accumulated—Employed in the business	3	—	—	3
Accumulated—Retained	4	—	—	4
Accumulated—Retained and Used	—	2	—	2
Accumulated—Retained in the business	5	1	—	6
Accumulated—Reinvested	4	—	—	4
Accumulated—Used in the business	3	—	—	3
Reinvested	12	1	—	13
Reinvested in the business	13	7	1	21
Reinvested—Employed in the business	1	1	—	2
Employed in the business	18	3	1	22
Invested in the business	5	2	—	7
Invested—Additions and working capital	1	—	—	1
Invested—Retained in the business	1	—	—	1
Used in the business	1	—	—	1
Operations	—	1	1*	2
Undivided	—	—	—	—
	369	52	5	426
"Surplus" Words:				
Earned Surplus	—	—	—	162
Earned Surplus used with:				
Retained	1	—	—	1
Retained in the business	—	1	—	1
Retained—Used in the business	3	1	—	4
Accumulated	1	—	—	1
Deficit	1	—	1	2
Surplus:				
Surplus not classified	—	—	2	2
Surplus, operating	1	—	—	1
				174
Total				600

*Deficit

Earnings retained in the business (*Co. Nos. 71, 87, 91, 185, 226, 415)
Earnings retained for requirements of the business (*Co. Nos. 4, 470)
Earnings used in the business (*Co. No. 570)
Invested earnings—used for plant additions and working capital (*Co. No. 3)
Reinvested earnings (*Co. Nos. 59, 72, 137, 457)
Retained earnings (*Co. Nos. 118, 193, 196, 279, 393, 468)
Retained earnings (deficit) (*Co. No. 272)
Retained earnings employed in the business (*Co. No. 342)
Retained earnings invested in the business (*Co. Nos. 135, 560)
Retained earnings used in the business (*Co. No. 374)

Income—(52 Companies):
Accumulated income retained for use in the business (*Co. Nos. 31, 286)
Accumulated net income retained for use in the business (*Co. No. 377)
Income employed in the business (*Co. Nos. 280, 596)
Income from operations and other earnings (*Co. No. 54)
Income invested in the business (*Co. No. 230)
Income reinvested (*Co. No. 79)
Income reinvested in business (*Co. Nos. 144, 569)
Income reinvested in the business (*Co. Nos. 353, 484, 576, 589, 599)
Income reinvested or employed in the business (*Co. No. 586)
Income retained and invested in the business (*Co. Nos. 386, 466)
Income retained and employed in the business (*Co. No. 465)
Income retained for use in the business (*Co. Nos. 40, 45, 88, 147, 306, 462)
Income retained in the business (*Co. Nos. 9, 62, 80, 107, 136, 177)
Net income employed in the business (*Co. No. 520)
Net income invested in the business (*Co. No. 287)
Net income retained (*Co. No. 308)
Net income retained in the business (*Co. No. 480)
Net income retained for use in the business (*Co. Nos. 70, 117, 358, 379)
Retained income (*Co. Nos. 340, 543)

Profit—(4 Companies):
Profit employed in the business (*Co. No. 128)
Profits reinvested in the business (*Co. No. 188)
Profits retained in the business (*Co. No. 514)
Retained profits reinvested (*Co. No. 544)

Earned Surplus—(169 Companies):
Earned surplus (*Co. Nos. 288, 378, 446, 449, 461, 600)
Earned surplus (accumulated earnings employed in the business) (*Co. No. 545)
Earned surplus (earnings retained in business) (*Co. No. 518)
Earned surplus (earnings retained for use in the business) (*Co. No. 104)
Earned surplus (income retained in the business) (*Co. No. 590)

*Refer to Company Appendix Section.

Earned surplus—representing earnings retained for use in the business (*Co. No. 565)
Earned surplus (retained earnings) (*Co. No. 84)
Earnings retained for requirements of the business (earned surplus) (*Co. No. 164)
Net income retained for use in the business (earned surplus) (*Co. No. 252)

Surplus—(3 Companies):
Surplus (not classified) (*Co. Nos. 318, 434)
Surplus, operating (*Co. No. 524)

Deficit—(3 Companies):
Deficit (*Co. Nos. 253, 562, 563)

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 14 summarizes the types of data found in stockholders' equity statements for the years 1960, 1959, and 1958, compared with similar tabulations for the years 1955, 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. "Stockholders' equity" and "Shareholders' equity" are the most frequently used terms. The tabulation discloses (Tables 14 and 15) that only 26 survey companies presented stockholders' equity statements in 1960, the same number as in 1959.

Examples

The exact title of each of the 27 stockholders' equity statements presented in the 1960 annual reports is provided below:

Changes in Shareholders' Investment Accounts (*Co. No. 211)
Changes in Stockholders' Equity (*Co. No. 472)
Comparative Consolidated Statement of Stockholders' Equity (*Co. No. 88)
Comparative Statement of Common Stockholders' Equity (*Co. No. 15)
Comparative Statement of Shareowners' Equity (*Co. No. 582)
Consolidated Statement of Capital Stock and Capital Surplus (*Co. No. 529)
Consolidated Statement of Changes in Common Stockholders' Equity (*Co. No. 268)
Consolidated Statement of Income, Earnings Employed in the Business and Stockholders' Equity (*Co. No. 531)
Consolidated Statement of Ownership Interest (*Co. No. 274)
Consolidated Statement of Shareholders' Equity (*Co. Nos. 510, 519)
Consolidated Statement of Stockholders' Equity (*Co. No. 478)
Ownership (*Co. No. 128)
Shareholders' Investment (*Co. No. 484)
Shareholders' Investment and Changes Therein (*Co. No. 229)
Shareholders' Ownership (*Co. No. 517)

TABLE 14: STOCKHOLDERS' EQUITY STATEMENTS

Including details of:	1960	1959	1958	1955	1950	1946
Capital stock, capital surplus, and retained earnings (*Co. Nos. 88, 211, 478, 510, 517, 543)	18	20	21	16	15	5
Capital stock, capital surplus, retained earnings, and appropriated surplus reserves	—	—	—	1	1	1
Capital stock and capital surplus	1	—	—	—	1	1
Capital stock and retained earnings (*Co. Nos. 100, 371, 472, 484, 582)	7	5	2	1	1	1
Capital stock, retained earnings, income, and (in 1946 only) capital surplus (*Co. No. 531)	1	1	1	1	1	1
Capital stock and unclassified surplus	—	—	—	—	—	2
	27	26	24	19	19	11
Statement not presented	573	574	576	581	581	589
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 15: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1960	1959	1958	1955	1950	1946
Stockholders' equity	9	10	7	4	6	—
Stockholders' interest	—	1	1	1	1	1
Stockholders' ownership	—	1	—	1	—	—
Stockholders' capital	—	—	1	1	2	—
Stockholders' investment	2	2	2	—	—	—
Shareholders' equity	5	5	6	4	1	1
Shareholders' capital	—	—	—	—	1	—
Shareholders' investment	4	3	3	3	1	—
Shareholders' ownership	1	—	1	—	1	—
Shareowners' equity	3	1	1	1	—	—
Shareowners' investment	—	—	—	—	1	—
Capital	—	—	—	2	2	2
Capital stock and surplus	1	—	—	—	2	5
Ownership interest (net worth)	1	1	1	1	—	—
Ownership or ownership equities	1	2	1	1	1	1
Net worth	—	—	—	—	—	1
	27	26	24	19	19	11
Statement not presented	573	574	576	581	581	589
Total	600	600	600	600	600	600

Shareowners' Equity (*Co. Nos. 371, 553)
Statement of Consolidated Shareholders' Investment (*Co. No. 543)
Statement of Shareholders' Equity (*Co. Nos. 62, 411, 544)
Statement of Stockholders' Equity (*Co. Nos. 299, 504, 551)
Statement of Stockholders' Investment (*Co. Nos. 100, 296)

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 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 1960 annual reports were provided by 517 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.

Exhibits—Customary Statements Covered by Auditors' Reports

Examples of various customary statements have been selected from the annual reports for 1960 and reproduced as exhibits. (For page numbers refer to Index to Exhibits preceding the Subject Index at the end of the book.)

1. *Consolidated Balance Sheet; Income Statement; Earnings Employed in the Business; Notes to Financial Statements* (Abbott Laboratories). These statements, complete with notes, are examples of the conventional form and are presented on a comparative basis (cents omitted).

2. *Consolidated Financial Position; Consolidated Income and Retained Earnings; Notes to Financial Statements* (International Shoe Company). The assets, liabilities, and stockholders' equity in these statements are presented in the financial form (showing working capital). The statements are comparative and complete with notes.

*Refer to Company Appendix Section.

TABLE 16: COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements	1960	1959	1955	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statement	210	208	154	97	51
Balance Sheet, Income, and Retained Earnings Statements	112	109	114	96	53
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	80	79	70	53	43
Balance Sheet and Income Statement	74	75	81	73	53
Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings	1	1	2	2	—
Balance Sheet in combination with various other statements	2	2	5	4	—
Balance Sheet, Income, and Stockholders' Equity Statements	9	8	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	5	3	4	4	7
Income Statement in combination with various other statements	2	3	4	8	12
Combined Income & Retained Earnings Statement	1	2	2	6	4
Income Statement	3	4	5	13	24
Total	517	514	468	383	256
Number of Companies Presenting:					
All statements in comparative form	434	433	379	290	164
Some statements in comparative form	83	81	89	93	92
No statements in comparative form	83	86	132	217	344
Total	600	600	600	600	600

3. *Consolidated Statement of Income* (Metro-Goldwyn-Mayer Inc.). This statement is an example of the "single-step" form with comparative figures for two years.

4. *Comparative Consolidated Statement of Income* (J. P. Stevens & Co. Inc.). This statement is an example of the "multiple-step" form.

5. *Consolidated Statement of Income and Income Reinvested in the Business* (The Youngstown Sheet and Tube Company). This is an example of the combined income and retained earnings statement.

6. *Consolidated Statement of Earned Surplus* (F. W. Woolworth Co.). An example of a separate statement of retained earnings in comparative form.

7. *Consolidated Statement of Additional Paid-in Capital* (Fruehauf Trailer Company). An example of a "capital surplus" statement.

8. *Consolidated Statement of Stockholders' Equity* (The Ryan Aeronautical Co.). This statement presents the total stockholders' equity in columnar form, comprising common stock, additional capital, and retained earnings.

CENTS OMITTED OR PRESENTED

Only 19 of the 600 survey companies included cents in the statements presented in their 1960 annual reports. This is a decrease of 7 companies from 1959, when 26 survey companies included 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 1960 the ratio increased to 97 per cent of the total.

HUNDREDS OMITTED—DOLLARS IN THOUSANDS

Of the 600 companies covered in this survey for 1960, twenty-five presented their customary statements with figures stated to the nearest thousand dollars. Twenty of these companies rounded off to the nearest thousand dollars showing the three zeros; the remaining five companies set forth the nearest thousand dollars by omitting the three zeros but stating the figures under a caption signifying "thousands of dollars."

The trend in the number of companies presenting their figures in thousands of dollars may be observed from the following tabulation:

Number of Companies	1960	1959	1958
Presenting "000" (A)	20	15	9
Presenting the caption "Thousands of Dollars" (B)	5	1	1
Total	25	16	10

(A) *Co. Nos. 259, 316, 519, 545, 552
(B) *Co. Nos. 26, 178, 383, 412

*Refer to Company Appendix Section.

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 1960 annual reports, many survey companies included such *additional* statements and supplementary schedules which were covered by auditors' reports. Such statements and schedules are considered to be covered by the auditors' report: (a) when they are mentioned in the auditors' report; (b) when they are referred to within or at the foot of the customary statements; (c) by their position in relation to the customary statements and the auditors' report; or (d) by inclusion in the footnotes to the customary financial statements.

ADDITIONAL STATEMENTS

The additional statements covered by auditors' reports contained in the 1960 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 1960 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 and statements of combined income and retained earnings 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 1960, 1959, 1955, and 1950. There were 127 companies that included 181 such additional statements, examples of which are described below.

Reporting Company Statements

Ninety-nine "additional statements" applicable to the reporting company were presented by 85 of the 600 survey companies in their 1960 annual reports.

Automatic Canteen Company of America supplemented the customary statements with "Financial and Statistical Data" which includes the condensed comparative balance sheet and profit and loss statement for the last five years, and "in the interest of being more informative, pro forma balance sheet figures have been included to reflect consummation of . . . the proceeds of the stock subscription offer."

National Distillers and Chemical Corporation included a comparative statement of "Stockholders' Equity" in its Notes to Financial Statements.

Pitney-Bowes, Inc. gave a statement of Working Capital in comparative form together with a summary of changes therein.

Remington Arms Company, Inc. presented a special statement showing the "Computation of amount credited to Class 'B' bonus fund for 1960 in accordance with the terms of the bonus plan."

Wheeling Steel Corporation is one of the companies referred to at the beginning of this section "which presents no notes to financial statements as such"; however, it does incorporate the information normally found in the "notes" as part of the Financial Review. Following the customary statements various schedules and statements are presented under the title "details of Balance Sheet items" which include a statement of "Changes in Capital Accounts."

Parent Company Statements

As may be observed from Table 17, parent company statements are not much in evidence among the 600 companies covered in this survey.

One survey company, *Snap-On Tools Corporation* presented, in 1960, statements showing in parallel columnar form, figures for the Company, for its subsidiaries, and as consolidated. The statements included were "Balance Sheets," "Statements of Earnings," and "Statements of Stockholders' Equity."

Domestic Subsidiary Statements

The reports for 1960 covered by this survey contained forty-six additional statements applicable to the domestic subsidiaries of twenty-three companies.

ACF Industries, Incorporated inserted statements of its wholly-owned unconsolidated subsidiary SHPX First Corporation and Subsidiaries.

TABLE 17: ADDITIONAL STATEMENTS COVERED BY AUDITORS' REPORTS

Statements Applicable To:	1960	1959	1955	1950
A: Reporting Company				
Statement of working capital, source and application of funds (*Co. Nos. 7, 26, 90, 177, 239, 308, 326, 432, 514, 588)	30	26	21	13
Capital surplus statement (*Co. Nos. 11, 145, 401, 439, 591)	22	18	2	—
Balance sheet (*Co. Nos. 110, 128, 574)	5	5	9	7
Income statement (*Co. Nos. 22, 112, 577)	5	4	9	4
Stockholders' equity statement (*Co. Nos. 370, 397, 489, 519)	9	7	1	1
Financial operating data (*Co. Nos. 48, 200, 221, 443, 516)	10	6	11	6
Pro forma statement (*Co. Nos. 72, 220, 473)	4	2	—	—
Employee bonus—retirement or welfare funds (*Co. Nos. 92, 93, 356, 464, 569)	5	5	4	8
Geographical statement (*Co. Nos. 172, 208, 259, 505, 519)	8	5	6	4
Branch store—investment	—	—	—	2
Long-term indebtedness	—	2	1	—
Retained earnings statement	—	1	1	—
Combined income & retained earnings (*Co. No. 594)	1	—	—	1
Miscellaneous	—	—	3	—
B: Parent Company				
Balance sheet (*Co. No. 504)	1	1	2	4
Income statement (*Co. No. 504)	1	1	2	3
Retained earnings statement	—	—	1	1
Capital surplus statement	—	—	1	1
Stockholders' equity statement (*Co. No. 504)	1	1	1	1
C: Domestic Subsidiary				
Balance Sheet (*Co. Nos. 1, 10, 105, 127, 134, 193)	29	25	12	13
Combined income and retained earnings (*Co. Nos. 69, 128, 193, 250, 256, 571)	11	12	5	4
Income statement (*Co. Nos. 363, 489)	3	1	2	6
Retained earnings (*Co. No. 121)	2	—	—	3
Financial data (*Co. No. 308)	1	—	—	—
Shareholders' investment	—	—	1	—
D: Foreign Subsidiary				
Balance sheet (*Co. Nos. 37, 312, 351, 473, 593, 595)	10	7	9	10
Assets and liabilities (*Co. Nos. 2, 509, 585)	6	6	1	2
Combined income and retained earnings (*Co. Nos. 312, 593)	2	3	4	3
Income statement (*Co. Nos. 317, 351, 473, 515, 595)	6	2	4	6
Retained earnings statement (*Co. Nos. 259, 473)	2	1	—	1
Financial data (*Co. Nos. 27, 33, 250, 345)	4	5	1	3
Minority interests (*Co. No. 266)	1	1	—	1
Long-term indebtedness (*Co. No. 266)	1	1	1	1
E: Affiliated Company				
Balance sheet	—	1	—	1
Income statement (*Co. No. 223)	1	—	—	—
Total	181	149	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
1960:	85	1	29	22	1	127	473	600
1959:	65	1	25	20	1	102	498	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
1960:	89	—	3	—	2	—	16	110	71	181
1959:	68	1	3	—	—	—	10	82	67	149
1955:	58	1	4	—	2	—	12	77	38	115
1950:	45	1	1	2	—	2	6	57	53	110

*Refer to Company Appendix Section.

Diana Stores Corporation included statements of its wholly-owned unconsolidated real estate subsidiary, Diana Realty Corporation and Subsidiaries.

International Harvester Company showed the comparative "Statement of Financial Condition" of its wholly-owned unconsolidated subsidiary, International Harvester Credit Corporation. A summary of Credit Corporation earnings (in thousands of dollars) appeared in the financial review section.

Sears, Roebuck and Co. showed the Consolidated Statement of Capital of its wholly-owned unconsolidated subsidiary, Allstate Insurance Company and Subsidiary, Allstate Fire Insurance Company. Also the comparative Balance Sheet of Sears Roebuck Acceptance Corp., another wholly-owned unconsolidated subsidiary.

Foreign Subsidiary Statements

Thirty-two additional statements applicable to foreign subsidiaries were presented by 17 survey companies in their 1960 reports.

The Gillette Company submitted a "Statement of Geographical Distribution of Consolidated Net Assets" in addition to "Earnings Retained in Foreign Businesses of Subsidiary Companies."

The Goodyear Tire and Rubber Company presented a comparative statement of Funded Debt of Foreign Subsidiary Companies as well as a comparative statement of the Minority Shareholders' Equity in Foreign Subsidiary Companies.

The International Silver Company included the comparative Statement of Financial Position and comparative Statement of Earnings which reflected the retained earnings also. Both statements were valued in Canadian currency.

Ritter Company, Inc. presented the unconsolidated customary statements of its (combined) European Subsidiaries expressed in U. S. dollars—together with the "notes" relative thereto.

Standard Brands Incorporated combined the unconsolidated subsidiaries operating outside the United States and Canada and presented the financial statements separately as "Combined Income and Retained Earnings," and "Combined Balance Sheet" in values equivalent to U. S. dollars at prevailing rates of exchange as of the end of the fiscal year.

Exhibits—Additional Statements Covered by Auditors' Reports

The following "additional statements" covered by auditors' reports have been taken from the stockholders' reports for 1960 and reproduced as illustrations of such statements. (For page numbers see Index to Exhibits preceding the Subject Index at the end of the book.)

1. *Unconsolidated Domestic Subsidiaries* (Associated Dry Goods Corporation). These combined financial statements together with the relative notes present the accounts of the Wholly-Owned Real Estate Subsidiaries.

2. *Unconsolidated Foreign Subsidiaries* (Joy Manufacturing Company). The financial statements of Wholly-Owned Foreign Subsidiaries excluded from the consolidation are presented here 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 250 survey companies that presented 462 supplementary financial schedules in their 1960 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:

Evans Products Company classified the Long-Term Debt and Current Liabilities in the schedule of "Long-Term Debt" located in the Notes to Financial Statements. There was a further subclassification as to those debts applicable to the parent company and to the subsidiaries.

Hunt Foods and Industries, Inc. showed its "Long-Term Debt Outstanding" segregated as to the portion due within one year and portion due after one year.

Standard Packing Corporation presented schedules of "Long-Term Debt," "Capital Stock," and "Capital Surplus."

Textron Inc. showed schedules of "Reserves Provided for Property, Plant and Equipment," "Long-Term Notes," and "Stock Options."

Anderson, Clayton & Co. (Incorporated) listed the following schedules: "Net assets of foreign subsidiaries included in the consolidated balance sheet, by countries," "Property, Plant and Equipment," and "Long-Term Debt."

Gulf Oil Corporation included schedules of "Long-Term Debt," "Properties, Plants and Equipment," "Taxes on Income and General Taxes," and "Stock Options."

Blaw-Knox Company presented schedules of "Manufacturing Inventories," "Property, Plant and Equipment," and "Long-Term Debt."

TABLE 18: SUPPLEMENTARY SCHEDULES COVERED BY AUDITORS' REPORTS

Nature of Schedule*	1960	1959	1955	1950
A: Long-term indebtedness	120	106	66	30
B: Fixed assets, depreciation	76	85	72	61
C: Inventory composition	83	80	62	47
D: Capital stock	32	27	28	21
E: Various balance sheet items	28	26	12	31
F: Various income and operating items	21	15	10	5
G: Accounts, notes receivable	18	17	15	17
H: Investments—securities, subsidiaries, affiliates	18	13	9	5
I: Investments—subsidiaries	7	13	14	21
J: Special funds, reserves, appropriations	11	8	10	17
K: Foreign investments	9	9	22	24
L: Taxes	24	18	5	4
M: Sales, earnings	8	4	2	5
N: Investments—securities	3	2	4	10
O: Capital	1	6	5	8
P: Minority stockholders' interest in subsidiary	—	1	2	—
Q: Dividends	2	2	3	3
R: Employment costs	1	—	—	2
Total	462	432	341	311

Comparative Presentation of Schedules

Year	2 Yrs.	3-9 Yrs.	10 and over Yrs.	Total	Not Comparative	Grand Total
1960:	279	11	11	301	161	462
1959:	271	2	6	279	153	432
1955:	204	8	7	219	122	341
1950:	194	2	5	201	110	311

Number of Companies Presenting:	1960	1959	1955	1950
Supplementary schedules	189	181	148	118
Supplementary schedules and additional statements	61	53	31	25
Additional statements	66	49	40	39
	316	283	219	182
No additional presentations	284	317	381	418
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 30, 90, 142, 219, 300, 407;
B: Co. Nos. 57, 128, 255, 308, 438, 561;
C: Co. Nos. 27, 129, 241, 304, 402, 569;
D: Co. Nos. 80, 198, 250, 399, 437, 553;
E: Co. Nos. 272, 399, 443, 457, 549, 584;
F: Co. Nos. 74, 213, 311, 424, 458, 567;
G: Co. Nos. 15, 115, 229, 363, 440, 510;
H: Co. Nos. 46, 137, 238, 326, 417, 596;
I: Co. Nos. 39, 168, 190, 422, 433, 539;
J: Co. No. 581;
K: Co. Nos. 37, 315, 373, 512;
L: Co. Nos. 70, 274, 453, 516, 596;
M: Co. Nos. 263, 296, 383;
N: Co. No. 310;
O: Co. No. 395;
Q: Co. No. 256;
R: Co. No. 296.

E. I. du Pont de Nemours & Company detailed "Inventories" and employees bonus items included in "Accounts Payable."

Howe Sound Company gave schedules of "Inventories," "Long-Term Debt" and a statement of changes in "Capital Surplus."

Kimberly-Clark Corporation listed schedules showing a breakdown of "Inventories," "Investments in Associated Companies" and "Long-Term Debt," also a statement of "Changes in Common Stock and Consolidated Additional Paid-In Capital."

Philip Morris gave schedules on "Inventories," "Long-Term Liabilities," and "Capital Shares."

Union Oil Company of California presented the following supplementary schedules: "Properties; Depletion, Depreciation, and Related Charges," "Other Assets," "Long-Term Commitments," "Capital Shares," "Other Revenues," and "Taxes on Properties, Operations, and Earnings."

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORTS

In the annual reports for 1960, there were 1,192 statements, summaries, and highlights, not covered by auditors' reports, presented by 522 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 1960, as in prior years, the greatest number of such presentations consisted of summaries, usually titled "Highlights," "Year in Review," "Results in Brief," or "Operations at a Glance." Such summaries vary considerably as to content, but generally include earnings per share 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

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

Type of Presentation*	1960	1959	1955	1950
A: Summary—Financial and operating data	363	364	243	140
Summary—Balance sheet data	8	8	63	29
Summary—Operating data	41	50	102	76
B: Highlights	331	323	320	200
Year in review—Results in brief	92	83	35	30
Operations at a glance	23	19	14	13
C: Statement of working capital; changes in working capital and source and application of funds	178	171	103	103
D: Condensed balance sheet	42	50	71	61
Condensed income statement	50	54	69	65
Various other condensed statements	7	8	16	6
E: Simplified balance sheet	8	11	14	26
Simplified income statement	18	20	21	40
F: Employee bonus or retirement funds	7	7	5	2
G: Subsidiary balance sheet	11	8	11	6
Subsidiary income statement	9	6	3	3
H: Cash receipts and disbursements	—	—	2	6
I: Detailed balance sheet	1	2	5	6
Detailed income statement	1	2	3	6
Various other detailed statements	2	2	—	4
Total	1192	1188	1100	822

	Total Companies Represented in Statement								Number of Companies With:		
Year	Type A	Type B	Type C	Type D	Type E	Type F	Type G	Types H-I	Statements, summaries, highlights	No statements, summaries, highlights	Total Companies
1960:	401	435	172	80	23	4	15	3	522	78	600
1959:	418	424	169	93	28	7	11	6	523	77	600
1955:	213	366	103	82	26	5	12	8	495	105	600
1950:	205	249	95	82	51	2	6	16	404	196	600

	Comparative Presentation of Statements, Summaries, Highlights											
Year	2 Yrs.	3-4 Yrs.	5 Yrs.	6-9 Yrs.	10 Yrs.	11-15 Yrs.	16-20 Yrs.	21-30 Yrs.	30+ Yrs.	Total	Not Comparative	Grand Total
1960:	477	47	99	23	329	22	13	20	9	1039	153	1192
1959:	467	41	104	32	321	24	26	16	6	1037	151	1188
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. 9, 19, 105, 205, 267, 277, 313, 376, 425, 525, 561; B: Co. Nos. 48, 89, 127, 162, 164, 225, 280, 326, 363, 396, 417, 471, 506, 553; C: Co. Nos. 32, 50, 72, 82, 144, 164, 205, 309, 440, 450, 590; D: Co. Nos. 1, 33, 87, 121, 129, 167, 197, 252, 394, 460, 538, 545; E: Co. Nos. 92, 110, 135, 203, 205, 289, 316, 393, 396, 427, 524, 580; F: Co. Nos. 75, 203, 310, 367, 417, 497, 569; G: Co. Nos. 32, 88, 104, 121, 324, 394, 396; I: Co. Nos. 417, 551, 590.

indicative of the actual content. Therefore, all such statements have been grouped under a single caption in Table 19.

Exhibits—Supplementary Statements and Schedules Not Covered by Auditors' Reports

Listed below are illustrative examples of statements and schedules not covered by auditors' reports which have been taken from the annual stockholders' reports for 1960. (For page numbers refer to Index to Exhibits preceding the Subject Index at the end of the book.)

1. *Investment in Foreign Subsidiaries and Branches* (The National Cash Register Company). This statement presents in columnar form the assets, liabilities, and the net investment for balance sheet purposes according to geographic locations.

2. *Highlights* (Abbott Laboratories and International Shoe Company). These summaries are presented as part of the complete set of financial statements of these companies which are reproduced at the end of this section.

3. *Source and Application of Funds* (Aluminum Company of America). This statement is presented in comparative form and indicates the increase or decrease in working capital.

4. *Working Capital* (Fruehauf Trailer Company). This statement in comparative form analyzes the changes in working capital for the years under review.

5. *Simplified Statements* (Leesona Corporation). Balance Sheet and Income Statement are separately presented. (Blue Bell Inc.) presented a Summary of Operations in simplified form.

6. *Graphic Chart* (Blue Bell Inc.). This dollar chart is presented as a companion piece to the Summary of Operations referred to above.

For additional references to the various types of statements, summaries, and highlights, not covered by auditors' reports, presented by the 600 survey companies in 1960 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. Of the 600 survey companies 200 presented 281 such supplementary schedules in their 1960 reports, as compared with presentation of 309 schedules by 214 companies in 1959.

The types of supplementary schedules most frequently used in the 1960 reports were those relating to: the distribution of the sales (or income) dollar; sales; earnings and dividends; fixed assets and depreciation; foreign operations and stock ownership. Of the 281 schedules presented in the 1960 reports 150 were not comparative, 63 were comparative for 2 years, 12 showed a 5-year range, and the remaining 56 schedules were comparative for varying other periods. The terminology, form, and content of these schedules vary so greatly that statistical comparisons with prior years are not presented. For typical examples of presentation, the following references are provided:

Nature of Data

Distribution of sales dollar (*Co. Nos. 84, 104, 135, 180, 206, 256, 273, 289, 295)
Distribution of income dollar (*Co. Nos. 8, 49, 67, 191, 230, 276, 336, 492)
Distribution of sales or income dollar (charts) (*Co. Nos. 12, 169, 226, 320, 482, 531)
Sales (*Co. Nos. 44, 92, 134, 231, 330, 504)
Earnings and dividends (*Co. Nos. 105, 145, 250, 260, 372, 434)
Fixed assets and/or depreciation (*Co. Nos. 142, 252, 305, 493, 599)
Foreign operations (*Co. Nos. 37, 150, 564)
Stock ownership (*Co. Nos. 33, 122, 209, 383, 421, 569)
Taxes (*Co. Nos. 64, 215, 247, 376)
Employment costs (*Co. Nos. 62, 171, 252, 417, 520)
Effect of price level changes (*Co. No. 287)

*Refer to Company Appendix Section.

INTERNATIONAL SHOE COMPANY

1960 HIGHLIGHTS:

Fiscal Years Ended November 30	1960	1959
Net Sales	$296,470,457	$283,260,920
Income before Federal and Canadian Taxes	18,855,163	19,399,866
Federal and Canadian Taxes on Income	10,101,060	10,131,769
*Net Income	8,867,157	9,207,069
Dividends Paid	6,112,660	6,050,185
Net Income per share	2.61	2.71
Dividends per share	1.80	1.80
Net Working Capital	119,868,907	100,326,525
Net Working Capital per share	35.28	29.55
Net Worth	110,765,953	107,916,256
Net Worth per share	32.60	31.78
Number of Stockholders	19,008	18,508
Number of Employees	34,000	33,500

*After adjustment for minority interests.

INTERNATIONAL SHOE COMPANY

Consolidated Financial Position

November 30,	1960	1959
Current assets:		
Cash	$ 10,977,856	$ 9,191,805
United States Government securities, at cost	656,371	760,000
Receivables—trade and sundry, less allowance for cash discounts and doubtful accounts	53,598,067	52,417,711
Inventories (note 2)	83,384,701	80,198,399
Prepaid insurance premiums, taxes, and sundry	781,026	679,909
Total current assets	149,398,021	143,247,824
Less—current liabilities:		
Notes payable to banks	720,000	11,144,950
Current maturities of long-term debt	1,755,250	1,755,250
Accounts payable and accrued expenses	19,114,335	20,723,392
Employees' balances and tax withholdings	1,339,615	1,467,594
Federal and Canadian taxes on income	6,599,914	7,830,113
Total current liabilities	29,529,114	42,921,299
Net working capital	119,868,907	100,326,525
Physical properties—based on appraisal April 30, 1925, plus subsequent additions at cost, less accumulated depreciation (note 3)	40,538,083	38,587,982
Customers' secured loans, deferred maturities	6,688,409	7,409,966
Excess of investment over equity in subsidiaries, net	1,304,580	1,153,940
Employees' notes receivable for stock, secured by 54,851 shares (58,544 shares in 1959) of parent company's common stock	1,117,250	1,294,296
Sundry investments and deferred charges	1,228,545	946,944
	170,745,774	149,719,653
Deduct:		
Long-term debt, less current maturities (note 4)	58,585,250	40,350,500
Minority interests in subsidiaries	1,394,571	1,452,897
	59,979,821	41,803,397
STOCKHOLDERS' EQUITY	$110,765,953	$107,916,256
Represented by:		
Common stock without nominal or par value: Authorized 4,000,000 shares; issued 3,400,000 shares	51,000,000	51,000,000
Capital in excess of stated amount; (the decrease in 1960 arose through a transaction in treasury stock)	1,023,957	1,037,123
Retained earnings (note 5)	58,814,897	56,060,400
	110,838,854	108,097,523
Less common stock in treasury, 1,978 shares (4,778 shares in 1959), at cost	72,901	181,267
Stockholders' equity applicable to common stock outstanding, 3,398,022 shares (3,395,222 shares in 1959)	$110,765,953	$107,916,256

See accompanying notes to financial statements.

INTERNATIONAL SHOE COMPANY

Consolidated Income and Retained Earnings

Years Ended November 30,	1960	1959
Sales and other income:		
Net sales	$296,470,457	$283,260,920
Income from rentals and services	429,122	355,193
Interest and other income	868,989	892,768
	297,768,568	284,508,881
Deductions:		
Cost of sales, selling, general and administrative expenses (note 7)	275,948,422	262,942,648
Interest and amortization of expense on long-term debt	1,525,288	1,466,222
Other interest and sundry charges	1,439,695	700,145
	278,913,405	265,109,015
Income before Federal and Canadian taxes on income	18,855,163	19,399,866
Federal and Canadian taxes on income, estimated	10,101,060	10,131,769
	8,754,103	9,268,097
Proportion of net profit (loss) of subsidiaries applicable to minority interests	(113,054)	61,028
NET INCOME FOR YEAR APPLICABLE TO CAPITAL STOCK OF COMPANY	8,867,157	9,207,069
Retained earnings at beginning of year	56,060,400	52,903,516
	64,927,557	62,110,585
Dividends on common stock $1.80 per share each year	6,112,660	6,050,185
RETAINED EARNINGS AT END OF YEAR	$58,814,897	$56,060,400

See accompanying notes to financial statements.

INTERNATIONAL SHOE COMPANY

Notes to Financial Statements

NOVEMBER 30, 1960

(1) Principles of consolidation:

All subsidiaries (excluding one Australian subsidiary in which investment aggregates $121,365) with a 51% or greater ownership are included in the consolidated financial statements in accord with the established policy of the company. Operating results from acquisition date of newly acquired subsidiaries are included in consolidated income.

In so far as practicable, all intercompany accounts, transactions, and unrealized profit in inventories have been eliminated in consolidation.

(2) Inventories:

	1960	1959
Finished shoes	$49,305,574	$45,027,140
Shoes in process	2,414,293	2,784,069
Hides and leather	13,078,980	13,499,384
Miscellaneous materials on hand and in process	18,585,854	18,887,806
	$83,384,701	$80,198,399

Forty-six per cent of the inventories at current values are priced at cost, last-in, first-out (LIFO). The remainder of the inventories, including all miscellaneous materials and supplies, are priced at the lower of cost, first-in, first-out, or replacement market.

(3) Physical properties:

	1960	1959
Land	$ 3,966,372	$ 3,732,629
Buildings and structures	42,984,788	40,607,174
Machinery and equipment	43,320,626	41,004,278
Lasts, patterns and dies	1	1
	90,271,787	85,344,082
Less accumulated depreciation	49,733,704	46,756,100
	$40,538,083	$38,587,982

Properties of Twelfth-Delmar Realty Company (net balance November 30, 1960, $2,530,164) are pledged as collateral on mortgage notes payable to banks.

(4) Long-term debt, less current maturities:

	1960	1959
4⅝% promissory installment notes, due annually $1,875,000, 1970 through 1989 and balance in 1990	$50,000,000	—
3½% promissory installment notes, due annually $1,125,000, 1962 through 1981 and balance in 1982 (replaced in 1960 with 4⅝% notes)	—	$30,000,000
3⅛% promissory installment note, payable $1,500,000 annually 1962 through 1965	6,000,000	7,500,000
Mortgage notes payable, an obligation of Twelfth-Delmar Realty Company; payable $10,000 monthly, and balance December 1, 1963	$ 1,450,000	$ 1,570,000
5½% sinking fund debentures, obligations of Savage Shoes Limited:		
Series A, annual sinking fund requirements $48,750 to 1961 and $52,500 thereafter	311,250	360,000
Series B, annual sinking fund requirements $16,500 to 1966 and $17,000 thereafter	184,000	200,500
Installment bank loan, an obligation of Savage Shoes Limited, payable $80,000 annually 1961 through 1968. Interest at daily commercial rates, 5¾% each year	640,000	720,000
	$58,585,250	$40,350,500

(5) Retained earnings restrictions:

Retained earnings of $43,810,400 at November 30, 1960 are restricted as to payment of cash dividends on common stock by the 4⅝% promissory note agreement. The note agreement also provides that no payment be made for dividends unless consolidated net working capital shall be at least $80,000,000.

(6) Common stock subject to options:

At the beginning of the year options to acquire 122,090 shares were outstanding. During the year options to acquire 5,700 shares, which were due to expire April 21, 1964 were cancelled and options to acquire 5,500 shares, under the same plan and expiration date, were granted to other employees. Also options for 300, 1,000 and 1,000 shares expiring respectively December 26, 1960, September 9, 1962 and July 21, 1964 were cancelled, and options to purchase 2,000 shares being 1,000 shares each to two new employees were granted as a part of their employment arrangement. No options were exercised. At November 30, 1960, options were outstanding to acquire 5,240 shares at $39½ (expire 1962) and 116,350 shares at $34½ (expire 1964).

(7) Certain charges to operations:

	1960	1959
Depreciation of physical properties	$3,809,670	$3,567,387
Maintenance and repairs	5,358,362	5,006,911
Taxes other than income taxes	6,685,181	5,723,350
Rentals of real property	4,536,966	3,630,140
Rentals of shoe machinery	2,286,358	2,228,963
Rentals of leased departments	2,616,208	1,598,997

ABBOTT LABORATORIES

ANNUAL REPORT 1960

Highlights of the Year

	MILLIONS OF DOLLARS		
	1960	*1959*	*1958*
Net sales	$126.0	$122.6	$116.6
Earnings before taxes	22.3	24.3	24.6
Income taxes—estimated	9.9	11.3	11.7
Earnings after taxes	12.4	13.0	12.9
Dividends declared (common & preferred)	7.6	7.5	7.5
Earnings retained in business	4.8	5.5	5.4
Net additions to property, plant, & equipment	9.5	10.3	8.5
Working capital	40.3	39.9	38.0
Properties—net	55.5	49.5	42.2
Shareholders' investment	99.6	94.5	88.1
Per common share—earnings	$ 3.16	$ 3.32	$ 3.32
dividends declared	$ 1.90	$ 1.90	$ 1.90
Number of employees	8,889	8,688	8,491
Number of shareholders—common	17,014	16,907	16,548
preferred	1,379	1,389	1,509

ABBOTT LABORATORIES AND SUBSIDIARIES

FINANCIAL REVIEW

Consolidated Income Statement

	Year Ended December 31 1960	1959
Net sales	$125,968,004	$122,602,227
Other income	1,050,922	716,116
	$127,018,926	$123,318,343
Deductions from income:		
Cost of products sold	$ 51,652,050	$ 49,696,516
Selling, administrative, and general expenses	49,996,823	46,556,164
Contribution to employees' retirement program	1,862,722	1,828,992
Miscellaneous	1,159,012	922,362
	$104,670,607	$ 99,004,034
INCOME BEFORE INCOME TAXES	$ 22,348,319	$ 24,314,309
Taxes on income—estimated	9,963,000	11,325,000
NET INCOME	$ 12,385,319	$ 12,989,309
NET INCOME PER SHARE OF COMMON STOCK	$3.16	$3.32

Consolidated Earnings Employed in the Business

	1960	1959
Balance at beginning of year	$ 58,184,592	$ 52,733,481
Add net income for the year	12,385,319	12,989,309
	$ 70,569,911	$ 65,722,790
Deduct cash dividends declared:		
On Preferred Stock—$4.00 per share	$ 301,133	$ 319,417
On Common Stock—$1.90 per share	7,255,611	7,218,781
	$ 7,556,744	$ 7,538,198
BALANCE AT END OF YEAR	$ 63,013,167	$ 58,184,592

See notes to financial statements.

ABBOTT LABORATORIES AND SUBSIDIARIES

Consolidated Balance Sheet

Assets		December 31 1960	1959
Current Assets:	Cash	$ 7,725,464	$ 7,643,184
	United States Government and other marketable securities—at cost (approximately market)	9,022,948	11,085,683
	Accounts receivable—less allowance of $587,271 for doubtful accounts (1959—$510,383)	26,799,124	24,619,477
	Inventories—at lower of cost (first-in, first-out method) or market:		
	In United States:		
	Finished products	$ 7,441,348	$ 7,349,133
	Work in process	3,132,301	2,952,343
	Materials and supplies	8,266,332	8,217,223
	At foreign locations	9,612,081	8,238,171
		$ 28,452,062	$ 26,756,870
	TOTAL CURRENT ASSETS	$ 71,999,598	$ 70,105,214
Other Assets:	Sundry receivables and investments	$ 841,582	$ 865,708
	Notes and accounts receivable from employees	2,342,361	2,595,003
	Supplies and prepaid expenses	3,647,899	3,501,357
	TOTAL OTHER ASSETS	$ 6,831,842	$ 6,962,068
Property, Plant and Equipment —on the basis of cost:	Land	$ 3,490,813	$ 2,904,726
	Buildings	38,095,389	34,070,900
	Equipment	37,953,725	33,839,801
		$ 79,539,927	$ 70,815,427
	Less allowances for depreciation	24,064,452	21,341,419
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	$ 55,475,475	$ 49,474,008
	TOTAL ASSETS	$134,306,915	$126,541,290

See notes to financial statements.

FINANCIAL REVIEW

Liabilities and Stockholders' Investment

		December 31 1960	1959
Current Liabilities:	Borrowings by foreign subsidiaries and branches	$ 4,942,618	$ 3,968,632
	Accounts payable	8,271,350	8,485,499
	Accrued expenses	4,243,298	3,863,784
	Dividends payable	2,176,983	2,173,115
	Payroll savings plan	5,087,376	4,976,851
	Taxes on income—estimated	6,995,632	6,754,091
	TOTAL CURRENT LIABILITIES	$ 31,717,257	$ 30,221,972
Long-Term Borrowings:	Borrowings by foreign subsidiaries and branches—payable at various dates to 1967	$ 2,959,188	$ 1,795,931
Stockholders' Investment Notes B and C:	Preferred Stock, 4% cumulative—$100 par value:		
	Authorized and issued—95,673 shares at December 31, 1960		
	Outstanding:		
	74,833 shares	$ 7,483,300	
	75,542 shares		$ 7,554,200
	Common Stock—$5 par value:		
	Authorized 5,000,000 shares		
	Outstanding—at stated capital amount:		
	3,822,141 shares	29,134,003	
	3,813,815 shares		28,784,595
	Earnings employed in the business	63,013,167	58,184,592
	TOTAL STOCKHOLDERS' INVESTMENT	$ 99,630,470	$ 94,523,387
	TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	$134,306,915	$126,541,290

FINANCIAL REVIEW

Notes to Financial Statements

ABBOTT LABORATORIES AND SUBSIDIARIES

December 31, 1960

Note A—Subsidiary and Branch Data:

All subsidiaries of the Company are wholly owned and in accordance with the practice consistently followed, their accounts are included in the consolidated financial statements. The accounts of foreign subsidiaries and branches have been translated into United States dollars as follows: net assets at rates in effect December 31, 1960, except property, plant, and equipment stated at rates in effect in the year of acquisition; accounts in the income statement at average rates for the applicable year. The resultant exchange adjustments have been included in the statement of consolidated income.

The transfer of funds from certain foreign subsidiaries and branches is subject to the availability of dollar exchange and to restrictive regulations of the respective governments. The accounts of foreign subsidiaries and branches reflected in the consolidated balance sheet of the Company and its subsidiaries are set forth in the following summary:

Note B—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, 1960, 162,660 shares of Common Stock were reserved for such conversion. The preferred shares are redeemable at the option of the Company at $105.00 per share. 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 20,840 shares at December 31, 1960.

Note C—Stock Option Incentive Plan:

The Company has a stock option incentive plan under which options may be granted to certain key employees to purchase a maximum of 200,000 shares of Common Stock at prices not less than 95% of the fair market value at the time the options are granted. During the year 1960, options were granted to purchase 30,365 shares and options were exercised for 7,973 shares. At December 31, 1960, there were options outstanding for 127,846 shares at prices ranging from $36.50 to $67.50 per share and there were 7,959 shares unoptioned.

	Total Assets	*Current Assets*	*Liabilities*	*Net Assets*
South America	$19,391,746	$ 9,412,021	$ 6,353,464	$13,038,282
Central America, West Indies, and Mexico	2,554,485	2,172,290	298,030	2,256,455
Canada	4,139,489	2,665,640	685,970	3,453,519
Pound sterling countries	9,710,413	6,159,946	4,432,070	5,278,343
Other countries	5,868,612	3,876,808	2,896,851	2,971,761
TOTAL—*1960*	$41,664,745	$24,286,705	$14,666,385	$26,998,360
TOTAL—*1959*	$34,575,767	$21,036,690	$12,098,327	$22,477,440

CASH

The balance sheets of the 1960 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 549 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 23 companies in 1960 as against 102 in 1951. Details provided by the remaining 28 companies are set forth in Table 1.

TABLE 1: CASH—CURRENT ASSETS

Balance Sheet Description	1960	1955	1951
Cash (*Co. Nos. 423, 427, 430, 432, 459, 465)	549	505	435
Cash in banks and on hand (*Co. Nos. 11, 60, 212, 339, 408, 511)	23	57	102
Cash on hand and demand deposits (*Co. Nos. 51, 79, 241, 276, 443, 467)	6	14	26
Demand deposits in banks and cash on hand (*Co. Nos. 33, 246)	2	8	19
Cash and demand deposits (*Co. No. 527)	1	2	1
Cash including time deposits (*Co. Nos. 91, 93, 102)	3	1	1
Cash including time certificate of deposit and accrued interest (*Co. No. 424)	1	1	1
Cash and marketable securities (*Co. Nos. 126, 515, 530)	3	—	1
Cash in banks and offices	—	1	1
Cash and short term notes or securities (*Co. Nos. 166, 285, 321)	3	—	—
Cash in banks, on hand, and in transit	—	1	3
Cash on deposit, in transit, and on hand (*Co. Nos. 425, 496)	2	2	—
Cash on hand and on deposit (*Co. Nos. 10, 67, 99)	3	1	4
Bank balances and cash funds (*Co. No. 256)	1	2	2
Cash and United States Government securities (*Co. Nos. 236, 381, 489)	3	—	—
Various other	—	5	4
Total	600	600	600

*Refer to Company Appendix Section.

SEGREGATIONS OF CASH AND/OR SECURITIES

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, payment 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 and/or security items were segregated, excluded from, or offset within the balance sheet. This table indicates the nature of the cash restriction or segregation and provides complete references to the related companies.

The different purposes for which cash and/or securities were 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 security segregations as disclosed in the 1960 annual reports.

Plant Expansion, Etc.

AMERICAN-SAINT GOBAIN CORPORATION
Noncurrent Assets:
Construction Fund for Plate Glass Plant
Cash and U. S. Government Securities at cost and accrued interest (approximately market) $10,176,178

THE B. F. GOODRICH COMPANY
Noncurrent Assets:
Marketable Securities Held for Plant Expansion, at Cost $20,000,000

TABLE 2: SEGREGATION OF CASH AND/OR SECURITIES

Purpose and Balance Sheet Presentation	Current Asset	Noncurrent Asset	1960 Total
Plant expansion, improvement, or replacement funds (*Co. Nos. 43, 126, 153, 177, 178, 265, 275, 342, 469, 558, 569)	1	10	11
Insurance, workmen's compensation or pension funds (*Co. Nos. 28, 48, 173, 250, 274, 351)	—	6	6
Preferred stock retirement or redemption (*Co. Nos. 170, 425, 449)	—	3	3
Restricted to performance under contracts (*Co. Nos. 262, 266, 272)	2	1	3
Foreign currency deposits (*Co. Nos. 252, 344)	—	2	2
Security under leases (*Co. Nos. 144, 374)	—	2	2
Funds held by trustee (*Co. No. 355)	1	—	1
Customers' funds (*Co. Nos. 237, 446)	—	2	2
Working or other funds (*Co. Nos. 354, 555)	1	1	2
Acquisition of subsidiaries (*Co. Nos. 91, 136, 321)	1	2	3
Total	6	29	35

Number of Companies with:	1960	1959	1955
Cash segregated in noncurrent assets	21	19	39
Cash segregated in current assets	6	6	9
Cash excluded from the balance sheet (*Co. Nos. 273, 443, 482)	3	4	6
Cash offsetting a liability account (*Co. No. 78)	1	1	4
Securities segregated in current and noncurrent assets (*Co. Nos. 28, 144, 237, 265, 374, 569)	8	8	6
Both cash and/or securities segregated in current and noncurrent assets (*Co. Nos. 222, 310)	2	1	—
Total	41	39	64
No reference to cash segregation or exclusion	559	561	536
Total	600	600	600

*Refer to Company Appendix Section.

UNITED ENGINEERING AND FOUNDRY COMPANY
Noncurrent Assets:
Cash allocated for construction program . . $2,901,065

UNITED STATES STEEL CORPORATION
Noncurrent Assets:
United States Government securities set aside for property additions and replacements . . . $300,000,000

Insurance Funds, Etc.

AMERICAN CHICLE COMPANY
Noncurrent Assets:
Securities Deposited with Workmen's Compensation Board . . . $123,524

AMERICAN SUGAR REFINING COMPANY
Noncurrent Assets:

Pension Fund	
Cash	$ 51,329
U.S. Government, state and municipal bonds, at lower of cost or market	4,796,226
Company's own preferred stock, 20,000 shares, at cost	632,650
	$5,480,205

Noncurrent Liabilities:
Pension Fund Reserve . . . $5,480,205

GULF OIL CORPORATION
Noncurrent Assets:

Investments and Long-Term Receivables	
Union Oil Company of California debentures, at cost	$120,000,000
Other investments and long-term receivables, at cost, less allowance for losses	
Subsidiary companies not consolidated	43,577,249
Associated and other companies (50% or less owned)	62,933,233
Deposits, sundry investments, and long-term receivables	93,187,636
Total Investments and Long-Term Receivables	$319,698,118

Notes to Financial Statements

Deposits, sundry investments, and long-term receivables include cash deposits equivalent to the estimated restricted earnings of a pipeline subsidiary—$8,790,111, and the cost of 678,875 shares of the Corporation's capital stock held in connection with the Incentive Compensation Plan and for other corporate purposes—$21,395,690.

LONE STAR CEMENT CORPORATION
Noncurrent Assets:

Special Funds and Other Investments	
Self-insurance funds—cash and investments	$2,844,458
Other investments	100,585
	$2,945,043

Noncurrent Liabilities:

Non-Current Accounts with Foreign Subsidiaries	
Self-insurance deposit	$ 100,872
Other	89,507
	190,379
Reserves	
Contingent management compensation	470,433
Self-insurance	2,743,586
	$3,214,019

Preferred Stock Redemption

H. K. PORTER COMPANY, INC.
Noncurrent Assets:
Other Assets:
Preferred stock sinking fund . . . $520,539

PENN FRUIT CO., INC.
Noncurrent Assets:

Investments and Other Assets:	
Loans secured by mortgages on leased premises	$ 80,000
Cash surrender value of insurance on life of officer	48,849
Cash balances held in sinking, purchase and conversion funds for Preferred stocks	6,560
Investments in and advances to affiliated and associated companies—at cost	3,476,155
Deposit under purchase agreement	—
	$3,611,564

Various Purposes

CHAMPION PAPER AND FIBRE COMPANY
Other Assets:

Special cash deposit (Note 3)	$4,000,000

Note 3: At March 31, 1960, the Company had an aggregate direct and indirect investment of $13,286,907 in Champion Celulose S. A. (formerly, Panamericana Textil S. A.), a Brazilian company which recently commenced operation of a newly-constructed pulp mill. The Company owns indirectly 50% of the voting securities of the Brazilian company and controls the voting power of an additional 21.5%. Further, under an agreement dated October 23, 1958 (as extended), the Company is obligated to purchase at a cost of $4,000,000, or find purchasers for, on or before August 25, 1960, additional voting securities of Champion Celulose S. A. representing approximately 26.5% of the total voting interest; the Company has deposited $4,000,000 pursuant to this agreement.

JOY MANUFACTURING COMPANY
Noncurrent Assets:

Investments and Advances at Cost:	
Unconsolidated foreign subsidiaries	$4,713,179
Cash reserved for investment in foreign subsidiary, acquired October 3, 1960	1,799,262
Other	1,357,050
	$7,869,491

UNITED AIRCRAFT CORPORATION

Noncurrent Assets:	
Cash in Special Deposit Accounts, per contra	$5,959,973
Noncurrent Liabilities:	
Employee Payroll Deductions (federal taxes and savings bonds), per contra	$5,959,973

CITY STORES COMPANY
Noncurrent Assets:

Investments and Other Assets:	
U.S. Government securities deposited as security under leases	$275,693

FREEPORT SULPHUR COMPANY

Noncurrent Assets:	
Marketable securities segregated from current assets—equivalent to unliquidated balance of forward sale of proceeds from future sulphur production	$50,000,000
Deferred Credits:	
Deferred credit arising from forward sale of proceeds from future sulphur production which will be reflected in income as production is marketed (Note 6)	$50,000,000

Note 6: In December 1960, the Company made a forward sale of a portion of the proceeds from future sulphur production in the amount of $50,000,000. Under this arrangement, the purchaser is entitled to a portion of the proceeds from the sale of future production at certain of the Company's principal sulphur properties. It is estimated that in the course of normal operations this amount, which bears interest at 5¼% per annum, will be liquidated in approximately two years. The sale and related costs and expenses will be reported as the sulphur is marketed.

GENERAL MOTORS CORPORATION
Noncurrent Assets:

Investments and Miscellaneous Assets	
Cash in certain foreign countries in excess of operating needs	$89,200

CASH ADVANCES

Of the 600 survey companies, 75 disclosed cash advances in their 1960 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.

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

AMERICAN CHICLE COMPANY
Current Assets:

Cash	$ 4,475,413
United States and British Government securities—at cost	16,127,060
Accounts receivable—trade, less reserve, 1960—$265,035	3,753,816
Interest and other receivables	612,826
Inventories (Note A)	14,659,291
Advances—chicle purchases	111,865
Total Current Assets	$39,740,271

AMERICAN METAL CLIMAX, INC.
Current Assets:

Cash	$ 9,958,454
Government obligations at cost, approximately equivalent to market:	
United States Government and Government agencies	43,777,046
United Kingdom and Canada	7,651,073
State governments	—
Time deposits and prime commercial paper	20,352,246
Accounts receivable	33,363,911
Inventories	61,595,948
Advances against ores and smelting materials	2,017,208
Prepaid expenses and other current assets	1,473,933
Total current assets	$180,189,819

ANDERSON, CLAYTON & CO.
Current Assets:

Crop loans and accrued interest, less allowances	$65,104,803

TABLE 3: CASH ADVANCES

Balance Sheet Description*	Current Asset	Noncurrent Asset	1960 Total
A: Advances to outside growers, packers, planters, producers	6	3	9
B: Advances to suppliers and subcontractors	3	1	4
C: Advances on purchase commitments for raw materials	9	3	12
D: Advances on purchase contracts	2	—	2
E: Advances on construction or purchase of fixed assets	1	1	2
F: Advances for leasehold improvements	1	1	2
G: Advances to employees for selling, travel, and other expenses	1	1	2
H: Advances—loans to employees	—	3	3
I: Advances to sales agents or vendors	—	1	1
J: Advances to joint venture or logging operations	3	—	3
K: Advances to customers	—	2	2
L: "Advances"—not identified	9	28	37
Total	35	44	79
Number of Companies showing:			
Advances in current assets			33
Advances in current and noncurrent assets			2
Advances in noncurrent assets			40
Total			75
No reference to advances			525
Total			600

*Refer to Company Appendix Section—
A: Co. Nos. 57, 120, 161, 251, 418, 527
B: Co. Nos. 183, 252, 360, 361
C: Co. Nos. 10, 28, 196, 299, 482
D: Co. Nos. 37, 154
E: Co. Nos. 193, 425
F: Co. Nos. 47, 102
G: Co. Nos. 92, 583
H: Co. Nos. 250, 343, 526
I: Co. No. 250
J: Co. Nos. 66, 219, 461
K: Co. Nos. 267, 369
L: Co. Nos. 129, 189, 205, 243, 318, 549.

DECCA RECORDS, INC.
Current Assets:

Cash	$ 7,669,469
Accounts and notes receivable, less provided for losses	11,032,579
Advances, other accounts and notes receivable	2,302,277
Inventories	36,017,271
Prepaid expenses	525,064
Total current assets	$57,546,660

EVANS PRODUCTS COMPANY
Current Assets:

Prepayments on timber-cutting contracts and advances to logging contractors	$315,217

MASONITE CORPORATION
Current Assets:

Receivables—	
Customers and agents	$ 8,115,308
Advances to wood contractors—secured by mortgages on wood and equipment	2,096,279
Miscellaneous	414,651
	$10,626,238
Less—Reserves for allowances and doubtful accounts	330,352
	$10,295,886

PENN FRUIT CO., INC.
Current Assets:

Cash on hand, in transit and demand deposits	$6,721,235
United States Treasury Notes	285,247
Reimbursable advances for construction	223,560

WALWORTH COMPANY
Current Assets:

Receivables:	
Accounts receivable, customers	$6,822,127
Federal income tax recoverable under carry-back provisions	1,071,000
Other receivables	371,288
Travel funds and sundry advances to employees	77,883
	$8,342,298
Less allowance for doubtful receivables	260,000
Total receivables less allowance	$8,082,298

Noncurrent Assets

DIANA STORES CORPORATION
Other Assets:

Advances on construction in progress	$49,249

GENERAL ANILINE & FILM CORPORATION
Prepaid Expenses and Miscellaneous Investments:

Prepaid expenses and deferred charges	$1,437,038
Marketable securities, at the lower of cost or market	426,132
Other investments and advances	32,551
	$1,895,721

STEWART-WARNER CORPORATION
Investments and Advances:

Notes and capital stock of distributors	$ 807,378
Due from officers and employees (40,881 shares of company's stock held as collateral)	422,107
Other	476,711
	$1,706,196

UNITED FRUIT COMPANY
Noncurrent Assets:

Planters' Loans and Other Loans and Receivables, less allowance for possible losses (1960—$3,444,614)	$12,441,636

GENERAL ELECTRIC COMPANY
Other Assets:

Noncurrent receivables, less reserve	$ 64,417,887
Equipment leased to others—net	19,972,871
Advances to vendors and distributors	19,657,372
Funds for employee benefit plans—per contra in Other Liabilities	19,567,759
Deferred charges, less reserve	17,080,646
Loans and advances to employees	4,179,203
All other	20,254,662
	$165,130,400

GENERAL MOTORS CORPORATION
Miscellaneous Assets:

Loans and advances to and preferred stock of steel suppliers	$47,463,959

McKESSON & ROBBINS, INCORPORATED
Other Assets:

Accounts and notes receivable and advances to customers	$1,707,662
Miscellaneous	3,538,438
	5,246,100
Less: Reserves	1,226,458
	4,019,642
Liquor inventory, per contra	2,226,470
Due from officers and employees	75,838
Trade and miscellaneous investments	692,263
	$7,014,213

Cash Deposits

Deposits of cash or securities for specific purposes were segregated in the balance sheets of 86 of the 600 survey companies. The presentations and descriptions of these deposits are summarized in Table 4. Of the 98 presentations only 16 appeared as current assets.

The following examples illustrate some of the presentations in the annual reports for 1960:

TABLE 4: DEPOSITS—CASH AND SECURITIES

Balance Sheet Description	Current Asset	Noncurrent Asset	1960 Total
Deposit for "insurance" (*Co. Nos. 15, 27, 125, 446, 477, 485)	1	13	14
Deposit with mutual insurance company (*Co. Nos. 212, 302, 405, 460, 561)	—	5	5
Deposit with insurance company (*Co. Nos. 78, 247)	1	1	2
Deposit with "public agencies" (*Co. Nos. 28, 162, 217, 247, 467)	—	5	5
Deposit with "escrow agent" (*Co. Nos. 199, 233, 535)	1	2	3
Deposit with surety company (*Co. No. 18)	—	1	1
Deposit for preferred stock or bond retirement (*Co. No. 170)	—	1	1
Deposit for dividend payments (*Co. No. 154)	1	—	1
Deposit for fixed asset commitment (*Co. Nos. 4, 193, 418)	—	3	3
Deposit for purchase commitment (*Co. Nos. 131, 136, 219, 487)	2	2	4
Deposits with lessors (*Co. Nos. 144, 193, 302, 454, 535)	—	5	5
"Deposits"—not identified (*Co. Nos. 35, 182, 345, 417, 468, 576)	9	37	46
Other types of deposits (*Co. Nos. 25, 122, 173, 344, 461)	1	7	8
Total	16	82	98
Number of Companies with:			
Deposits in current assets			14
Deposits in current and noncurrent assets			2
Deposits in noncurrent assets			70
Total			86
No reference to deposits			514
Total			600

*Refer to Company Appendix Section.

Current Assets

BASIC INCORPORATED
Current Assets:

Prepaid insurance and insurance deposits	$212,844

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	$14,736,942
Other, including deposits on contract bids, etc.	517,003

SEABOARD ALLIED MILLING CORPORATION
Current Assets:

Margin deposits and advances on grain purchases	$597,086

Noncurrent Assets

AMERICAN BANK NOTE COMPANY
Other Assets:

Deposits on sales contracts	$163,000

CANADA DRY CORPORATION
Other Assets:

Deposits receivable from customers on returnable containers—estimated	$1,546,000

CONSOLIDATED LAUNDRIES CORPORATION
Investments and Other Assets:

United States and municipal bonds on deposit with State of New York Workmen's Compensation Board—at cost	$160,970
Other receivables	238,064
Total Investments and Other Assets	$399,034

GENERAL CABLE CORPORATION
Prepaid Expenses and Deferred Charges:

Prepaid insurance premiums and premium deposits with insurance companies	$ 658,368
Other	380,845
	$ 1,039,213
Other Investments at Cost:	
U.S. Government and municipal securities deposited under state labor and insurance laws	$ 266,818
General Telephone & Electronics Corporation Common stock	7,455,105
Other securities	2,545,924
(quoted market prices or fair value—$16,538,685	$10,267,847

RAYBESTOS-MANHATTAN, INC.
Sundry Receivables—Non-Current:

Deposits with mutual fire insurance company	$193,070
Notes and accounts receivable	202,230
Total sundry receivables—non-current	$395,300

SUPERIOR OIL COMPANY
Deferred Charges:

Lease and other escrow deposits	$425,940

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 1960 and 1955 in Table 5 according to the various bases of valuation.

The use of "cost" basis of valuation for marketable securities predominates. However, it may be noted that there is a trend toward supplementing the term "cost" with the phrase "stated as approximate market" or in other cases indicating that the market value is above cost. Of the total number of companies using the cost basis, over 50 per cent 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. In this connection it may be observed that marketable securities, when shown in the noncurrent asset sections of the balance sheet, are generally referred to as "investments" and are invariably valued at cost. Thirty-three companies listed marketable securities among the noncurrent assets (*Co. Nos. 4, 43, 61, 162, 180, 204, 454, 467).

Examples—Marketable Securities

The following examples, taken from the 1960 reports, show the valuation of marketable securities as presented in the current asset section of the balance sheets surveyed:

Cost—Market Value Not Stated

THE PURE OIL COMPANY
Current Assets:

U.S. and other government securities, at cost	$31,308,328

Cost—Stated as Approximate Market

CELANESE CORPORATION OF AMERICA
Current Assets:

U.S. Government securities, at cost, which approximates market	$9,709,160

Cost Plus Accrued Interest

COLUMBIA BROADCASTING SYSTEM, INC.
Current Assets:

United States Government securities, at cost and accrued interest	$182,194

Cost—Market Value Stated Below Cost

EASTMAN KODAK COMPANY
Current Assets:

Marketable securities at cost (market value $241,311,970)	$241,632,837

Cost—Market Value Stated Above Cost

EVERSHARP, INC.
Current Assets:

Marketable securities, at cost—quoted market $6,934,000 at December 31, 1960	$6,227,988

Cost Less Amortization or Reserves

BATES MANUFACTURING COMPANY
Current Assets:

U.S. Government securities—at cost, less allowance for decline in market value	$1,021,904

WESTINGHOUSE AIR BRAKE COMPANY
Current Assets:

Marketable securities—at cost less reserves (market value—$745,038)	$744,934

*Refer to Company Appendix Section.

TABLE 5: MARKETABLE SECURITIES—CURRENT ASSETS

Basis of Valuation	A: Govern-ment	B: Non-govern-ment	1960 Total	A: Govern-ment	B: Non-govern-ment	1955 Total
Cost—market value not stated (*Co. Nos. A: 5, 206, 409; B: 181, 343, 484)	56	45	101	81	28	109
Cost—stated as approximate market (*Co. Nos. A: 38, 296, 579; B: 267, 351, 536)	59	78	137	35	22	57
Cost plus accrued interest (*Co. Nos. A: 95, 322, 592; B: 63, 111, 289)	41	42	83	66	21	87
Cost—market value stated below cost (*Co. Nos. A: 25, 45, 508; B: 139, 208, 559)	12	12	24	24	15	39
Cost—market value stated above cost (*Co. Nos. A: 46, 524, 562; B: 62, 90, 370)	13	35	48	8	23	31
Cost less amortization or reserves (*Co. Nos. A: 80; B: 183, 384)	1	4	5	1	3	4
Amortized cost (*Co. Nos. A: 242, 493; B: 110, 356)	6	8	14	7	7	14
Cost or below cost (*Co. No. B: 446)	—	1	1	1	—	1
Less than cost	—	—	—	—	1	1
Cost—not in excess of market value (*Co. Nos. A: 396; B: 573)	1	3	4	1	1	2
Lower of cost or market (*Co. Nos. A: 307, 455; B: 463, 519)	6	11	17	6	7	13
Market value	—	—	—	2	1	3
Approximate market value (*Co. Nos. A: 304, 465; B: 7, 393)	4	7	11	6	2	8
Redemption value (*Co. Nos. A: 179; B: 468)	1	1	2	6	—	6
Face value (*Co. Nos. A: 368; B: 404)	1	1	2	2	—	2
Lower of cost or principal amount	—	—	—	1	1	2
	201	248	449	247	132	379
Basis of valuation not set forth (*Co. Nos. A: 177, 365, 439; B: 166, 337, 461)	23	17	40	61	17	78
Total	224	265	489	308	149	457
Number of Companies presenting:						
Government securities in current assets	112	—	112	216	—	216
Government and nongovernment securities in current assets	99	99	99	81	81	81
Nongovernment securities in current assets	—	138	138	—	59	59
Total	211	237	349	297	140	356
No marketable securities in current assets			251			244
Total			600			600

*Refer to Company Appendix Section.

Amortized Cost

KIMBERLY-CLARK CORPORATION
Current Assets:

United States and foreign government securities—at amortized cost (market valuation—$9,870,993)	$ 9,978,814
Other marketable securities—at amortized cost (market valuation—$28,743,149)	29,064,774

Cost or Below Cost

THE PITTSTON COMPANY
Current Assets:

Marketable securities—at cost or less (quoted value, $2,830,047)	$2,830,513

Cost, Not in Excess of Market

MONSANTO CHEMICAL COMPANY
Current Assets:

Marketable securities, at cost which is less than market	$75,110

Lower of Cost or Market

INTERNATIONAL HARVESTER COMPANY
Current Assets:

Marketable securities, at lower of cost or market	
United States Government short-term	$64,527,524
Other short-term securities	35,479,734

Approximate Market Value

REPUBLIC AVIATION CORPORATION
Current Assets:

United States Treasury bills, at approximate market	$3,098,683

Basis of Valuation Not Set Forth

THE BORDEN COMPANY
Current Assets:

United States Government Securities	$9,477,789

TRADE RECEIVABLES

The various types of accounts receivable shown in the current asset section of the balance sheets of the 600 survey companies are summarized in Table 6. Such trade receivables were shown as current assets and were most frequently described as "accounts receivable," "receivables," "notes and accounts receivable," "installment accounts receivable," or "notes receivable," all of which are generally understood to designate the aggregate amounts due from trade debtors. Certain companies segregated the receivables, showing them both in the current and in the noncurrent asset section. The noncurrent types are treated separately following this presentation.

The reports of 68 survey companies disclosed special features applicable to accounts receivable as follows:

Special Feature	No. of Companies
Assigned receivables (*Co. Nos. 114, 144, 302, 411, 541, 578)	13
Discounted (*Co. Nos. 6, 131, 142, 199, 249, 308)	8
Pledged (*Co. Nos. 21, 272, 300, 341, 355, 578)	10
Secured (*Co. Nos. 279, 280, 355, 441, 463, 483)	10
Contingent liability (*Co. Nos. 290, 420, 592)	3
Factored or hypothecated (*Co. No. 57)	2
Sold (*Co. Nos. 10, 69, 72, 115, 356, 489)	17
Various other (*Co. Nos. 9, 40, 103, 254, 571)	5
Total	68

*Refer to Company Appendix Section.

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1960	1955
Accounts receivable or receivables (*Co. Nos. 42, 124, 208, 237, 287, 353)	435	439
Accounts and notes receivable combined (*Co. Nos. 173, 177, 381, 396, 439, 482)	163	153
Notes receivable (*Co. Nos. 103, 127, 200, 441, 487, 578)	19	18
Installment accounts receivable (*Co. Nos. 114, 194, 213, 387, 400, 510)	23	14
Installment notes receivable (*Co. Nos. 15, 35, 82, 114, 238, 280)	8	4
Trade acceptances—bills—drafts (*Co. Nos. 26, 57, 414, 456, 473)	5	14
Employees—receivables (*Co. Nos. 245, 399, 424, 446, 463, 504, 587)	7	2
Deferred receivables (*Co. Nos. 40, 229, 260, 263)	4	5
Foreign receivables (*Co. Nos. 249, 321, 351)	3	2
Contracts receivable (*Co. Nos. 45, 66, 254, 314, 408, 508)	13	11
Trading exchange accounts (*Co. Nos. 57, 487)	2	4
Equity in installment accounts sold (*Co. Nos. 15, 269, 280, 356, 407, 587)	6	5
Joint venture accounts receivable (*Co. No. 66)	1	1
Claims receivable (*Co. Nos. 11, 221, 241, 269, 345, 469)	6	2
Accounts receivable—vendors, suppliers (*Co. Nos. 15, 69, 419, 424, 587)	5	6
Reimbursable expenditures (*Co. Nos. 249, 411, 503)	3	1
Customer balances on layaway merchandise sales (*Co. No. 193)	1	1
Rotating charge accounts (*Co. No. 15)	1	1
Receivable from factor for accounts receivable sold	—	2
Total	705	685
Number of Companies presenting		
Trade receivables in current assets	598	599
No trade receivables in current assets (*Co. Nos. 391, 443)	2	1
Total	600	600

*Refer to Company Appendix Section.

The following examples selected from the 1960 reports are illustrative of the various types of accounts receivable presentations:

Accounts Receivable or Receivables

CANNON MILLS COMPANY
Current Assets:

Cash	$29,361,449
Marketable securities (at lower of cost or quoted market value)	24,988,722
Accounts receivable (less reserves for doubtful accounts and discounts)	27,256,399

LUKENS STEEL COMPANY

Current Assets:

Cash	$5,613,368
Commercial paper, at cost	4,426,809
Receivables	5,887,463

Accounts and Notes Receivable

ALLIED MILLS, INC.

Current Assets:

Cash	$ 2,468,370.21
Accounts, drafts, and notes receivable	$12,068,566.83
Less Reserve for doubtful accounts	749,284.74
	$11,319,282.09

DRESSER INDUSTRIES, INC.

Current Assets:

Cash	$23,517,259
Trade receivables	
Notes and accrued interest	14,734,274
Accounts	39,727,603
	54,461,877
Less allowances for doubtful receivables	821,082
	$53,640,795

GENERAL BOX COMPANY

Current Assets:

Cash	$ 959,311
Accounts and notes receivable—	
Trade, less allowance for doubtful accounts of $34,524	1,468,018
Employees	47,916
Other	101,424

PRATT & LAMBERT, INC.

Current Assets:

Cash	$1,503,898
Marketable securities—at cost (approximately market)	200,076
Accounts and notes receivable (less reserves, $252,156)	2,782,562

Notes Receivable

J. I. CASE COMPANY

Current Assets:

Cash	$13,239,793
Notes and accounts receivable:	
Customers—	
Notes	6,230,437
Accounts	14,501,091
Estimated doubtful accounts	(1,000,000)
Sundry receivables	1,234,047

PEDEN IRON & STEEL CO.

Current Assets:

Cash	$1,358,377
Certificates of Deposit and Accrued Interest	75,652
Accounts Receivable—Customers	3,132,178
Notes Receivable—Customers	60,179
Allowance for Bad Debts	(374,363)

SEABOARD ALLIED MILLING CORPORATION

Current Assets:

Cash	$1,802,610
Notes receivable	253,643
Accounts receivable, trade, less reserve of $76,635	4,224,840
Receivable from sale of investment in Shopping Center, California	1,677,500

Installment Accounts Receivable

BEECH AIRCRAFT CORPORATION

Current Assets:

Installment receivables, less allowance for losses (installments not due within one year: 1960—$3,708,089)	$10,865,497
Accounts receivable—United States Government and prime contractors	5,773,288
Other accounts receivable, less allowance for losses	2,244,753

SNAP-ON TOOLS CORPORATION

Current Assets:

Accounts receivable	
Customers, less allowance for doubtful accounts	$1,692,329
Installment receivables (including amounts maturing after one year) less unearned finance charges and allowance for losses	1,364,462
Salesmen, dealers and branch managers	694,123
Affiliated companies	49,687
Other	34,160

Deferred Receivables

FEDERATED DEPARTMENT STORES, INC.

Current Assets:

Accounts receivable (See Page 13)		$120,025,500
Page 13:		
Due from customers:		
Thirty-day charge accounts		$ 53,457,699
Deferred payment accounts		109,320,899
Other accounts receivable		4,297,363
		$167,075,961
Less:		
Provision for possible future losses and deferred service charges	$ 7,762,986	
Accounts sold without recourse (less Company's equity therein of $4,569,874 at January 30, 1960)	39,287,475	
		$ 47,050,461
Net		$120,025,500

GOLDBLATT BROS., INC.

Current Assets:

Receivables—	
Trade (including approximately $1,500,000 at January 30, 1960, due after one year) less reserves of $3,645,117 and $3,166,581 at respective dates for doubtful accounts, deferred income taxes on installment sales and unearned carrying charges	$12,720,180
Other	211,654

GIMBEL BROTHERS, INC.

Current Assets:

Accounts receivable (See accompanying statement)		$76,679,150
Accounts Receivable		
Retail customers:		
Regular charge accounts	$41,241,098	
Deferred payment accounts	20,907,000	
Rotating charge and other accounts	15,790,970	
	$77,939,068	
Other accounts receivable	2,497,572	
	$80,436,640	
Less provision for doubtful accounts, etc.	3,757,490	
	$76,679,150	

Contracts Receivable

THE AMERICAN SHIP BUILDING COMPANY

Current Assets:

Receivables:	
Trade accounts	$1,712,659
Unbilled completed contracts and repair work	1,283,677
Other	361,281

FOOD MACHINERY AND CHEMICAL CORPORATION

Current Assets:

Customers' notes, contracts and accounts receivable, less allowance for doubtful receivables ($1,319,358 in 1960)	$49,606,483
Amounts receivable from U.S. Government	6,294,702
Sundry receivables	2,455,538

GENERAL BRONZE CORPORATION

Current Assets:

Accounts and contracts receivable, less allowance of $135,124 for doubtful accounts	$5,992,637
Unreimbursed costs and fees on CPFF contracts	608,644

IRON FIREMAN MANUFACTURING COMPANY

Current Assets:

Accounts receivable:	
Trade	$3,462,904
Contracts receivable on equipment installations	369,559
Allowance for doubtful accounts	(108,124)

Claims Receivable

THE GARRETT CORPORATION

Current Assets:

Trade accounts receivable (including due from U.S. Government 1960—$8,176,246) less allowance of $64,000 for doubtful accounts	$30,989,115
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts (including due from U.S. Government 1960—$550,921)	4,109,328
Claims arising from terminated contracts (including due from U.S. Government 1960—$18,232)	2,897,983

EX-CELL-O CORPORATION

Current Assets:

Accounts and notes receivable, less allowance for possible credit losses	$15,847,735
Other receivables and claims	659,136

Accounts Receivable Assigned

BRIGGS MANUFACTURING COMPANY

Current Assets:

Accounts receivable from customers and others, less allowance for doubtful accounts	$1,676,503

Notes to Financial Statements

. . . In addition, at December 31, 1960 the company owed the bank $250,000 on a 5% demand note secured by a general assignment of accounts receivable.

VANDERBILT TIRE & RUBBER CORPORATION

Current Assets:

Cash	$1,598,364
Accounts Receivable—Trade (Less Allowance for Losses)	
Assigned	$2,404,251
Unassigned	691,303
	$3,095,554
Inventories—At Lower of Cost or Market	
Finished Goods	$1,909,391
Raw Materials and Work in Process	93,533
	$2,002,924
Notes Receivable (Less Allowance for Losses) (Note 2)	$2,300,492
Less: Amounts Due After One Year	1,332,677
	$ 967,815

Note 2: Notes receivable in the amount of $1,164,116 are pledged as collateral to secure the $650,000 long-term note payable and $294,420 of notes payable to banks.

Accounts Receivable Pledged

GRUEN INDUSTRIES, INCORPORATED

Current Assets:

Notes and accounts receivable, trade, less allowance for doubtful notes and accounts	$2,187,485

Notes to Financial Statements

Note 2: Assets Pledged as Collateral—The following assets as of March 31, 1960 were pledged as security for the notes payable to banks and the long-term notes payable to banks under loan agreements:

	Amount
Cash in bank, in restricted account, pledged under seasonal credit loan	$ 45,603
Accounts and notes receivable:	
Under seasonal credit loan	855,451
Under loans of Canadian subsidiary	300,606
Property, plant and equipment under loans of Swiss subsidiary, net book value	622,750
Outstanding shares (pledged under collateral loan agreement) of certain subsidiaries which had net assets at March 31, 1960 aggregating $704,900.	

The terms of the collateral loan agreement require the maintenance of net current assets of the parent company (as defined) of at least $2,000,000.

AMERICA CORPORATION

Current Assets:

Notes and accounts receivable, less reserve of $223,990 in 1960 and $384,432 in 1959 (partially pledged)	$6,365,277

GOEBEL BREWING COMPANY

Current Assets:

Cash—Note A	$347,858
Trade accounts receivable, less allowance of $25,000 ($35,000 in 1959)—Note A	155,261

Note A: Notes payable to bank—secured—At December 31, 1960, the Company had borrowed $49,429, secured by pledge of inventory with a cost of $86,883, and $140,000 secured by trade accounts receivable under an agreement which provides that borrowings may not exceed stated percentages of acceptable accounts plus amounts held by the lender in a cash collateral account. At December 31, 1960, the Company had $39,151 on deposit in the cash collateral account.

Notes Receivable Secured

HARNISCHFEGER CORPORATION

Current Assets:

Notes receivable, secured by real estate mortgages, less construction loans payable of $284,405 and $399,332, respectively	$ 1,807,384
Trade notes and accounts receivable	16,136,369
Reserves	(387,926)

HARRIS-INTERTYPE CORPORATION

Current Assets:

Trade accounts and notes receivable:	
Accounts receivable	$15,355,543
Installment notes (principally secured by title-retaining contracts on equipment sold)	6,737,971
Equity in installment notes sold without recourse	1,692,772
	$23,786,286
Less deferred interest income and allowances for collection losses	1,954,564
	$21,831,722

NONCURRENT RECEIVABLES

Accounting Research Bulletin No. 43 issued by the committee on accounting procedure of the American Institute of Certified Public Accountants discusses among other things the nature of current assets (Chapter 3, Section A) from which the following excerpts relative to accounts receivable are submitted.

> 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 . . . (c) trade accounts, notes, and acceptances receivable; (d) receivables from officers, employees, affiliates, and others, if collectible in the ordinary course of business within a year; (e) instalment or deferred accounts and notes receivable if they conform generally to normal trade practices and terms within the business. . . .
>
> This concept of the nature of curent assets contemplates the exclusion from that classification of such resources as: . . . (c) receivables arising from unusual transactions (such as the sale of capital assets, or loans or advances to affiliates, officers, or employees) which are not expected to be collected within twelve months. . . .

For receivables due from unconsolidated subsidiary and affiliated companies see Table 21, this section.

The following tabulation summarizes the 127 presentations of noncurrent receivables presented by the survey companies in their annual reports for 1960 and is supplemented by selected examples.

Noncurrent Asset Description	No. of Companies
Accounts receivable or receivables (*Co. Nos. 45, 320, 386, 501, 511, 589)	51
Notes receivable (*Co. Nos. 19, 25, 58, 213, 222, 578)	22
Notes and accounts receivable combined (*Co. Nos. 28, 330, 415, 420, 494, 570)	23
Employees receivables (*Co. Nos. 2, 41, 217, 257, 380, 572)	11
Deferred receivables (*Co. Nos. 20, 26, 37, 85, 311)	5
Installment accounts receivable (*Co. Nos. 72, 354, 473)	3
Contracts receivable (*Co. Nos. 60, 135, 161, 204, 293, 522)	6
Various other (*Co. Nos. 26, 37, 196, 424, 473, 479)	6
Total	127

In Noncurrent Asset Section

Notes and Accounts Receivable

PARAMOUNT PICTURES CORPORATION

Investments (see Note C):

Capital stocks and receivables from Canadian and foreign affiliated companies	$10,044,000
Capital stocks of other companies	1,617,000
Notes and accounts due after one year	4,887,000
Miscellaneous	330,000
	$16,878,000

Note C—Investments: . . . Notes and accounts due after one year include 5% debenture stock (secured) payable in English sterling (U. S. dollar equivalent $1,730,000) which is pledged as security for repayment of the company's loan obligation for $1,761,000.

*Refer to Company Appendix Section.

THE PITTSTON COMPANY
Noncurrent Notes and Accounts Receivable $1,779,638

STANDARD OIL COMPANY (KENTUCKY)
Other Assets:
Notes Receivable $3,897,230

Employees Receivables

THE BENDIX CORPORATION
Investments and Miscellaneous Assets:
Sundry investments and receivables $234,597
Officers' and employees' receivables (principally travel advances) 598,033

NORTHROP CORPORATION
Other Assets:
Sundry investments, receivables, etc.—Note E $264,691

Note E: Sundry Investments, Receivables, Etc.—Sundry accounts receivable includes $99,935 due from an officer.

Deferred Receivables

AMERICAN METAL CLIMAX, INC.
Deferred accounts receivable, loans, claims and charges $6,935,715

BEAUNIT MILLS, INC.
Other Assets:
Deferred receivables and charges $754,857

Installment Accounts Receivable

MACFADDEN PUBLICATIONS, INC.
Other Assets:
Investments in and advances to affiliated companies, etc. $161,800
Installment receivables due after one year ... 74,047

Contracts Receivable

CONSOLIDATED FOODS CORPORATION
Other Assets and Deferred Charges:
Long term notes and contracts receivable, less amounts receivable in one year $2,034,276

HOLLAND FURNACE COMPANY
Real Estate Contracts Receivable $404,354

Various Other

RITTER COMPANY, INC.
Accounts, Installment Contracts and Notes Receivable:
Payments due after one year (Net after provision for losses) .... $ 563,079
Miscellaneous Assets:
Holdback on installment contracts sold .. 1,279,805

SACO-LOWELL SHOPS
Other Assets:
Machinery rentals receivable (Note A) $306,416
Notes and accounts receivable 594,162

Note A: Leased Machinery—Rentals from textile machinery furnished to customers under five year lease agreements are taken into income as earned, net of related charges. The agreements give options to the lessees to purchase the machinery at fair market value at the end of the lease period.

At November 30, 1960, machinery rentals receivable under lease agreements are stated net of bank loans of $759,461. These loans, made without recourse to the Company, are secured by assignment of the leases and by chattel mortgages on the leased machinery.

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 1960 and the frequency of their use.

In this connection it may be noted that many companies add the word "less" although this term has been omitted from the examples cited.

Examples

The following examples, selected from the 1960 survey reports, are illustrative of the balance sheet terminology used in presenting uncollectible accounts:

Allowance—(288 Companies):
Allowances (*Co. Nos. 3, 17, 18, 26, 147, 151)
Allowance for doubtful accounts (*Co. Nos. 8, 99, 139, 141, 226, 239)
Allowance(s) for doubtful (*Co. Nos. 95, 132, 290, 552)
Allowance for losses (*Co. Nos. 86, 89, 198, 267, 297, 336)
Allowance of $xxx (*Co. Nos. 135, 296, 371)
Allowance of $xxx for doubtful accounts and discounts (*Co. No. 301)
Allowance for cash discounts and doubtful accounts (*Co. No. 311)
Allowance(s) for collection losses (*Co. Nos. 280, 317, 547)

*Refer to Company Appendix Section.

TABLE 7: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	**1960	1959	1955	1950
"Allowance"—used alone	50	47	31	169
Allowance, etc.	238	236	217	
"Reserve"—used alone	111	119	122	248
Reserve, etc.	39	38	59	
Provision, etc.	36	37	31	37
Estimated, etc.	20	19	27	36
Deduction, etc.	3	3	4	3
Other terms	6	6	7	4
	503	505	498	497
No "uncollectible accounts" indicated	97	95	102	103
Total	600	600	600	600

*Combined with:	1960	1959	1955
Doubtful accounts	200	193	197
Doubtful notes and accounts	6	6	9
Doubtful amounts	1	1	2
Doubtful balances	3	3	4
Doubtful items	11	11	12
Doubtful receivables	13	13	17
Doubtful	4	4	4
Uncollectible accounts	5	4	5
Uncollectible amounts	2	2	4
Uncollectible items	—	1	1
Uncollectibles	2	2	2
Loss(es)	37	35	28
Collection losses	10	12	14
Carried forward	294	287	299
Brought forward	294	287	299
Credit losses	1	1	2
Receivable losses	1	1	1
Possible losses	23	23	17
Possible collection losses	4	4	7
Possible credit losses	1	1	1
Possible future losses	1	1	1
Bad debts	12	12	10
Worthless accounts	—	—	—
Realizable value	1	1	1
"Allowance"—used alone	50	47	31
"Reserve"—used alone	111	119	122
Other terms used alone	4	8	6
No "uncollectible account"	97	95	102
Total	600	600	600

**1960 Descriptive Terms Combined As:	Primary Descriptive Term Above: Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	175	33	16	9	5	238
Uncollectible	2	—	1	6	—	9
Losses	57	3	15	3	—	78
Bad debts	4	3	4	1	—	12
With other phrases	—	—	—	—	1	1
Used alone	50	111	—	1	3	165
Total	288	150	36	20	9	503

Allowances for discounts and doubtful accounts (*Co. No. 327)

Allowance for doubtful balances and discounts (*Co. Nos. 282, 325)

Allowance of $xxx for discounts and losses (*Co. No. 380)

Allowance for doubtful receivables (*Co. Nos. 56, 71, 225, 236, 429, 583)

Allowance for doubtful accounts and collection expenses (*Co. No. 510)

Allowances for losses, adjustments, and discounts (*Co. No. 512)

Allowance for bad debts (*Co. Nos. 289, 424, 523)

Allowance of $xxx for possible losses (*Co. Nos. 462, 528)

Allowance for possible losses and cash discounts (*Co. No. 115)

Allowances of $xxx for returns, doubtful accounts, etc. (*Co. No. 545)

Allowance for possible loss(es) (*Co. Nos. 35, 40, 59, 331)

Allowances for possible losses (*Co. Nos. 402, 466)

Allowance for doubtful items (*Co. Nos. 55, 58, 233)

Allowance for doubtful accounts and discounts (*Co. No. 257)

Allowance of $xxx for doubtful receivables (*Co. No. 259)

Allowance ($xxx) for doubtful accounts (*Co. No. 281)

Allowances for discounts and doubtful items of $xxx (*Co. No. 268)

Allowance for doubtful items and unearned finance charges (*Co. No. 452)

*Refer to Company Appendix Section.

Allowance for doubtful notes and accounts (*Co. Nos. 146, 238, 272, 592)
Allowance for discounts and doubtful notes and accounts (*Co. No. 186)
Allowances for discounts and doubtful receivables (*Co. No. 277)
Allowance for doubtful receivables, discounts, etc. (*Co. No. 454)
Allowance for estimated doubtful accounts (*Co. No. 358)
Allowance for uncollectible accounts (*Co. No. 80)
Allowance for uncollectible accounts, returns and allowances of $xxx (*Co. No. 211)
Allowances for bad debts, returns and discounts (*Co. No. 160)
Allowance for loss (*Co. Nos. 116, 176)
Allowance(s) for losses and discounts (*Co. Nos. 73, 413, 417)
Allowances for losses (*Co. Nos. 42, 177, 178, 321)
Allowance for collection expense and losses (*Co. No. 489)
Allowances for losses on collection and for deferred carrying charges (*Co. No. 15)
Allowance of $xxx for losses in collection (*Co. No. 167)
Allowances for losses on collection (*Co. No. 210)
Allowance for credit losses (*Co. No. 456)
Allowance for discounts and possible losses of $xxx (*Co. No. 44)
Allowance for losses on receivables (*Co. No. 92)
Allowance for possible credit losses (*Co. No. 221)
Allowance for possible losses in collection (*Co. Nos. 242, 440)

Reserve—(150 Companies):

Reserve (*Co. Nos. 48, 54, 122, 212, 291, 307)
Reserve(s) for doubtful accounts (*Co. Nos. 256, 310, 339, 428, 439, 448, 509, 567)
Reserve for doubtful items (*Co. No. 535)
Reserve for losses (*Co. Nos. 6, 308)
Reserves for doubtful accounts of $xxx at the end of each year (*Co. No. 359)
Reserves of $xxx for doubtful accounts, deferred income taxes on installment sales, and unearned carrying charges (*Co. No. 263)
Reserves for unearned interest and possible losses (*Co. No. 114)
Reserves for doubtful accounts and discounts (*Co. No. 123)
Reserve for discounts and doubtful accounts (*Co. No. 173)
Reserves for returns and allowances and doubtful receivables (*Co. No. 190)
Reserves for allowances and doubtful accounts (*Co. No. 361)
Reserves for doubtful accounts and unearned carrying charge income of $xxx (*Co. No. 384)
Reserve(s) for bad debts (*Co. Nos. 400, 576)
Reserves for doubtful accounts, discounts, and allowances (*Co. No. 541)
Reserve of $xxx for doubtful accounts at each date (*Co. No. 53)
Reserves for doubtful items and cash discounts (*Co. No. 51)
Reserve for estimated claims and allowances (*Co. No. 563)
Reserves (*Co. Nos. 13, 299, 472, 582)

Provision—(36 Companies):
Provision for doubtful accounts (*Co. Nos. 29, 43, 195, 247)
Provision for bad debts (*Co. Nos. 142, 266, 564)
Provision for bad debts of $xxx (*Co. No. 98)
Provision for possible losses (*Co. Nos. 105, 372, 596)
Provision for possible losses in collection (*Co. No. 506)
Provision against losses (*Co. No. 41)
Provision for doubtful accounts and discounts (*Co. No. 83)
Provision for losses (*Co. Nos. 235, 475)
Provision for doubtful notes and accounts (*Co. No. 276)
Provision for estimated doubtful accounts of $xxx (*Co. No. 558)
Provision for uncollectible accounts, unearned finance charges (*Co. No. 537)
Provisions for allowances, claims, and doubtful balances of $xxx (*Co. No. 305)
Provision for discounts and losses (*Co. No. 64)
Provision for collection losses (*Co. No. 137)
Provided for losses (*Co. No. 189)
Provision of $xxx for possible losses in collection (*Co. No. 217)
Provision for possible future losses and deferred service charges (*Co. No. 229)
Provisions of $xxx . . . at respective dates for estimated uncollectible accounts (*Co. No. 125)

Estimated—(20 Companies):
Estimated doubtful accounts (*Co. Nos. 98, 119, 127, 179, 274, 350)
Estimated uncollectibles (*Co. Nos. 133, 520)
Estimated doubtful amounts (*Co. No. 519)
Estimated allowances (*Co. No. 11)
Estimated doubtful accounts, discounts and allowances (*Co. No. 551)
Estimated bad debts (*Co. No. 569)
Estimated uncollectible accounts (*Co. No. 585)
Estimated collection losses (*Co. No. 412)
Estimated amount uncollectible (*Co. No. 446)
Estimated losses (*Co. No. 444)
Estimated losses in collection (*Co. No. 492)
Estimated uncollectible amounts (*Co. No. 356)

Various Other Terms—(9 Companies):
After deductions for allowances, discounts, and doubtful accounts (*Co. No. 110)
Deduction of $xxx for doubtful accounts and allowances (*Co. No. 580)
Net after provision for losses and discounts (*Co. No. 473)
Net of reserves (*Co. Nos. 354, 565)
Net of $xxx reserve for doubtful accounts (*Co. No. 339)
Net of reserves for doubtful accounts and book returns (*Co. No. 368)

***Refer to Company Appendix Section.**

Net of doubtful accounts and allowances, $xxx (*Co. No. 300)
Net receivables (*Co. No. 383)

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 209 during the year under review. There were 68 companies which made specific reference to U.S. Government contracts or defense business within the balance sheet, and 141 companies which included such information elsewhere in their annual reports. Table 8 also 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	167, 203, 215, 224, 249
U. S. Government contracts	216, 273, 314, 397, 416, 538
Cost reimbursement type contracts	100, 249, 348, 410, 465, 475
Prime contracts	73, 141, 196, 249, 441, 541
Subcontracts	34, 86, 273, 314, 355, 378
Fixed-price type or fixed-fee contracts	37, 100, 196, 360, 411
Cost-plus-fixed-fee contracts	91, 97, 196, 241, 478
Incentive type contracts	215, 410, 411, 465
Contracts subject to price redetermination	208, 215, 224, 314, 410, 411
Research-development type contracts	203, 249, 280, 360, 475
U. S. Ordinance contracts	7, 71, 73, 116, 400, 479

The amount and nature of the information given in the 1960 reports of the survey companies with respect to their U.S. Government contracts and defense business differed widely. Some of the survey companies gave

TABLE 8: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1960	1955
Current Asset Section		
Accounts receivable due from government (*Co. Nos. 73, 185, 389, 471, 509, 574)	43	62
Inventory less billings or progress payment received (*Co. Nos. 216, 249, 273, 378, 413, 532)	38	42
Unbilled costs or fees (*Co. Nos. 119, 211, 215, 224, 465, 511)	17	14
Recoverable costs (*Co. Nos. 167, 528)	2	5
Reimbursable expenditures (*Co. Nos. 100, 241, 246, 249, 307, 348, 543)	7	10
Fees or costs less progress payments received (*Co. Nos. 97, 395)	2	4
Advances or payments to subcontractors less progress payments received from government (*Co. No. 360)	1	2
Deferred general and administrative expenses applicable to contracts (*Co. No. 362)	1	1
Contract termination claims (*Co. No. 241)	1	2
Government inventory not further described	—	7
Advances or progress payments received deducted from current asset subtotal (*Co. Nos. 250, 589)	2	4
Emergency facilities purchased, to be acquired by U.S. Government	—	1
Noncurrent Asset Section		
Advances received with liability account contra thereto (*Co. No. 266)	1	1
Recoverable costs	—	1
Current Liability Section		
Invoices, payrolls, etc., applicable to contracts (*Co. No. 81)	1	1
Estimated price adjustments (*Co. No. 241)	1	9
Advances received (*Co. Nos. 92, 576)	2	2
Advance payments received in excess of expenditures (*Co. No. 196)	1	2
Refunds due—U.S. Government (*Co. Nos. 196, 491)	2	4
Unearned billings (*Co. No. 408)	1	—
Estimated costs to be incurred (*Co. No. 196)	1	2
Liability under incentive type government contracts (*Co. Nos. 360, 410)	2	2
Noncurrent Liability Section		
Advances received (contra to asset account) (*Co. No. 266)	1	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
	128	181
Number of Companies referring to government contracts or defense business		
In balance sheet presentation	68	88
In report, but not including balance sheet presentation	141	190
Not referring to contracts, defense business, etc.	391	322
Total	600	600

*Refer to Company Appendix Section.

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	1, 41, 197, 475
Price redetermination or contract adjustment clause	119, 158, 184, 215, 314
Clause covering incentive feature	360, 410, 411, 465
Certain assets pledged as collateral or security for loan or financial aid from government	273, 348, 478, 555
Certain receivables due to company from government pledged to secure loans obtained from nongovernment sources	292, 411, 478
Contract completed during year	41, 81, 360, 400

The following examples selected from the 1960 annual reports illustrate the methods of disclosure used by the companies regarding their U. S. Government contracts:

Cost Reimbursement Type Contracts and Incentive Type Contracts

BOEING AIRPLANE COMPANY

Current Assets:

Accounts receivable—United States Government contracts (including unreimbursed costs and fees under cost reimbursement type contracts of $96,111,151)	$145,381,200
Other accounts and notes receivable	18,711,342
Inventories, less advances and progress payments of $356,355,796	233,768,798

LOCKHEED AIRCRAFT CORPORATION

Current Assets:

Accounts receivable—U.S. government (including costs and fees under cost reimbursement type contracts: 1960—$129,472,000)	$174,445,000
Other accounts receivable (including amounts due from foreign governments: 1960—$27,678,000)	49,735,000

*Refer to Company Appendix Section.

THE MARTIN COMPANY

Current Assets:

Accounts receivable including amounts due from the United States Government, 1960, $98,251,167	$99,845,948
Unbilled costs under cost-type contracts	57,885,827
Materials, labor and other costs incurred on contracts in progress (including advances to subcontractors) less estimated costs applied to deliveries—not in excess of realizable value (Note A), less progress payments; 1960, $6,894,815	8,312,863

Current Liabilities:

Accounts payable, including amounts repayable under target incentive contracts	$65,615,964

Notes to Financial Statements

Note A: At December 31, 1960 title to inventories in the amount of approximately $8,100,000 had passed to the United States Government as consideration for progress payments.

Fixed-Price Type Contracts

THE W. L. MAXSON CORPORATION

Current Assets:

Accounts receivable (including $2,221,909 from the U.S. government)	$3,507,753
Inventories, at lower of cost or market (Notes 1 and 2)	1,307,958

Note 1: Approximately three-fourths of total inventories are applicable to fixed price U.S. government contracts and subcontracts in process and represent accumulated costs less the average cost of items delivered determined on the basis of the estimated total cost at completion. General and administrative expenses are included in costs allocated to such contracts and accordingly $151,386 of general and administrative expenses are included in inventories at September 30, 1960.

Note 2: General and administrative expenses included in inventories in the financial statements have been deducted currently for federal income tax purposes, and depreciation of certified facilities allowed for income tax purposes has exceeded, on a cumulative basis, depreciation provided in the financial statements. The resulting cumulative reductions in federal income tax have been provided from income and applied in the balance sheet in reduction of the assets to which related, i.e., $76,000 in reduction of inventories and $72,000 as an addition to accumulated depreciation.

NORTHROP CORPORATION

Current Assets:

Accounts receivable from U.S. Government—Note B	$ 3,472,557
Other accounts receivable—Note B	5,831,172
Unreimbursed costs and fees under cost-plus-fee contracts (including due from U.S. Government 1960—$25,594,524) less allowances (1960—$1,660,220) for adjustments—Note B	34,854,691
Inventories—Notes B and C:	
Fixed-price contracts in process, materials, and supplies	41,039,469
Less progress payments received (deduction*)	20,516,632*

Note B: Credit Agreements—Under the terms of a credit agreement expiring March 31, 1962, and subject to the borrowing formula contained therein, the Company may borrow up to $15,000,000 (no borrowings at July 31, 1960). As collateral to such loans, the Company assigns 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 $25,000,000.

Under the terms of a credit agreement, the Company's subsidiary (Page Communications Engineers, Inc.) may borrow up to $2,000,000 ($1,322,000 borrowed at July 31, 1960). As collateral to such loans, the subsidiary has assigned amounts due and to become due under all of its sales contracts, with minor exceptions.

Other notes payable to banks ($310,000) are unsecured.

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

Contracts Subject to Price Redetermination

ADMIRAL CORPORATION

Current Assets:

Notes and accounts receivable:	
Due from United States Government	$ 2,699,667
Trade, less reserve for losses (1960—$2,478,049)	26,743,145
	29,442,812
Refund of Federal and Foreign income taxes—Note B	1,447,721
Inventories—at the lower of cost or market:	
Government contracts, less progress payments (1960—$5,927,223)	3,051,077
Civilian	28,276,593
	$31,327,670

Note B: Price Redetermination, Renegotiation, Excise Taxes and Federal Income Taxes—The Company is a party to Government contracts which are subject to price redetermination and renegotiation. It is the opinion of management, based upon settlements to date for price redetermination of certain contracts and renegotiation proceedings through the years ended December 31, 1959, that reasonable provision has been made in the accompanying consolidated financial statements for adjustments which may arise out of future negotiations relevant to such contracts. . . .

BURROUGHS CORPORATION

Notes to Financial Statements

Note 6: Renegotiation and Redetermination—Prices received on certain sales made by the Company and subsidiary companies are subject to renegotiation and redetermination. Although the outcome of such proceedings cannot presently be determined, it is believed that the effect, if any, on net income will not be material in amount.

CURTIS-WRIGHT CORPORATION

Current Assets:

Receivables, including receivables from United States Government: 1960, $25,476,546	$39,917,273
Inventories of raw materials, parts, supplies and work in process, at the lower of cost or market, less partial payments on contracts under which title to related inventories vests in the United States Government: 1960, $16,433,892	46,999,869

Notes to Financial Statements

Note 5: Price redetermination proceedings under certain contracts with the United States Government have not been completed. Sales under such contracts are recorded at estimated amounts.

THE GARRETT CORPORATION

Current Liabilities:

Trade accounts payable—including estimated liability under price redetermination contracts and product warranty	$11,664,940

HAZELTINE CORPORATION

Current Assets:

Accounts receivable arising from Government and other contracts at final or preliminary prices, royalties receivable and accrued		$10,543,590
Costs incurred on uncompleted contracts (Note 1)	$11,890,283	
Less progress payments for work performed	3,868,440	
	$ 8,021,843	

Note 1: Costs incurred on uncompleted contracts are stated on the basis of accumulated costs, less the portion of such costs allocated to products delivered, but not in excess of estimated recoverable amounts. Costs allocated to products delivered are computed for each contract at the estimated cost based on the total estimated cost of the contract.

Note 2: A substantial portion of the consolidated sales of the company under Government contracts is subject to price revision and renegotiation and, under the provisions of the Internal Revenue Code, the liability for federal taxes on income is affected by price revision and renegotiation refunds and adjustments. Provision has been made to give effect to the estimated price adjustments that may be required as a result of price revision proceedings. Renegotiation proceedings have been concluded with respect to the years prior to 1959. Examination of federal income tax returns by the Internal Revenue Service has been completed for all years prior to 1956 and partially completed for the years 1956, 1957 and 1958. While it is not possible to predict any adjustments that may be required with respect to price revisions and renegotiation proceedings and final determination of federal taxes on income in excess of provision made therefor, it is the opinion of the management that any ultimate adjustments should not be material in relation to the consolidated financial position and earnings of the company and its subsidiaries.

Cost-Plus-Fixed-Fee Contracts

BELL INTERCONTINENTAL CORPORATION

Current Assets:

Receivables—	
Trade, notes and sundry receivables	$5,822,104
Defense contracts (including costs and fees under cost-plus-fixed-fee contracts)	1,134,372
Inventories (less partial payments of $97,200 in 1960)—	
Raw materials, supplies and perishable tools, generally at average cost	2,127,182
Work in process and finished products, at lower of cost or market	3,471,026

BLAW-KNOX COMPANY

Current Assets:

Receivables, less estimated doubtful accounts	$36,331,879
Manufacturing inventories	21,970,621
Contracts in progress—Costs less billings	4,456,855

Supplementary Financial Information

Missile Contracts

Missile contracts include contracts covering construction of Atlas missile sites and manufacture of related equipment.

Contract amounts		$31,936,341
Total direct costs		40,537,169
Costs in excess of contract amounts		$ 8,600,828
Charged in 1959	$4,500,000	
Charged in 1960	4,100,828	$ 8,600,828

Accounting for Reimbursable Costs

Reimbursable field construction costs under cost-plus-fixed-fee contracts not included in sales and in cost of products and services were $3,966,623.

THE GENERAL TIRE & RUBBER COMPANY

Statement of Consolidated Income:

Net sales, including billings under cost plus fixed fee contracts	$753,947,649

THE GARRETT CORPORATION

Current Assets:

Trade accounts receivable (including due from U.S. Government—$8,176,246) less allowance of $64,000 for doubtful accounts	$30,989,115
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts (including due from U.S. Government—$550,921)	4,109,328
Claims arising from terminated contracts including due from U.S. Government—$18,232)	2,897,983

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:

THE BENDIX CORPORATION

Current Assets:

Receivables (including unbilled charges):	
United States Government departments or agencies	$ 55,818,640
Other	81,550,205
Total receivables	137,368,845
Less allowance for losses on receivables	1,100,000
Net receivables	136,268,845
Inventories, at cost or market, whichever is lower (see Note 5)	143,032,817

Current Liabilities:

Customers' advances on sales orders:	
United States Government departments or agencies (see Note 5)	$ 6,603,272
Other	2,301,534

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, 1960.

EMERSON ELECTRIC MANUFACTURING COMPANY

Current Liabilities:

Notes payable to banks within one year under bank credit agreement (Notes 2 and 3)	$11,500,000

Noncurrent Liabilities:

Long-term Debt, Less Current Maturities (Notes 2 and 3):	
5% promissory note due February 1, 1978	$6,825,000
4% promissory note due June 15, 1974	—
4½% promissory notes due June 15, 1976	—
5½% Convertible Subordinated Debentures due July 15, 1977	848,800
4% notes payable by subsidiary	224,000
	$7,897,800

Note 2: Notes Payable to Banks and Long-Term Debt—Under the terms of the bank credit agreement, the company may borrow up to $15,000,000 during the three years prior to December 31, 1960 to finance defense production contracts.

The 5% promissory note due February 1, 1978, together with $2,000,000 additional funds to be provided on February 2, 1961 under terms of a loan agreement dated September 15, 1959, are payable in semiannual installments of $225,000 to February 1, 1964 and $275,000 beginning August 1, 1964. The 4% and 4½% promissory notes outstanding at September 30, 1959 were merged into the 5% promissory note.

The 5½% Convertible Subordinated Debentures may be converted into common stock of the company at the basis rate of $14.31 per share as adjusted for stock dividends and the two-for-one stock split. At September 30, 1960, $2,541,200 principal amount of debentures have been converted into 92,089 shares of unissued common stock, of which $609,600 was converted into 29,055 shares of stock during the year. 59,315 shares of unissued common stock remain reserved for future conversion. Based upon the $2,541,200 debentures converted, sinking fund requirements ($100,000 annually, 1962 to 1966; $170,000 thereafter) have been met to maturity.

The 4% notes payable by subsidiary mature $10,500 semiannually and $150,500 on April 1, 1965.

Note 3 (not reproduced here).

REPUBLIC AVIATION CORPORATION

Current Liabilities:

Notes payable to banks (Note 1)	$15,000,000

Note 1: Under the terms of a credit agreement with banks, as amended, the Company may borrow up to $30,000,000 on 90-day notes through March 31, 1963. The banks have the right under the agreement to request the Company to assign to them the moneys and claims for moneys due and to become due under each of its defense production contracts (other than those not legally assignable). In addition, the Company must maintain at all times an excess of current assets over current liabilities of at least $25,000,000.

Renegotiation

There were 85 survey companies that referred to renegotiation or to renegotiable sales in their 1960 reports. Of these companies, 10 included in their balance sheets under current liabilities a provision for estimated renegotiation liability, and an additional 10 companies referred to such provision in the notes to the financial statements or in the letter to the stockholders. The remaining 65 companies made no provision for possible renegotiation liability, even though they referred thereto or mentioned renegotiable sales. In such instances the reports usually 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 though it was impossible to predict the 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	1960	1955	1951
Provision for estimated renegotiation liability—			
Set forth under current liabilities:			
Combined with liability for taxes (*Co. Nos. 9, 105, 139, 234, 273, 287, 502, 548)	8	24	18
Combined with non-tax liability (*Co. No. 250)	1	4	3
Separately set forth (*Co. No. 100)	1	6	1
Referred to in:			
Notes to financial statements (*Co. Nos. 6, 23, 208, 224, 297, 307)	6	9	16
Letter to stockholders (*Co. Nos. 126, 211, 348, 379)	4	5	5
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales" (*Co. Nos. 148, 197, 251, 276, 378, 410)	65	133	175
Number of Companies Referring To:			
Renegotiation or renegotiable sales	85	181	218
Not referring thereto	515	419	382
Total	600	600	600

*Refer to Company Appendix Section.

Examples—Renegotiation

The following examples, taken from the 1960 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

ADMIRAL CORPORATION
Current Liabilities:
Accrued compensation, cooperative advertising and other expenses, including employees' withholding taxes and other reserves—Note B $5,895,784

Note B—See under "Contracts Subject to Price Redetermination"

FOOD MACHINERY AND CHEMICAL CORPORATION
Current Liabilities:
Federal and foreign taxes on income and renegotiation, less U.S. Tax Anticipation Notes ($3,975,396) (Note 5) $12,240,223
Notes to Financial Statements

Note 5: Federal and Foreign Taxes on Income and Renegotiation—The company's Federal income tax returns for 1957, 1958, and 1959 are currently being examined by the U. S. Treasury Department.

Certain sales for 1958 and subsequent years are subject to renegotiation by the U. S. Government.

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

GENERAL ELECTRIC COMPANY
Current Liabilities:
Other costs and expenses accrued—includes liabilities for replacements under guarantees, renegotiation, allowances to customers, employee benefit costs, etc. $236,519,357

Referred to in Notes to Financial Statements

AMERICAN AIR FILTER COMPANY, INC.
Noncurrent Liabilities:

	1960	1959
Reserve for Contingencies	$18,000	$85,000

Notes to Financial Statements

Note 2: By action of the Board of Directors in 1958, $150,000 was reserved to provide against hazards related to future commitments. The reserve was reduced by charges of $65,000 in 1959 and $67,000 in 1960 resulting from Renegotiation proceedings.

EASTMAN KODAK COMPANY
Notes to Financial Statements

Renegotiation and Price Redetermination—Defense Contracts: Most government and defense business is subject to review by the Renegotiation Board for determination of whether or not excessive profits have been made. Final agreements have been reached with the Board for all years through 1958, but the Board has not completed its review of the company's renegotiable business for subsequent years.

Some contracts provide for review and redetermination of prices. Estimates have been made of the effect of price redetermination on sales and earnings and the accounts have been adjusted accordingly.

HOUDAILLE INDUSTRIES, INC.
Notes to Financial Statements

Note E: The Corporation has made sales under contracts that are subject to renegotiation under the Renegotiation Act. It is the opinion of management that adequate provision therefor has been made in the accompanying financial statements.

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

AMERICAN MACHINE AND METALS, INC.
Notes to Financial Statements

Note 4: Renegotiation—Approximately 16% of the Company's business in 1960 is subject to renegotiation under applicable statutes and regulations of the U.S. Government. Renegotiation proceedings for all years through 1959 have been completed and, based on prior years' settlement, no provision for refund is required for 1960.

BATH IRON WORKS CORPORATION
Letter to the Stockholders and Employees

Renegotiation: Approximately 95% of the company's income is derived from long-term shipbuilding contracts subject to renegotiation. The company has elected to report its earnings for renegotiation purposes after contracts are finally completed. One shipbuilding contract completed in 1958 was processed by the Renegotiation Board during 1960 and no excessive profits were found. No shipbuilding contracts were completed in 1959. Three shipbuilding contracts were completed in 1960 and results will be submitted to the Renegotiation Board in the first half of 1961. It is believed that the company's financial position and earnings will not be adversely affected thereby.

THE BENDIX CORPORATION
Notes to Financial Statements

Note 6: Renegotiation of Government Contracts and Subcontracts—The Corporation's profits on Government contracts and subcontracts are subject to renegotiation under the Renegotiation Act of 1951. Proceedings with the Government for the purpose of establishing the amounts of refundable profits have not been completed for the years ended September 30, 1960 and 1959 and the amounts, if any, which may be refunded to the Government under such proceedings are not determinable at this time.

EMERSON RADIO & PHONOGRAPH CORPORATION
Notes to Financial Statements

Note 6: The Company is subject to the provisions of the Renegotiation Act with respect to sales made to United States Government agencies. It is the opinion of the management that no provision for refund is necessary with respect to profits realized from these sales.

GENERAL DYNAMICS CORPORATION
Notes to Financial Statements

Note 8: Contingent Liabilities—While a substantial portion of the sales for 1957 through 1960 are subject to renegotiation, the management believes that neither the Corporation nor its subsidiaries will be liable for refunds under the renegotiation act of the United States Government and consequently no provision has been made therefor.

IRON FIREMAN MANUFACTURING COMPANY
Notes to Financial Statements

Note 4: Renegotiation under government contracts and subcontracts has been settled through 1958 and price redetermination has been settled through 1959. A substantial portion of the net income for the open years was attributable to renegotiable business. The return on such business in the years not settled was reasonably comparable to the years settled and management is of the opinion that no refund will be required.

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY
Notes to Financial Statements

Note 4: The Company has substantial United States Government contracts and subcontracts, the profits on which are subject to renegotiation. Final settlements have been made for all years prior to 1958. The Company does not anticipate that refunds, if any, for 1958 and subsequent years would have a material effect on income.

STEWART-WARNER CORPORATION
Letter to the Shareholders

Taxes and Renegotiation: . . . We have been advised by the government that no refunds will be required with respect to earnings under renegotiable government contracts for the years through 1959. Information has not yet been furnished to the government for renegotiation purposes in connection with military business performed during 1960, when approximately 18% of our sales volume was subject to repricing under the Renegotiation Act, but it is believed that no refunds will be required.

INVENTORY

Accounting Research Bulletin No. 43 issued by the committee on accounting procedure of the American Institute of Certified Public Accountants, *Chapter 4,* states in part:

> The term *inventory* is used herein to designate the aggregate of those items of tangible personal property which (1) are held for sale in the ordinary course of business, (2) are in process of production for such sale, or (3) are to be currently consumed in the production of goods or services to be available for sale. . . .
>
> The basis of stating inventories must be consistently applied and should be disclosed in the financial statements; whenever a significant change is made therein, there should be disclosure of the nature of the change and, if material, the effect on income. . . .

Presentation

Inventories were presented on the balance sheets of the 600 survey companies in varying detail. The term *inventory* or *inventories* was used by 135 companies exclusive of other detail on the balance sheet. An additional 93 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. The remaining 372 companies provided inventory details on the balance sheet as follows:

Separate captions and amounts presented for:	*Number of Items*
Finished goods or products	175
Work in process	122
Raw materials	124
Materials	3
Supplies	119
Merchandise	37
Various other separate captions	4

Combined caption with one total amount presented for:	*Number of Items*
Finished goods and work in process	61
Finished goods, work in process, and raw materials	34
Finished goods, work in process, raw materials and supplies	27
Work in process and raw materials	13
Work in process, raw materials and supplies	18
Raw materials and supplies	66
Raw materials, supplies, and finished goods	17
Materials and supplies	50
Various other combined factors	11

Inventories Pledged

Twelve companies indicated that some portion of their inventory was pledged as security on a loan (*Co. Nos. 57, 92, 262, 290, 440).

Pricing Basis

The most commonly used basis of valuation for inventories continues to be "lower of cost or market," as shown in the 1960 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.

*Refer to Company Appendix Section.

The subject of inventory pricing is discussed in Chapter 4 of *Accounting Research Bulletin 43* issued by the committee on accounting procedure of the American Institute of Certified Public Accountants from which the following excerpts are taken.

> The primary basis of accounting for inventories is cost, which has been defined generally as the price paid or consideration given to acquire an asset. As applied to inventories, cost means in principle the sum of the applicable expenditures and charges directly or indirectly incurred in bringing an article to its existing condition and location. . . .
>
> Cost for inventory purposes may be determined under any one of several assumptions as to the flow of cost factors (such as first-in first-out, average, and last-in first-out); the major objective in selecting a method should be to choose the one which, under the circumstances, most clearly reflects periodic income. . . .
>
> . . . Selling expenses constitute no part of inventory costs. It should also be recognized that the exclusion of all overheads from inventory costs does not constitute an accepted accounting procedure.

METHODS OF "COST" DETERMINATION

Table 10 also discloses the methods of "cost" determination for the pricing of either all or part of the inventories as reported by 426 of the 600 survey companies. The remaining 174 companies did not disclose their method of cost determination. 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 valuation follow and it may be noted that many of the methods disclosed apply to part of the inventory only.

Last-in, First-out "Cost"

AMERICAN VISCOSE CORPORATION

Current Assets:

Inventories, Note 1	$42,304,000

Note 1: Inventories at Lower of Cost or Market—

Finished goods and work in process	$25,988,000
Pulp and chemicals	8,219,000
Manufacturing supplies and repair parts, at average cost	8,097,000
	$42,304,000

Pulp and major chemicals are recorded and are charged to costs by the last-in first-out method.

THE FIRESTONE TIRE AND RUBBER COMPANY

Current Assets:

Inventories, at Lower of Cost or Market (domestic rubber inventories on last-in, first-out basis):

Raw Materials and Supplies	$ 68,673,943
In-Process Products	18,464,565
Finished Goods	196,492,870
Total Inventories	$283,631,378

DRAVO CORPORATION

Current Assets:

Inventories

Materials and supplies	$ 4,562,255
Work in process, including contracts in progress	33,353,807
Finished goods	4,303,404

Notes to Financial Statements

Inventories, including contracts in progress: Manufacturing inventories and items held for resale totaling $11,298,000 are stated on the basis of the last-in, first-out method of determining cost. Construction contracts and partial shipments on manufacturing contracts are stated at cost of acquisition. Used tools and small equipment returned from construction contracts and used equipment held for rental or resale are valued at cost, less estimated depreciation. The remaining inventories are valued, generally, at the lower of cost or market.

Average "Cost"

FALSTAFF BREWING CORPORATION

Current Assets:

Inventories—at cost not in excess of market (cost being determined under the "last-in, first-out" method of valuation with respect to approximately 46% of the inventory valuation at December 31, 1960 and under the average cost method with respect to the remainder):

Finished goods	$2,057,918
Materials and supplies	2,434,036
Total inventories	$4,491,954

SOCONY MOBIL OIL COMPANY, INC.

Current Assets:

Inventories:

Crude oil, refined products, etc.	$365,652,722
Materials and supplies	57,113,650

Notes to Financial Statements

Inventories: Nearly all domestic inventories of crude oil and refined products are valued at cost under the last-in, first-out method. All such inventories outside the United States (representing approximately 32% of the total) and all materials and supplies are valued generally at average cost. The cost of all inventories was substantially less than their aggregate replacement value at December 31, 1960.

THATCHER GLASS MANUFACTURING COMPANY, INC.

Current Assets:

Inventories (at not in excess of market prices):

Finished ware and ware in process—at standard or estimated cost	$ 8,137,440
Materials and supplies—at average cost	3,196,287
Total Inventories	$11,333,727

First-in, First-out "Cost"

GENERAL AMERICAN TRANSPORTATION CORPORATION

Current Assets:

Inventories:

Contracts in process—at cost	$26,763,535
Materials and supplies—at lower of cost (generally first-in, first-out method) or replacement market	16,554,109

P. R. MALLORY & CO., INC.

Current Assets:

Inventories, at the lower of cost (first-in, first-out) or replacement market	$11,669,496

TABLE 10: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1960	1959	1955	1950
Lower of Cost or Market—				
A: Lower of Cost or Market	377	377	349	342
B: Lower of Cost or Market; and Cost	95	91	82	67
C: Lower of Cost or Market; and one or more other bases	21	20	40	53
D: "Cost not in excess of market"	36	36	54	24
	529	524	525	486
Cost—				
E: Cost	41	45	34	63
F: Cost; and one or more other bases	15	20	60	57
G: Cost; and Lower of Cost or Market (See above)	95	91	82	67
	151	156	176	187
Other Bases—				
H: Cost or less than cost	13	11	29	37
I: Cost or less than cost "not in excess of market"	8	9	6	10
J: Cost, less than market	12	8	20	6
K: Lowest of—cost, market, adjusted selling price	1	1	1	1
L: Market	5	7	18	29
M: Market or less than market	4	3	5	8
N: Contract price	1	3	4	11
O: Selling price	1	—	3	4
P: Assigned values	1	1	3	7
Q: Various other bases	2	3	22	11
	48	46	111	124
Total	728	726	812	797

II: Method of Determining "Cost"

Methods:**	1960	1959	1955	1950
A: Last-in, first-out	194	200	202	164
B: Average cost	161	161	146	136
C: First-in, first-out	178	173	138	134
D: Standard costs	34	33	31	32
E: Approximate cost	11	9	11	16
F: Actual cost	10	12	8	7
G: Invoice cost	2	3	1	5
H: Production cost	9	7	4	5
I: Estimated cost	6	5	5	2
J: Replacement cost	6	5	4	2
K: Retail method	16	16	14	6
L: Base stock method	5	3	4	6
M: Job-order method	4	4	1	2
N: Other methods	4	10	8	4
	640	641	577	521

Number of Companies:				
Stating inventory pricing basis and cost method	323	321	382	361
Stating inventory pricing basis but cost method with regard to part of inventory only	103	101		
Stating inventory pricing basis but omitting cost method	174	176	212	232
Not presenting inventories	—	1	—	—
Not stating inventory pricing basis or cost method	—	1	6	7
Total	600	600	600	600

I: *Refer to Company Appendix Section—A: Co. Nos. 108, 158, 285, 540, 554; B: Co. Nos. 169, 326, 343, 518, 590; C: Co. Nos. 154, 180, 282, 298; D: Co. Nos. 122, 225, 294, 410, 442; E: Co. Nos. 49, 531, 570, 591; F: Co. Nos. 116, 459, 500; H: Co. Nos. 420, 516, 517; I: Co. Nos. 129, 203, 417; J: Co. Nos. 168, 231, 270; K: Co. No. 561; L: Co. Nos. 58, 59, 251; M: Co. Nos. 63, 434; N: Co. No. 568; O: Co. No. 46; P: Co. No. 172; Q: Co. Nos. 4, 102.

II: **Refer to Company Appendix Section—A: Co. Nos. 18, 123, 208, 431, 466; B: Co. Nos. 186, 205, 254, 330, 540; C: Co. Nos. 2, 115, 219, 238, 490; D: Co. Nos. 31, 32, 96, 423; E: Co. Nos. 89, 135, 189, 458; F: Co. Nos. 82, 446, 581; G: Co. Nos. 58, 102; H: Co. Nos. 89, 173, 484; I: Co. Nos. 173, 411, 425; J: Co. Nos. 176, 438, 471; K: Co. Nos. 269, 339, 356; L: Co. Nos. 172, 217, 403; M: Co. Nos. 86, 119; N: Co. Nos. 4, 100.

WEYERHAEUSER COMPANY
Current Assets:

Inventories—logs, lumber, pulp and softwood plywood at cost determined on last-in, first-out basis; other inventories at lower of cost (first-in, first-out basis) or market	$63,378,693

Standard "Cost"

RITTER COMPANY, INC.
Current Assets:

Inventories (Note 5)	
Raw materials and supplies	$ 701,054
Work in progress	552,108
Finished goods	202,675
Less: Reserve	21,801
	$1,434,036

Note 5: Inventories have been priced generally on the same basis as at the end of the preceding year, as follows:—

Raw materials and supplies: At standard costs based mainly on purchase prices plus freight and purchase expenses during July to September 1960.

Work in progress and finished goods: At standard costs based on actual costs of the second and third quarters of 1960.

The inventories are not stated at amounts in excess of their net realizable values at December 31, 1960.

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

Inventories—at lower of standard cost or market:	
Finished goods	$12,268,194
Work in process	3,354,950
Raw materials	2,962,980
	$18,586,124

UNITED AIRCRAFT CORPORATION
Current Assets:

Inventories, at cost (see page 15)	$338,376,770
Less—Payments, secured by lien, from United States Government on uncompleted contracts	138,327,144

President's Letter (page 15)

Inventories: Inventories at December 31, 1960 amounted to $338,376,770, compared to $306,517,677 at the beginning of the year. The major portion of inventories are predicated on cost standards which are revised at reasonable intervals to reflect adjustment to approximate current cost. The remainder of the inventories are stated at cost except that certain contracts in process, relatively minor in amount, are stated at lower proportionate sales values. Inventories consist largely of raw materials and work in process and, in accordance with established practice, materials in excess of requirements for contracts and orders presently in effect or anticipated have been eliminated.

Approximate Cost

CENTRAL SOYA COMPANY, INC.
Current Assets:

Inventories (Note 1)—	
Finished goods	$17,304,501
Raw materials	9,582,936
Containers and supplies	1,455,126
Total inventories	$28,342,563

Note 1: Inventories—Inventories were valued as follows: Finished goods—soybean products ($3,183,704) at market, other merchandise at approximate cost, not in excess of market; raw materials, containers and supplies—at lower of cost, on a first-in, first-out basis or market.

Replacement "Cost"

THE PITTSTON COMPANY
Current Assets:

Inventories, at the lower of actual or replacement cost:	
Fuels	$11,736,444
Merchandise	1,085,743
Supplies	4,514,214
	$17,336,401

Retail Method

ALLIED STORES CORPORATION
Current Assets:

Merchandise inventories (Note A)	$98,466,319

Note A: The amounts for inventories of merchandise on hand are generally stated on the basis of cost or market, whichever is lower, as determined by the retail inventory method, net of discounts, using, as to certain inventories, the last-in, first-out (lifo) method based on published indexes of price changes since the dates on which the method was adopted, principally January 31, 1941. Inventories are stated at $6,905,928 in 1960 and $6,776,913 in 1959, less than if the last-in, first-out principle had not been followed.

F. W. WOOLWORTH CO.
Current Assets:

Merchandise inventories (Note B)	$175,196,431

Note B: 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

THE EAGLE-PICHER COMPANY
Current Assets:

Inventories of raw materials, work in process, finished products, and supplies (Note 1)	$20,827,875

Note 1: Inventories, other than ores, metals and metal bearing products, have been valued at average and standard costs, or lower, which approximate replacement market. Ores, metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc, 7,000 and 18,000 tons, respectively, at fixed prices, based on 6.5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis), under the base stock method of inventory valuation adopted at November 30, 1949.

Job-Order Method

MEREDITH PUBLISHING COMPANY
Current Assets:

Inventories	$6,487,231

Notes to Financial Statements

Inventories: Inventories consist of raw materials which are stated at cost, and goods in process and finished goods which are included at standard or job cost, whichever is applicable.

Other Methods

COPPERWELD STEEL COMPANY
Current Assets:

Inventories:	
Finished products	$ 1,839,485
Work in process	11,755,983
Raw materials	10,128,217
Supplies	1,278,185
Rolls, molds, and annealing covers	2,509,467
Total inventories	$27,511,337

Notes to Financial Statements

Note 2: Inventories are valued generally at the lower of average cost or current replacement market except, for the purpose of computing cost of products sold of the Wire and Cable Division, copper used in production is charged at the price in the inventory (including firm purchase commitments) at the date of shipment which is nearest to the price on the basis of which the related sale was made. The valuation at which copper is carried in the inventory represents the resulting residual cost and is lower than average cost or current replacement cost. The replacement cost of such copper included in inventories, after taking into account related firm purchase commitments used in costing copper consumption, exceeded the amount at which copper is included in inventories by $1,504,069 at December 31, 1960 and $1,860,538 at December 31, 1959. Rolls, molds, and annealing covers are carried at estimated useful value.

DETERMINATION OF "MARKET"

There were 559 of the 600 companies that mentioned market value in their presentations of inventory. Of these, 90 companies stated the methods used in the determination of such values in their 1960 reports as follows:

Current replacement values (*Co. Nos. 64, 118, 188, 191, 330)	58
Net realizable value (recoverable cost) (*Co. Nos. 100, 176, 210, 414)	18
Selling price (*Co. Nos. 37, 86, 561)	10
Purchase price (*Co. Nos. 58, 175)	6
Hedging procedure values (*Co. Nos. 59, 251, 440, 487)	4
Various other (*Co. Nos. 180, 536)	2
Total	98

Current Replacement Values

CENTURY ELECTRIC COMPANY

Current Assets:

Inventories—Note A:	
Finished products	$1,735,497
Products in process	1,856,086
Raw materials	1,407,689
Manufacturing supplies	432,015

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.

THE COLORADO FUEL & IRON CORPORATION

Current Assets:

Inventories	$75,456,044

Notes to Financial Statements

Inventories:	
Raw materials and supplies	$18,449,525
Semi-finished products	25,938,297
Finished products	31,068,222
	$75,456,044

The major portion of the inventories is stated at cost, determined under the last-in, first-out dollar value method, and the remainder is stated at the lower of cost or replacement market.

STANDARD OIL COMPANY (KENTUCKY)

Current Assets:

Inventories:	
Merchandise—at lower of cost (principally last-in, first-out) or replacement market	$17,534,075
Materials and supplies—at cost	136,506

Net Realizable Value

CALUMET & HECLA, INC.

Current Assets:

Inventories:	
Production	$10,314,986
Supplies	3,166,263

Notes to Financial Statements

Note 2: Inventory Valuations—Inventories of the Company and its consolidated subsidiaries are valued generally at cost (first-in, first-out), but not more than net realizable market, with the exception of the following inventories which are valued on a last-in, first-out basis: certain metals purchased by Wolverine Tube Division from sources outside the Company, and certain lumber of the Goodman Lumber Division.

O'SULLIVAN RUBBER CORPORATION

Current Assets:

Inventories (Note 2):	
Finished goods	$748,435
Work in process	186,642
Raw materials	218,013
Supplies	49,436

Note 2: Inventories—The manufactured finished products are valued at the lower of cost or market. Work-in-process inventories are valued either at cost or at standard costs which closely approximate the lower of cost or market. Raw materials and supplies are priced at the lower of cost or market and inactive materials are carried at estimated realizable values.

Selling Price

AMERICAN SMELTING AND REFINING COMPANY

Current Assets:

Inventories (Note 2)	$140,930,910

Note 2: Inventories—Principles of Valuation—Primary gold, silver, copper, lead and zinc inventories are valued at cost on the basis of last-in, first-out, or at market if lower. However, metals sold under firm contracts for future delivery are valued at sales prices aggregating $18,087,097 (1959—$30,746,780).

Secondary metals are valued at cost, generally on the basis of last-in, first-out, or at market if lower.

Manufactured products and by-products are valued at cost on the basis of first-in, first-out, or at market if lower.

Ores and concentrates at mines or in transit to smelters are valued at cost or conservative market prices.

The principles of valuation are the same as those followed in the preceding year.

Purchase Price

NATIONAL PRESTO INDUSTRIES, INC.

Current Assets:

Inventories:	
Raw materials	$1,256,461.06
Work in process	815,223.25
Finished goods	2,005,359.69
Supplies	267,717.52

Notes to Financial Statements

Notes: Inventories are based on physical counts after elimination of excessive obsolete items, and are priced at cost or market whichever is lower. Costs of raw materials and supplies are determined according to the "first-in, first-out" method, and market values are costs of most recent purchases. Work in process and finished goods are stated at standard or computed factory costs, or realizable values, whichever is lower. Manufacturing costs used in arriving at these costs include all factory costs, depreciation, taxes, etc., but do not include selling or administrative expenses.

*Refer to Company Appendix Section.

Hedging Procedure Values

GENERAL MILLS, INC.
Current Assets:

Inventories (Note 2)	$55,878,939

Note 2:

Grain for processing, flour and soybean products, at market, after appropriate adjustment for open cash trades, unfilled orders, etc.	$23,451,843
Formula feeds, ingredients, poultry flocks, package foods, sponges, etc., at lower of cost or market	22,372,744
Containers, supplies, mechanical equipment contracts, etc., at cost	8,687,354
	54,511,941
Advances on grain and other commodities	1,366,998
	$55,878,939

The company continues to hedge its flour and soybean product unfilled orders and inventories of raw materials and finished goods whenever adequate hedging facilities exist, as a means of minimizing the risk of adverse price fluctuations. All factors relating to items customarily hedged are reflected in the financial position at fair market value. Items for which no hedging facilities exist are valued at either lower of cost or market or cost as set forth above.

Various Other Methods

THE 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	$18,350,020
Ingredients and supplies	2,919,632
	$21,269,652

SWIFT AND COMPANY
Current Assets:
Inventories—

Products—Note 3	$157,724,162
Ingredients and supplies, valued at lower of cost or market	17,341,020

Note 3: 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. 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.

LIFO INVENTORY COST METHOD

PRESENTATION OF LIFO

The changes in the number of survey companies adopting or abandoning the use of lifo are summarized, comparatively, in Table 11. Five companies which in prior years referred to the use of lifo, made no mention of it in their 1960 reports, while three of the survey companies abandoned lifo during the year.

Two of the companies acquired subsidiaries in 1960 using lifo, but otherwise none of the companies adopted lifo during the year.

TABLE 11: LIFO INVENTORY COST METHOD

Number of Companies	1960	1959	1955	1950
Using Lifo at beginning of year (See Table 12)	200	201	200	118
Adopting Lifo during year	—	3	4	42
Subsidiaries acquired with Lifo (*Co. Nos. 302, 592)	2	1	2	—
No reference to Lifo in current year (*Co. Nos. 315, 370, 383, 393, 583)	(5)	(3)	—	—
Readopting Lifo during 1950	—	—	—	1
Abandoning Lifo during year (*Co. Nos. 79, 286, 365)	(3)	(2)	(4)	—
Using Lifo at end of year (See Table 12)	194	200	202	161
Not referring to use of Lifo	406	400	398	439
Total	600	600	600	600
Extending Lifo to additional inventory classes during year	—	4	3	16
Partially abandoning Lifo during year	—	2	—	1

*Refer to Company Appendix Section.

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 1960, 1959, 1955, and 1950.

The trend towards diversification through mergers, etc., makes it difficult in many cases to determine precisely the industrial group to which a company belongs. The original classification has been adhered to, in most cases.

Examples—Lifo Inventory Cost Method

Examples illustrating the disclosures of the use of lifo in the 1960 reports are as follows:

Subsidiaries Acquired with Lifo

INDIAN HEAD MILLS, INC.
Current Assets:
Inventories (Note C):

Raw materials and supplies	$ 2,465,343
Work in process	4,012,173
Greige and finished goods	4,333,462
	$10,810,978

Note C: Inventories—Inventories are valued at the lower of cost (generally standard cost which approximates first-in, first-out cost) or market. However, inventories of two companies acquired during the year are valued on the last-in, first-out (LIFO) method at cost of $2,980,000 which was $2,260,000 less than they would have been valued under the first-in, first-out method.

TABLE 12: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers	Lifo Use In: 1960	1959	1955	1950
	Chemicals and Chemical Products:				
31	Chemicals (*Co. Nos. 29, 71, 287, 289, 306, 330, 427)	7	8	8	7
12	Drugs and Medicines	—	—	—	—
6	Paints and Varnish (*Co. Nos. 261, 399)	2	2	2	3
25	Clay, Glass, Building Materials (*Co. Nos. 17, 278, 316, 338, 371, 398)	6	6	9	4
26	Electrical Appliances and Machinery (*Co. Nos. 132, 247, 250, 462, 512, 589)	6	6	6	3
	Food Products:				
9	Bakery	—	1	1	1
11	Beverage (*Co. Nos. 225, 397)	2	2	2	2
15	Canning and Preserving (*Co. Nos. 36, 120, 343, 367, 508, 514, 527)	7	7	8	6
9	Confectionery (*Co. Nos. 28, 87, 106, 288, 597)	5	5	5	4
8	Dairy (*Co. Nos. 104, 125)	2	2	3	3
10	Grain Milled Products (*Co. No. 59)	1	2	2	2
11	Meat Products (*Co. Nos. 63, 364, 386, 459, 536, 593)	6	6	7	6
7	Sugar (*Co. Nos. 294, 575)	2	2	2	2
12	Instruments—Scientific (*Co. Nos. 90, 208, 317)	3	3	3	3
8	Leather and Shoe Products (*Co. Nos. 271, 311, 372)	3	3	3	3
8	Lumber and Wood Products (*Co. Nos. 192, 201, 300, 590)	4	4	5	1
	Machinery:				
7	Agriculture (*Co. Nos. 16, 127, 128, 190, 413)	5	5	5	1
12	Business and Store (*Co. Nos. 119, 394)	2	2	4	3
32	General Industrial (*Co. Nos. 44, 174, 199, 321, 431, 524, 537)	7	8	6	3
8	Household and Service	—	2	3	1
26	Special Industrial (*Co. Nos. 97, 112, 176, 188, 280, 497, 560)	7	7	4	2
23	Metal Products (*Co. Nos. 26, 42, 108, 166, 226, 375, 485, 486, 498)	9	9	8	5
6	Motion Pictures	—	—	—	—
14	Nonferrous Metals (*Co. Nos. 18, 37, 46, 53, 54, 107, 121, 148, 326, 434, 467, 469)	12	12	14	12
19	Paper (*Co. Nos. 136, 191, 310, 329, 418, 481, 484, 551, 586)	9	10	10	9
31	Petroleum (*Co. Nos. 68, 70, 142, 168, 274, 438, 453, 456, 472, 500, 505, 516, 517, 518, 519, 520, 531, 544, 553)	19	19	17	16
9	Printing and Publishing (*Co. Nos. 366, 545)	2	2	1	1
10	Radio, Records, Television	—	—	—	—
37	Retail Stores (*Co. Nos. 15, 144, 229, 231, 260, 263, 333, 356, 363)	9	9	12	13
9	Rubber Products (*Co. Nos. 230, 256, 265, 266)	4	4	4	4
32	Steel and Iron (*Co. Nos. 3, 8, 11, 62, 93, 153, 169, 178, 207, 305, 319, 353, 402, 466, 492, 528, 569, 572, 577, 591, 599)	21	21	20	15
	Textiles:				
6	Floor Covering (*Co. Nos. 12, 64, 94, 381)	4	4	6	6
6	Synthetic Fibers (*Co. Nos. 50, 557)	2	2	1	1
21	Wool and Cotton (*Co. Nos. 88, 99, 123, 151, 186, 302, 325, 463, 525, 541, 561)	11	11	11	13
11	Tobacco (*Co. Nos. 160, 470)	2	2	1	1
	Transportation Equipment:				
18	Aircraft	—	—	—	—
6	Boat and Ship (*Co. No. 239)	1	1	1	1
13	Railway (*Co. Nos. 38, 254, 449, 452)	4	4	4	3
15	Motor Vehicles (*Co. Nos. 116, 141, 387, 592)	4	3	1	—
21	Miscellaneous (*Co. Nos. 312, 435, 451, 594)	4	4	3	1
	Total	194	200	202	161

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

THE WHITE MOTOR COMPANY

Current Assets:

Inventories—at cost (generally standard cost or last-in, first-out methods) not in excess of market, less allowance for obsolescence:	
Finished goods	$48,353,611
Raw materials, work in process, and supplies	51,129,893
	$99,483,504

Financial Review Section

Oliver Acquisition: As previously reported, the acquisition of the farm equipment business and the farm equipment plants, inventories and certain other assets of The Oliver Corporation was consummated on October 31, 1960. The properties and assets acquired from The Oliver Corporation, having a book value of approximately $42,875,000 (after LIFO and obsolescence reserves on the inventories of about $7,950,000) were purchased at approximately 80% of book value by the issuance of 655,000 shares of Common Stock valued at $31,767,500 ($48.50 per share) and a cash payment still to be paid.

Abandonment of Lifo

BASIC PRODUCTS CORPORATION

Inventories—at cost, not in excess of market (Note 2) $16,066,019

Note 2: On August 1, 1959, the Company adopted the policy of determining the cost of all malt and grain inventories on the "first-in, first-out" method. Previously, the cost of malt and grain inventories had been determined principally on the "last-in, first-out" method. The restatement of the August 1, 1959 inventories resulted in a credit of $638,168 net of income taxes, which has been recorded as a special income credit in the accompanying financial statements. Had such change not been made, the net income for the current year, before and after income taxes would have been approximately $160,000 and $72,000, greater, respectively.

HERCULES MOTOR CORPORATION

Current Assets:

Inventories—at cost (1960—first-in, first-out; 1959—generally last-in, first-out) not in excess of market—Note A $8,783,486

Note A: The Corporation changed its policy of pricing inventories from the last-in, first-out method to the first-in, first-out method, thereby increasing the amount stated for inventories at July 31, 1960 by $675,806. This change had the effect of reducing the net loss for the year ended July 31, 1960 by $130,588. The related adjustment of the value of inventories at August 1, 1959, which amounted to $545,218, is shown in the income statement as a special item.

THE MAYTAG COMPANY

Current Assets:

Inventories—Note A $13,917,568

Note A: Inventories—Inventories have been included in the statement of financial condition at the lower of cost (first-in, first-out method) or market. The major classes of inventories were as follows:

Finished products	$ 4,503,363
Work in process and finished parts	6,930,442
Materials	1,825,753
Manufacturing supplies	658,010
Total	$13,917,568

Effective January 1, 1960, the Company discontinued the practice of including an annual adjustment in cost of products sold to reduce inventories to a LIFO basis. Consequently, the reserve of $1,460,000 at that date was transferred to retained earnings and reclassified in the statement of financial condition at December 31, 1959. The effect of this change on net income for 1960 was insignificant.

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 for the restatement of, 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; 8 in 1960) and "basic lifo replacement" (18 in 1950; 5 in 1960). During 1960 there was a decrease both in the number of reserves shown and in the number of companies presenting such reserves, which is a continuation of the trend shown in recent years.

TABLE 13: INVENTORY RESERVES

Purpose Stated	1960	1959	1955	1950
Possible future inventory price decline or losses (*Co. Nos. 56, 251, 285, 291, 413, 441)	8	7	14	49
Inventory obsolescence (*Co. Nos. 209, 250, 318, 366, 413, 592)	12	12	12	19
Basic Lifo replacement (*Co. Nos. 59, 343, 364, 453, 536)	5	6	6	18
Restatement of Lifo (*Co. No. 3)	1	1	2	—
Reduction to Lifo cost (*Co. Nos. 11, 528)	2	2	6	6
"Base stock" adjustment (*Co. Nos. 172, 217, 399, 526)	4	4	4	5
Reduction to market (*Co. No. 94)	1	5	3	2
"Released film" amortization (*Co. Nos. 195, 349, 420, 550)	4	4	5	5
Inventory shrinkage (*Co. Nos. 209, 402, 409)	3	3	3	3
Materials and supplies adjustments (*Co. Nos. 37, 453)	2	1	1	4
Inventory hazard	—	—	1	1
Purpose not stated (*Co. Nos. 5, 12, 76, 434, 582)	5	6	16	24
Miscellaneous (*Co. No. 265)	1	1	5	11
Total	48	52	78	147
Terminology Used				
"Reserve"	23	28	42	86
"Provision"	6	6	7	11
Various other terms	19	18	29	50
Total	48	52	78	147
Number of Companies with:				
Inventory reserves	45	50	71	124
No inventory reserves	555	550	529	476
Total	600	600	600	600

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

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

Inventory Price Decline or Losses

ANCHOR POST PRODUCTS, INC.
Current Assets:

Inventories (At lower of Cost or Market less Allowance for Decline in Value)	$3,098,084.04

CUTLER-HAMMER, INC.
Above Stockholders' Equity:

Reserve for Possible Inventory Losses and Other Contingencies	$1,500,000

PIPER AIRCRAFT CORPORATION
Current Assets:

Inventories at the lower of cost (first-in, first-out basis) or market:	
Finished airplanes	$ 2,329,675
Service parts	777,601
Work in process	4,816,027
Raw materials and purchased parts	2,805,204
Manufacturing supplies	99,088
	10,827,595
Less allowance for possible losses	255,642
	10,571,953

Inventory Obsolescence

INGERSOLL-RAND COMPANY
Current Assets:

Inventories at the lower of cost or market (Note 1)	$48,314,788

Note 1: Inventories include:

Raw materials	$ 5,996,969
Work in process, finished parts and finished goods	43,494,036
Supplies	323,783
	49,814,788
Less—Estimated obsrolescence	1,500,000
	$48,314,788

JONES & LAMSON MACHINE COMPANY
Current Assets:

Material and supplies, work in process and finished parts and machines—at cost or standard cost	$4,795,337
Less: Reserve for obsolescence	150,000
	$4,645,337

SYMINGTON WAYNE CORPORATION
Current Assets:

Inventories—Note 3	$12,559,704

Note 3: Inventories, at the lower of cost or market, may be summarized as follows:

Finished and in process	$ 6,322,443
Materials and supplies	5,305,038
Service parts	1,039,618
Provision for obsolescence	(107,395)
	$12,559,704

Inventory cost has been determined generally on the first-in, first-out (FIFO) basis with the exception of inventories totalling $1,538,000 in 1960, $1,570,000 in 1959, which have been priced on a last-in, first-out (LIFO) basis.

Lifo Inventory Reserves

ACME STEEL COMPANY
Current Assets:

Cash	$ 7,916,248
Trade accounts receivable, less allowances	7,599,467
Recoverable federal income taxes	2,260,000
Prepaid insurance and other expenses	277,421
Inventories—Note A	40,675,183
Total Before Adjustment of Inventory Amount	$58,728,319
Amount to increase inventories, as above, to first-in, first-out cost basis (1960—$9,000,000; 1959—$9,800,000), less applicable taxes on income at current rates—Note A	4,300,000
Total Current Assets	$63,028,319

Above Shareholders' Equity:

Reserves:	
For net adjustment of inventories—Note A	$ 4,300,000

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

	December 31, 1960
Finished products	$12,682,839
Work in process	8,793,914
Raw materials	13,446,023
Manufacturing supplies	5,752,407
Total	$40,675,183
Method used in determination of cost:	
Last-in, first-out (LIFO)	$28,207,621
First-in, first-out	12,467,562
Total	$40,675,183

If all inventories had been priced under the first-in, first-out method, the inventories would have been greater by approximately $9,000,000 at December 31, 1960, and $9,800,000 at December 31, 1959. In the statement of financial condition this difference, after giving effect to applicable taxes on income at current rates, has been added to current assets and offset by a reserve of a like amount.

ARCHER-DANIELS-MIDLAND COMPANY
Current Assets:

Inventories—Note A:	
At lower of cost (last-in, first-out method) or market:	
Linseed oil, soybean oil, sperm oil and crude fish oil	$ 3,873,813
At lower of cost (first-in, first-out method) or market:	
Flaxseed, soybeans and other raw materials	8,474,982
Chemicals and sundry products	8,169,910
Materials and supplies	2,102,741
At market:	
Flour, wheat and other grains, feed and meal	10,690,060
	$33,311,506

Current Liabilities:

Reserve for anticipated replacement of inventories, less related income tax reduction—Note A	$ 330,000

Note A: The current replacement cost of oils priced in the inventory at last-in, first-out cost exceeded the inventory basis thereof by approximately $2,541,000 at June 30, 1960 and $2,470,000 at June 30, 1959. This increase results from increased physical quantities at June 30, 1960 partially offset by decreases in market prices.

The excess of the cost of replacement of quantities anticipated to be replaced prior to the end of the income tax reporting year (December 31, 1960) over the lifo basis thereof is reflected in the reserve for anticipated replacement of inventories, after adjustment for allocable income tax effect.

Grain and grain products shown in the balance sheet as priced at market have been priced on the basis of market prices for grain at June 30, including adjustments 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.

LIBBY, McNEILL & LIBBY
Current Liabilities:

Reserve for replacement of "LIFO" inventories (after income taxes)	$1,050,000

Other Inventory Reserves

NATIONAL STEEL CORPORATION
Current Assets:

Inventories of finished and semi-finished products, raw materials, and supplies—Note A	$108,322,357

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	$ 50,837,955
Raw materials	47,786,584
Supplies	11,402,881
	$110,027,420
Less reserves for shrinkage	1,705,063
	$108,322,357

PARAMOUNT PICTURES CORPORATION
Current Assets:

Inventory, at cost or less (see Note B):	
Released productions	$22,220,000
Completed productions being prepared for release	9,730,000
Productions in process of completion	17,351,000
Costs applicable to future productions	4,137,000
Scenario rights	1,685,000
Merchandise and supplies	2,334,000
Total inventory	$57,457,000

Note B: Inventory—The company revised its amortization table during the year to reflect current revenue experience and applied the new table to production and domestic print costs of all pictures released in 1960, including those produced by outside producers. The new table amortizes approximately 46% of the costs within 13 weeks after domestic release, 82% within 52 weeks, and all but a small residual value within 104 weeks. Such residual values have been established for all pictures released since January 1, 1953 in partial recognition of the possible future income from television and to bring the accounts into agreement with the position to be taken by the company for income tax purposes. Advertising, foreign prints and other costs relative to distribution of all pictures are charged to expense as incurred. These changes had no material net effect on income for the year.

STEWART-WARNER CORPORATION
Current Assets:

Inventories, priced at lower of cost (first-in, first-out) or market:	
Finished goods and work in process	$22,528,477
Raw materials and manufacturing supplies	3,016,773
	$25,545,250
Less: Reserve to reduce basic inventories to 1945 price levels	4,360,000
	$21,185,250

BALANCE SHEET PRESENTATION

Inventory reserves were presented most frequently by the survey companies in the current asset section of the balance sheet with the related inventories (33 reserves in 1960); above stockholders' equity section (9 reserves in 1960); or in the current liabilities section (4 reserves in 1960). Table 14 sets forth, by type of reserves, the various balance sheet presentations in the annual reports of the survey companies for the years 1960, 1959, 1955, and 1950.

TABLE 14: INVENTORY RESERVES

Balance Sheet Presentation	1960	1959	1955	1950
With Inventories for:				
Possible future inventory price decline or losses (*Co. Nos. 56, 413, 441)	4	1	2	9
Inventory obsolescence (*Co. Nos. 209, 250, 318, 413, 592)	11	11	12	15
Reduction to Lifo cost (*Co. Nos. 11, 528)	2	1	4	5
Materials and supplies adjustments (*Co. Nos. 37, 453)	2	1	1	3
"Base stock" adjustments (*Co. No. 526)	1	1	3	4
Reduction to market (*Co. No. 94)	1	4	2	1
"Released film" amortization (*Co. Nos. 195, 349, 420, 550)	4	4	5	5
Inventory shrinkage (*Co. Nos. 209, 402, 409)	3	3	2	3
Purpose not stated (*Co. Nos. 5, 12, 76, 434, 582)	5	5	7	11
Miscellaneous	—	—	3	8
Among Current Liabilities for:				
Basic Lifo replacement (*Co. Nos. 59, 343, 364, 536)	4	5	3	7
Miscellaneous	—	—	1	1
Above Stockholders' Equity for:				
Possible future inventory price decline or losses (*Co. Nos. 185, 251)	2	2	1	15
Inventory obsolescence (*Co. No. 366)	1	1	—	4
Reduction to Lifo cost	—	1	2	1
Basic Lifo replacement (*Co. No. 453)	1	1	2	9
Reduction to market	—	1	1	1
"Base stock" adjustments (*Co. Nos. 172, 217, 399)	3	3	1	1
Restatement of Lifo (*Co. No. 3)	1	1	2	—
Purpose not stated	—	1	4	7
Miscellaneous (*Co. No. 265)	1	1	2	2
Within Stockholders' Equity for:				
Possible future inventory price decline or losses (*Co. Nos. 285, 291)	2	4	10	25
Purpose not stated	—	—	5	7
Miscellaneous	—	—	3	3
Total	48	52	78	147

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

Examples of the various balance sheet presentations follow:

With Related Inventories

BIGELOW-SANFORD, INC.

Current Assets:

Inventories (Note 2)—	
Finished Goods	$12,182,517
Work in Process	5,623,832
Raw Materials and Supplies	7,917,479
Total Inventories	$25,723,828

Note 2: 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	$ 9,758,526
Less—Reserve for unrealized losses based upon market value of certain raw materials	117,236
	$ 9,641,290
Manufacturing costs, etc., at standard cost	8,398,606
Miscellaneous inventories, at lower of cost or market (1960 includes Crestliner, Inc. inventories)	7,683,932
Total inventories	$25,723,828

GENERAL ELECTRIC COMPANY

Current Assets:

Inventories (materials, and products being made or completed and ready for sale)	$655,161,191

Notes to Financial Statements

Note: Inventories were carried at cost, exclusive of certain indirect manufacturing expenses and intercompany profits, and less reserves which made provision for possible losses on inactive and excess stocks. Carrying value was not in excess of market. Cost of substantially all inventories in the United States was determined on a last-in, first-out (LIFO) basis. Inventories of Canadian components, with a net value of $45.3 million, were valued on a first-in, first-out (FIFO) basis.

NOPCO CHEMICAL COMPANY

Current Assets:

Inventories—at average cost (Note A)	$6,615,588

Note A: Merchandise Inventories—Inventories at substantially all locations were verified by physical count during the latter part of the year and are stated principally at average cost. The Company believes that the aggregate value of these inventories at December 31, 1960 was approximately at market.

Based on past experience, a reserve for shrinkage and other adjustments in inventories is maintained. A classification of the inventories follows:

Finished goods	$3,915,785
Work in process	183,310
Raw materials	2,247,665
Containers and supplies	356,287
	$6,703,047
Less: Reserve for Shrinkage	87,459
Total	$6,615,588

Among Current Liabilities

OSCAR MAYER & CO., INC.

Provision for replacement of basic "LIFO" inventories	$125,000

SWIFT & COMPANY

Provision for replacement of "Lifo" inventories (net after income taxes)	$1,323,125

Above Stockholders' Equity

ENDICOTT JOHNSON CORPORATION

Provision to Give Effect to the Normal Base Stock Method of Inventory (Note 1)	$20,333,725

Note 1: The Corporation employs the normal base stock method of inventory under which hide, leather, and rubber values in inventories, including footwear, are stated on the basis of cost or market, whichever is lower, and a provision is made to reduce the established normal inventory to amounts based on the following fixed prices, which are substantially below current market levels: hides, 7 cents per pound; purchased upper leather, 17 cents per foot; crude rubber, 5 cents per pound; synthetic rubber, 18 cents per pound. In addition the provision covers that portion of inventory valuation attributable to labor, overhead and certain miscellaneous materials on normal inventory quantities to the extent such valuation exceeds costs prevailing in 1939.

The normal base stock method which is not recognized for federal income tax purposes, is designed to eliminate from earnings most inventory price increases or decreases. Inventory prices decreased during the year and accordingly the "Provision to give effect to the normal base stock method of inventory" was reduced by $537,955. Since the required reduction was not includable in computing refundable federal income taxes for fiscal 1960, an amount equivalent to the federal income taxes (at current rates) applicable to the reduction ($297,800) was credited directly to "Accumulated retained earnings." If the aggregate "Provision to give effect to the normal base stock method of inventory" of $20,333,725 were computed net of taxes at the current year's rate of 52%, it would be $9,760,188 and the excess of $10,573,537 would represent a part of "Accumulated retained earnings."

GENERAL MILLS, INC.

Reserves for self-insurance, price declines and other purposes	$4,959,164

THE PURE OIL COMPANY

Reserves:	
For replacement of inventories	$1,164,000

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
Unappropriated	77,110,895

THE HOBART MANUFACTURING COMPANY

Earnings retained in the business:	
Domestic companies	$18,162,874
Subsidiaries outside the United States	8,063,710
Total earnings retained in the business	$26,226,584

Notes to Financial Statements

Note 4: Earnings retained in the business at December 31, 1960 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.

CASH SURRENDER VALUE OF LIFE INSURANCE

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.

As may be noted from Table 15 the number of survey companies disclosing the asset "cash surrender value of life insurance" has gradually decreased from 113 in 1950 to 60 in 1960, and that for the year under review, none has presented the item as a current asset.

TABLE 15: CASH SURRENDER VALUE OF LIFE INSURANCE

Balance Sheet Presentation	1960	1959	1955	1950
As a current asset separately set forth	—	1	1	3
As a noncurrent asset separately set forth (*Co. Nos. 99, 283, 336, 459, 547)	7	9	36	31
Combined with or shown under heading of other noncurrent assets (*Co. Nos. 85, 118, 182, 279, 377, 414)	52	56	49	79
Not shown on balance sheet but existence thereof discussed in notes (*Co. No. 367)	1	1	2	—
Number of Companies:				
Disclosing the above asset	60	67	88	113
Not disclosing the above asset	540	533	512	487
Total	600	600	600	600

*Refer to Company Appendix Section.

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

WALT DISNEY PRODUCTIONS
Other Assets:

Cash surrender value of insurance on lives of officers	$393,364
Investment in foreign subsidiaries not consolidated, less amortization	63,657
Sundry other assets and deferred charges	289,453
	$746,474

THE DUPLAN CORPORATION
Noncurrent Assets:

Cash Value of Life Insurance	$165,805

EASTERN STAINLESS STEEL CORPORATION
Noncurrent Assets:

Cash Surrender Value of Life Insurance Policies	$322,546

KELSEY-HAYES COMPANY
Investments and Other Assets:

Cash surrender value of life insurance	$ 589,432
Investment in Canadian subsidiary (80% owned)—at equity in net assets	3,215,825

McCORMICK & COMPANY, INCORPORATED
Notes to Financial Statements

Note D: During 1960 the Company revised its funded pension plans to provide increased benefits for its employees, and to integrate its supplemental pension plan with its trusteed plan. Unfunded past service benefits under the trusteed plan amounted to approximately $1,870,000 at November 30, 1960; such benefits are being funded over a ten-year period.

The supplemental pension plan for certain executive and supervisory employees will largely be replaced over a period of years by the trusteed plan, and accordingly, the liability under the supplemental pension plan and assets designated as the source of funds for financing such plan will be gradually reduced. The liability at November 30, 1960 under the supplemental pension plan was computed as follows:

Liability for service to November 30, 1960, less estimated Federal income tax savings in future years when payments will be made to participants or to the trusteed plan		$596,817
Less:		
Cash surrender value of individual life insurance contracts on employees	$321,125	
Investments in marketable securities at cost (quoted market value $224,299)	237,791	558,916
Net Liability		$ 37,901

SHOE CORPORATION OF AMERICA
Other Assets:

Surrender value, life insurance policies	$594,927
Due from officers ($43,191) and employees, less reserve $7,000	281,607
Miscellaneous accounts receivable, deposits, etc.	239,957

CLAIMS FOR REFUND OF INCOME TAXES

Table 16 summarizes the 69 claims for income tax refunds as disclosed by 62 of the survey companies in their 1960 annual reports. As in prior years, the most common cause of such claims for refund continue to be in connection with operating loss carry-backs. In 23 instances the basis of the claims was not specifically explained.

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

Operating Loss Carry-Back

ALCO PRODUCTS, INC.
Current Assets:

Cash	$ 7,567,549
United States Government securities—at cost	—
Accounts receivable (Note 1)	16,099,356
Refundable Federal income taxes (Note 2)	1,843,000
Inventories—at cost, not in excess of market:	
Materials, supplies and products in process of manufacture	30,002,948
Finished products	14,050,952

Note 2: Refundable Federal income taxes in the amount of $1,843,000, result from the carryback of the 1960 operating loss against taxable income of prior years. In addition, the Company has had pending for a number of years claims for relief from a portion of the excess profits taxes paid for both the World War II and the Korean War periods. No effect has been given to these claims in the Company's accounts.

TABLE 16: TAX REFUND CLAIMS

Nature of Tax Refund Claims	1960	1955
Claims for Refund of Federal Income or Excess Profits Taxes:		
Basis of Claims Explained as—		
A: Operating loss carry-back (*Co. Nos. 65, 187, 223, 332, 559, 581)	36	16
B: Sections 721-722 of Internal Revenue Code	—	3
C: Replacement of basic Lifo inventory	—	7
D: Adoption of Lifo inventory (*Co. Nos. 356, 363)	3	6
E: Excess profits credit—carry-back (*Co. No. 427)	1	2
F: Various other (*Co. Nos. 360, 540)	2	2
Basis of Claims Not Explained—		
G: Income taxes (*Co. Nos. 30, 101, 116, 184, 351, 549)	20	20
H: Excess profits taxes (*Co. Nos. 9, 457)	3	9
I: Taxes	—	4
Claims for Refund of:		
J: State Taxes (*Co. No. 443)	1	1
K: Foreign taxes (*Co. Nos. 6, 57)	3	2
Total	69	72

Presentation in 1960	A	D	E	F	G	H	J	K	1960 Total
Current assets	32	—	—	1	7	—	1	2	43
Noncurrent assets	1	3	—	1	6	—	—	1	12
Tax liability offset	1	—	—	—	1	—	—	—	2
Notes to statements	1	—	1	—	3	3	—	—	8
Letter to stockholders	1	—	—	—	3	—	—	—	4
Total	36	3	1	2	20	3	1	3	69

Number of Companies	1960	1955
Referring to tax refund claims	62	62
Not referring to tax refund claims	538	538
Total	600	600

*Refer to Company Appendix Section.

AMERICAN-SAINT GOBAIN CORPORATION
Current Assets:
Refundable Federal taxes on income arising from carryback of operating loss $323,200

DOUGLAS AIRCRAFT COMPANY, INC.
Current Assets:
Estimated recoverable federal taxes on income, arising from carry-back of operating loss $14,215,000
Other Assets:
Estimated future income-tax benefits related to provision for future development costs, etc.—Notes A and H .... $ 6,767,000

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

Fixed-price contracts, orders, etc., in process	$240,083,113
Materials, spare parts, etc.	50,671,114
Advances under material purchase agreements	3,902,956
	$294,657,183
Less advance and progress payments received	126,706,062
	$167,951,121

The Company regularly follows the practice of charging development costs directly to income as incurred and of stating inventories of fixed-price contracts in process at costs not in excess of the proportionate amount of contract sales prices. At November 30, 1960, the Company has made provision, by charges against income, for the estimated future development costs expected to be incurred under its DC-8 jet aircraft program and for the amount by which production costs to be incurred to complete DC-8 aircraft in process or on order are expected to exceed the applicable sales prices. As a consequence of anticipating these future costs and to-be-realized losses in the accounts, reported net loss for the year ended November 30, 1960, is $6,247,560 greater than it otherwise would have been.

Note H: Income-tax Credit—The estimated federal income-tax credit for the year ended November 30, 1960, is comprised of $14,215,000 current refund arising from loss carry-back provisions of the tax law, $6,767,000 future tax benefits related to the provisions for future development costs, etc., and $45,000 (charged to the deferred income-tax reserve) attributable to the difference between amounts for local property taxes and other items currently charged off in the accounts and the amounts for corresponding deductions currently allowable for income tax purposes.

Adoption of Lifo Inventory

GIMBEL BROTHERS, INC.
Noncurrent Assets:
Overpayments of Federal Income Taxes Claimed for the Six Years Ended January 31, 1947 (See Note 1) $5,960,000

Note 1: Merchandise inventories are stated at LIFO (last-in, first-out) cost as determined under the retail inventory method. Inventories are stated at January 31, 1960 and January 31, 1959 at $11,380,735 and $11,034,000, respectively, less than they would have been if the first-in, first-out principle had been applied in determining cost.

As explained in the report for the year ended January 31, 1948, the LIFO method was claimed for all years commencing with the fiscal year ended January 31, 1942. As a result of this claim, provision for federal income taxes for the periods since January 31, 1941 has been reduced by $7,025,000. Of this amount $5,960,000 represents overpayments claimed for the six years ended January 31, 1947 (carried in the accompanying balance sheet as a noncurrent asset). The balance of the reduction, $1,065,000, has been reflected in the reduced provision for federal income taxes in the thirteen years ended January 31, 1960. The court case involving the right to use the LIFO method for the year ended January 31, 1942 was decided in 1956 against the Company. The Company continues to plan to take such action as is available to it to assert its right to use the LIFO method for the year ended January 31, 1943 and subsequent years, and no adjustments are being made in the financial statements as a result of the adverse decision for the year ended January 31, 1942 until clarification of the Company's position for all years.

Excess Profits Taxes

REXALL DRUG & CHEMICAL COMPANY
Notes to Financial Statements

Note: Taxes on Income—Claims for refund of United States taxes were filed in 1953 based upon the contention that the excess profits tax credits should be increased for the years 1940 to 1945, inclusive. In connection with such claims, waivers have been executed and are still outstanding as to certain such years. While final action has not yet been taken on the claims, the Treasury Department has made protective assessments of additional income taxes for 1942, 1943 and 1944 based principally upon substantial reductions claimed in the amount of income subject to excess profits taxes in those years. If the proposed adjustments giving rise to the protective assessments are approved, the reduction in excess profits taxes will substantially exceed the related income tax assessed, whereas disapproval of the proposed adjustments would substantially eliminate the basis for the additional income tax assessments. No amounts have been included in the financial statements with respect to these claims or the protective assessments.

Deferred taxes on income applicable principally to additional depreciation deducted for tax purposes increased during the year and has been classified separately in the statement of financial position. The comparable amount for 1959 is also shown separately.

Renegotiation

THE MARTIN COMPANY
Noncurrent Assets:

Federal Income Tax Refundable on Renegotiation Payment for 1953 (Note B)	$1,636,567

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 for the years 1953 to 1956. The effect of the Board's actions is summarized below:

	Excessive Profits Determined by Board	Requested Refund, Net of Federal and State Tax Credits	Liability in Accounts as of Dec. 31, 1960
1953	$3,500,000	$1,526,192	$ (1)
1954	6,250,000	2,816,793	2,816,793
1955	3,500,000	1,430,279	1,430,279
1956	4,796,101	2,008,316	1,146,188(2)
			$5,393,260

(1) Year 1953 paid under protest—Company has a claim for Federal income tax refundable in the amount of $1,636,567.

(2) Amount provided for 1956 is net of a claim now before the Armed Services Board of Contract Appeals to recover certain contract costs previously disallowed. If the claim is not successful the requested refund will be correspondingly reduced.

The Company believes that no excessive profits were realized for the years 1953 to 1956 and has appealed to the Tax Court for a redetermination of the Board's findings for these years. Sales and profits for 1957 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 1957 or subsequent years.

Write-Down of Foreign Subsidiary

TEXAS GULF SULPHUR COMPANY
Current Assets:

Recoverable Federal income taxes	$4,491,309

Notes to Financial Statements

Note 1: Mexican Subsidiary—For the years 1956 through 1959, the financial statements of the Company's wholly-owned Mexican subsidiary, Compania Exploradora del Istmo, S.A., were consolidated with those of the parent company. Because of the suspension of operations in Mexico and the resultant write-down referred to in the succeeding paragraph, the accompanying financial statements reflect only the accounts of the parent company.

Operations in the Mexican subsidiary, which had commenced the production of sulphur in 1957 but had made no shipments, were suspended early in 1960, and the subsidiary's assets, including sulphur inventory, plant and equipment, were written down to their current realizable value. The extraordinary item of $1,114,119 is the net loss sustained by the Company in adjusting its investment in and advances to such subsidiary after offsetting the total write-down with the income tax savings of $6,103,000 and the amounts reserved by the Company in prior years against exploration and excess production costs.

Note 4: Recoverable Federal Income Taxes—The deduction for tax purposes of the write-down in the Mexican subsidiary referred to in Note 1 together with the effect of amending 1954 to 1957 tax returns result in aggregate claims for refund of Federal income taxes of $5,613,846 including net interest. To the extent that the refunds are anticipated to be received in 1961, the claims and related net interest are classified as current. The balance of the claims and related net interest amounting to $1,122,537 is included among miscellaneous assets.

State Taxes

PITTSBURGH BREWING COMPANY
Current Assets:

State excise tax refunds due	$47,324

Foreign Taxes

HOUDAILLE INDUSTRIES, INC.
Current Assets:

Refundable United States and Canadian income taxes	$678,617

FIXED ASSETS—Basis of Valuation

Of the 600 survey companies, 561 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," although in some cases this was modified to read "substantially at cost" or "principally at cost," etc. (*Co. Nos. 45, 283, 335, 381).

Examples

Illustrations of the various methods of presentation of the value of fixed assets as disclosed in the 1960 reports are as follows:

At Cost

THE HARSHAW CHEMICAL COMPANY

Property, Plant, and Equipment:	
Buildings—at cost	$ 6,820,202
Machinery and equipment—at cost	15,334,802
Emergency facilities—at cost	1,622,296
	$23,777,300
Less allowances for depreciation and amortization	12,383,163
	$11,394,137
Land—at cost	1,000,494
Total Property, Plant, and Equipment—Net	$12,394,631

SOCONY MOBIL OIL COMPANY, INC.

Properties, Plants, and Equipment (at cost):	
Producing	$1,770,836,665
Manufacturing	895,791,371
Marketing	623,700,813
Marine	192,818,399
Pipe lines	241,484,469
Other	55,353,237
	$3,779,984,954
Less—accumulated depreciation, depletion, and amortization	1,909,486,564
Net Properties, Plants, and Equipment	$1,870,498,390

*Refer to Company Appendix Section.

TABLE 17: PROPERTY—FIXED ASSETS

Basis of Valuation	1960	1959	1955	1950
Cost (*Co. Nos. 11, 55, 62, 64, 66, 280)	513	510	457	396
Cost plus appraisal value (*Co. Nos. 61, 263, 369, 374, 418)	10	8	11	22
Cost plus assigned, estimated, or revised values (*Co. No. 432)	1	—	6	5
Cost and various other bases (*Co. Nos. 45, 121, 146, 368, 590)	7	9	10	9
Cost in cash or securities (*Co. Nos. 54, 164, 510)	3	4	3	9
Cost in cash or securities plus subsequent additions at cost (*Co. No. 51)	1	1	2	2
Cost in cash or securities plus estimated and nominal values or assigned values	—	—	—	2
Cost or below cost (*Co. Nos. 192, 290, 333, 459, 571)	6	6	10	17
Approximate cost (*Co. Nos. 120, 139, 464)	4	5	12	11
Approximate cost plus appraisal or revised values	—	—	1	2
Appraisal value with subsequent additions at cost (*Co. Nos. 30, 40, 247, 311)	5	7	13	24
Appraisal value with subsequent additions at cost plus various other bases	—	—	1	6
Assigned value with subsequent additions at cost (*Co. Nos. 271, 325)	2	2	8	9
Revised value with subsequent additions at cost (*Co. Nos. 251, 352)	2	2	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. 218, 562, 575)	4	4	3	2
Book value (*Co. No. 228)	1	1	2	1
Book value with subsequent additions at cost (*Co. No. 443)	1	1	2	4
Reproductive value with subsequent additions at cost (*Co. No. 549)	1	1	4	2
Number of Companies				
Stating valuation basis for fixed assets	561	561	547	535
Not stating valuation basis for fixed assets	39	39	53	65
Total	600	600	600	600

*Refer to Company Appendix Section.

LUKENS STEEL COMPANY

Plant and Equipment, At cost less accumulated depreciation* ... $48,601,228

*See accompanying supplementary financial information.

Supplementary Financial Information:

Plant and Equipment:	
Land	$ 921,162
Buildings, equipment, etc.	79,070,612
Construction in progress	28,282
	$80,020,056
Less—Accumulated depreciation	31,418,828
	$48,601,228

R. H. MACY & CO., INC.

Property and Equipment, per accompanying statement ... $82,943,605

Consolidated Property and Equipment:

	Cost	Accumulated depreciation and amortization
Land	$ 9,789,908	$ —
Buildings and improvements on owned properties	44,200,735	10,841,101
Buildings and improvements on leased properties and leaseholds	28,716,968	15,029,233
Fixtures and equipment	33,744,929	14,336,738
Construction in progress	6,698,137	—
	$123,150,677	$40,207,072
Net property and equipment	$82,943,605	

THE OHIO OIL COMPANY (Thousands of dollars)

Property, Plant and Equipment:	
Oil lands and leases, plants and equipment, pipe lines and other properties—at cost	$733,685
Less allowances for depletion, depreciation and amortization	406,756
	$326,929

Cost Plus Appraisal Value

UNITED MERCHANTS AND MANUFACTURERS, INC.

Fixed Assets (Note D):	
Land and water rights	$ 3,234,106
Buildings	24,730,432
Machinery, equipment and leasehold improvements	86,670,605
	$114,635,143
Less: Reserves	57,707,596
	$ 56,927,547
Buildings, machinery and equipment under construction and in transit	2,988,033
	$ 59,915,580

Note D: Fixed Assets—Fixed assets are stated partly on the basis of cost and partly on the basis of appraised values as at August 1, 1937. Provision for depreciation and amortization of fixed assets for the year ended June 30, 1960, in the amount of $6,075,069 is included in the consolidated statement of income as follows:

Cost of sales	$4,558,637
Selling, administrative and general expense	1,444,589
Other deductions	71,843
	$6,075,069

Land and buildings (net of depreciation) in the approximate amount of $1,357,000, of which approximately $1,199,000 is applicable to a foreign subsidiary, are subject to liens of $197,756.

CROWN CENTRAL PETROLEUM CORPORATION

Property, Plant and Equipment:	
Land (Note B)	$ 2,624,752
Oil and gas properties—at or below cost	6,566,766
Less allowance for depletion and depreciation	3,584,280
	2,982,486
Refinery, pipe lines and other equipment —at cost	21,292,137
Less allowance for depreciation	14,492,548
	6,799,589
	$12,406,827

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

TEXTRON INC.

Property, plant and equipment (Note E):	
Land and buildings	$ 38,254,785
Machinery and equipment	88,208,699
Other property	6,826,998
	$133,290,482
Less—reserves	52,126,828
	$ 81,163,654

Note E: Property, Plant and Equipment—The reserves provided for property, plant and equipment consist of:

Reserve for depreciation and amortization	$48,296,360
Reserve for loss on sale of properties	2,543,525
Reserve for contingent payments for companies acquired	1,286,943
Total reserves	$52,126,828

The gross property, plant and equipment is stated at cost, except that the fixed assets of one division are stated at appraisal values which are $1,286,943 in excess of costs incurred to date. This excess has been credited to the reserve for contingent payments for companies acquired. Future contingent payments based upon earnings of this division will be charged to this reserve.

Cost and Various Other Bases

PHELPS DODGE CORPORATION

Property, Plant and Equipment—Note C $144,771,092

Note C: Property, Plant and Equipment—
Property, plant and equipment consists of:

	December 31, 1960	December 31, 1959
Mining properties, water rights and lands	$190,825,350	$217,343,273
Less allowance for depletion	148,242,681	174,067,679
	42,582,669	43,275,594
Buildings, machinery and equipment	236,314,660	231,800,254
Less allowance for depreciation	134,126,237	128,193,790
	102,188,423	103,606,464
Net property, plant and equipment—per Consolidated Balance Sheet	$144,771,092	$146,882,058

Mining properties are shown above at book values, the principal properties included therein being stated on the following general bases: Mining properties acquired prior to March 1, 1913 by the Corporation and mining properties acquired through the acquisition of affiliated companies in 1917 and from The Arizona Copper Company, Ltd. in 1921 are carried on the basis of U.S. Treasury Department valuations as of March 1, 1913 determined for depletion purposes in connection with Federal income taxes; and mining properties acquired from Calumet and Arizona Mining Company in 1931 are carried on the basis of engineers' valuations as of the date of acquisition.

In 1960, mining operations of a consolidated subsidiary were completely shut down and the book value of its mining properties, which had been fully depleted, was written off against the related allowance for depletion.

Buildings, machinery and equipment are carried generally on the basis of cost to the Corporation or its subsidiaries or, in the case of certain properties acquired by the issuance of capital stock, at cost to the companies from which acquired.

The book values of mining properties, etc., and plant and equipment do not necessarily indicate present-day values which could be established only by current appraisals, taking into account factors which vary from time to time, such as price of metals, rate of production, cost of labor, building materials, supplies, etc.

THE CLEVELAND BUILDERS SUPPLY COMPANY

Property, Plant, and Equipment—Note A:	
Land, less allowance for depletion	$ 897,053
Buildings ($1,874,217), machinery and equipment	7,563,535
Less allowance for depreciation	4,552,284
	3,011,251
	$3,908,304

Note A: The amount for land is chiefly represented by property acquired through merger with The Cleveland Builders Realty Company as of September 30, 1943, and is stated at the net carrying amount formerly appearing in that company's books with subsequent charges for cost of additions less allowances for depletion. During the year ended September 30, 1954, certain items of property, plant, and equipment having a net carrying amount of $492,980, were disposed of through involuntary conversion and replaced with similar facilities requiring a cash outlay of $1,272,683. No change was made in the carrying amounts of the property accounts. All other property, plant, and equipment is stated at cost.

Cost in Cash or Securities

CONTAINER CORPORATION OF AMERICA

Plant and Equipment, at cost (including properties acquired for capital stock):	Gross	Reserves
Land and timberland, less depletion	$ 12,182,443	—
Buildings	50,159,851	$16,082,202
Machinery, equipment, etc.	180,253,376	78,238,838
Leasehold improvements	1,435,655	844,485
Construction in progress	1,804,897	—
	$245,836,222	$95,165,525

SPIEGEL, INC.

Properties and Equipment—net (see Details) $8,960,483

Details of Consolidated Financial Position:

Properties	
Valued on the basis of cost in cash or at recorded value of capital stock issued therefor:	
Buildings and building improvements	$ 5,139,536
Furniture, fixtures and equipment	5,988,697
	$11,128,233
Less accumulated depreciation	3,877,971
	$ 7,250,262
Land	561,003
Leasehold improvements, less accumulated amortization of $76,854	1,149,218
	$ 8,960,483

Appraisal Value with Subsequent Additions at Cost

GENERAL CABLE CORPORATION

Property, Plant and Equipment (Note 2):	
Land	$ 2,227,194
Buildings	27,160,180
Machinery, equipment, containers, etc.	56,864,657
	$86,252,031
Less reserves for depreciation	38,009,929
	$48,242,102

Note 2: Property, plant and equipment are stated at amounts based on appraised sound values in 1927 or prior (discounted approximately 20%) plus subsequent additions at cost less special writeoffs and reserves. The Corporation's policy is to amortize the

book amount of these assets over the period of the remaining useful life on a straightline method. For income tax purposes the Corporation has adopted a method of accelerated depreciation (as permitted by the Internal Revenue Code) with respect to certain plant facilities. In July, 1958 the American Institute of Certified Public Accountants adopted the principle that provision should be made in the accounts to compensate for the reduction in Federal income taxes resulting from the use of this method. Accordingly, the Corporation has included in its provision for depreciation amounts equal to the Federal income tax benefits resulting from the accelerated depreciation.

AMERICAN OPTICAL COMPANY

Plant and equipment, at 1921 appraised values, plus subsequent additions at cost, less accumulated depreciation and amortization of $25,867,598	$17,523,669

SWIFT & COMPANY

Fixed Assets:

Property, plant and equipment, at appraised value January 1, 1914, plus subsequent additions at cost, less retirements—	
Land	$ 27,729,827
Buildings and machinery	429,912,872
Delivery and automotive equipment	31,938,705
	$489,581,404
Less: Accumulated depreciation—	
Buildings and machinery	(228,821,364)
Delivery and automotive equipment	(19,241,034)
	$241,519,006

Basis of Predecessor Company with Subsequent Additions at Cost

ERIE FORGE & STEEL CORPORATION

Property, Plant, and Equipment—Note B:		
Land		$ 430,387.89
Land improvements	$ 55,505.16	
Buildings	5,169,294.04	
Equipment	13,378,722.50	
	$18,603,521.70	
Less allowances for depreciation and amortization	8,583,756.44	10,019,765.26
		$10,450,153.15
Construction in progress		117,216.17
		$10,567,369.32

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

WILSON & CO., INC.

Property, Plant and Equipment—at acquisition values from predecessor company, as adjusted, plus additions since at cost:	
Land	$ 2,072,642
Buildings, machinery, tools and equipment	63,276,347
Refrigerator cars purchased under conditional sale agreements	10,003,002
Depreciation	(31,575,338)
	$43,776,653

Reproductive Value with Subsequent Additions at Cost

TRANS-UNITED INDUSTRIES, INC.

Property, plant and equipment (Note D):		
Land		$ 76,946
Buildings, machinery and equipment	6,806,131	
Less allowance for depreciation	3,773,867	
		$3,032,264
		$3,109,210

Note D: Property, Plant and Equipment—The machinery and equipment of the parent company aggregating $4,128,010 is stated on the basis of adjustments for estimated reproductive costs as of December 31, 1934 and subsequent additions at cost. The related allowance of $2,936,484 for depreciation includes certain adjustments applicable to the period prior to 1934. The company plans to establish forthwith the identity and cost of all depreciable items of machinery and equipment and the appropriate, accumulated allowance for depreciation on each respective item and, further, to adjust the asset and reserve accounts, in the aggregate, to the basis of cost. In the absence of such information, the amount of the adjustment required can neither be determined or reasonably estimated.

Property, plant and equipment of the subsidiaries, aggregating $2,755,067, is stated at cost.

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 120 companies in 1960. The term *accumulated* has gained wide acceptance, increasing in usage from 98 companies in 1950 to 263 companies in 1960. The term *allowance* was used in 1960 by 128 companies as compared with 108 companies in 1950.

Table 18 is a summary of 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 1960 the frequency of their combination with the primary terms.

Examples

Selected from the 1960 survey reports are the following examples of balance sheet terminology used for accumulated depreciation. However as may be observed from the examples of Fixed Assets—valuation, given in the preceding chapter, the word *less* is generally used in this connection, although it has been omitted here.

TABLE 18: ACCUMULATED DEPRECIATION

Primary Descriptive Term	**1960	1959	1955	1950
A: Reserve—used alone	12	12	9	275
Reserve, etc.	108	111	157	
B: Accumulated, etc.	263	253	190	98
C: Allowance, etc.	128	126	127	108
D: Depreciation—used alone	35	35	41	80
Depreciation, etc.	38	40	44	
E: Provision, etc.	6	9	13	17
F: Accrued, etc.	1	2	3	4
G: Estimated, etc.	2	3	3	2
H: Other phrases used:				
Wear and exhaustion	—	—	1	16
Wear of facilities	—	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	2	2	
Amount charged to past operations	—	—	2	
Amounts applied to past operations	—	—	1	
Depreciated cost	1	2	1	
Depreciated ledger values	—	—	1	
Total	600	600	600	600

**1960 Term Used with:	Primary Term Shown Above: A	B	C	E	F	G	H	None Used	1960 Total
Depreciation	51	143	72	2	1	—	1	36	306
Depreciation—amortization	35	77	37	3	—	1	1	16	170
Depreciation—amortization—depletion	11	16	8	1	—	—	—	11	47
Depreciation—amortization—obsolescence	—	5	—	—	—	—	—	—	5
Depreciation—depletion	4	17	10	—	—	1	—	10	42
Depreciation—obsolescence	4	2	1	—	—	—	—	—	7
Other phrases used	3	3	—	—	—	—	5	—	11
Reserve—used alone	12	—	—	—	—	—	—	—	12
Total	120	263	128	6	1	2	7	73	600

Reserve—(120 Companies):

Reserves (*Co. Nos. 103, 164, 190, 214, 320, 453)

Reserve(s) for depreciation (*Co. Nos. 94, 126, 243, 308, 400, 567)

Reserve(s) for depreciation and amortization (*Co. Nos. 33, 88, 112, 181, 230, 378)

Reserves for amortization and depreciation (*Co. No. 10)

Reserve(s) for depreciation, depletion and amortization (*Co. Nos. 13, 52, 143, 399, 544)

Reserve(s) for depreciation, amortization and depletion (*Co. Nos. 79, 299)

Reserve(s) for depletion, depreciation and amortization (*Co. No. 501)

Reserve(s) for depreciation and depletion (*Co. Nos. 361, 472, 556)

Reserves for . . ., depreciation, depletion, etc. (*Co. No. 20)

Reserves for depreciation and obsolescence (*Co. No. 123)

Reserve for depreciation and obsolescence (shown on liability side of balance sheet) (*Co. Nos. 203, 464)

Reserve for depreciation and obsolescence charged to operations (*Co. No. 9)

Reserve for depreciation, amortization and retirement (*Co. No. 555)

Reserves for depreciation, depletion and intangible development costs (*Co. No. 168)

Reserve for depreciation and revaluation (*Co. No. 368)

Depreciation reserves (*Co. No. 576)

Accumulated depreciation reserves (*Co. No. 563)

Accumulated—(263 Companies):

Accumulated depreciation (*Co. Nos. 19, 27, 43, 135, 136, 248)

Accumulated depreciation and amortization (*Co. Nos. 101, 105, 121, 238, 356, 401)

Accumulated depreciation, depletion and amortization (*Co. Nos. 11, 70, 158, 500)

Accumulated depreciation, amortization and obsolescence (*Co. Nos. 31, 118, 129, 186)

Accumulated depreciation and depletion (*Co. Nos. 21, 22, 137, 430, 444, 476)

*Refer to Company Appendix Section.

Accumulated depreciation and obsolescence (*Co. Nos. 159, 252)
Accumulated depletion, depreciation and amortization (*Co. No. 68)
Accumulated depreciation and quarry depletion (*Co. No. 270)
Accumulated wear and exhaustion (*Co. No. 317)
Accumulated portion of cost allocated to operations as depreciation (*Co. No. 416)
Accumulated allowances for depreciation and amortization (*Co. Nos. 196, 425)
Accumulated allowances for depreciation (*Co. No. 485)
Accumulated depreciation, amortization, and depletion (*Co. No. 197)
Accumulated depletion, depreciation, and other allowances (*Co. No. 553)
Accumulated depreciation, amortization and adjustments for loss in value (*Co. No. 211)
Accumulated allowances for amortization, depletion and depreciation (*Co. No. 18)
Accumulated provision(s) for depreciation (*Co. Nos. 104, 529)
Accumulated provisions for depreciation and amortization (*Co. No. 3)

Allowances—(128 Companies):
Allowance(s) for depreciation (*Co. Nos. 24, 84, 138, 241, 280, 290)
Allowance(s) for depreciation and amortization (*Co. Nos. 30, 86, 140, 336, 345, 507)
Allowance(s) for depreciation, depletion and amortization (*Co. Nos. 402, 466)
Allowance(s) for depreciation and depletion (*Co. Nos. 37, 233, 371, 456)
Allowances for depreciation and obsolescence (*Co. No. 201)
Allowances for depletion, depreciation and amortization (*Co. No. 412)
Depreciation allowance (*Co. No. 192)

Depreciation—(73 Companies):
Depreciation (*Co. Nos. 36, 50, 55, 145, 176, 179)
Depreciation and amortization (*Co. Nos. 93, 169, 599)
Depreciation, depletion and amortization (*Co. Nos. 29, 517)
Depreciation and depletion (*Co. Nos. 17, 61)
Depreciation to date (*Co. No. 354)
Depreciation and depletion to date (*Co. Nos. 58, 446)
Depreciation, amortization and depletion (*Co. Nos. 249, 305)
Depreciation, amortization and cost depletion (*Co. No. 338)
After deducting depreciation (*Co. No. 557)
Depreciation, etc. (*Co. No. 116)

Provision—(6 Companies):
Provision for depreciation (*Co. Nos. 98, 284)
Provision for depreciation and amortization (*Co. Nos. 407, 426)
Provision for depreciation, depletion and amortization and less property written off (*Co. No. 568)

Accrued, Estimated, and Various Other—(10 Companies):
Accrued depreciation (*Co. No. 534)
Estimated depreciation and amortization (*Co. No. 189)
Estimated depreciation and depletion (*Co. No. 316)
Amounts charged to operations as depreciation and amortization (*Co. No. 210)
Portion of original cost allocated to operations to date (*Co. No. 128)
Amount charged to operations to date (*Co. No. 81)
Portion allocated to operations to date (*Co. No. 83)
Portion charged to operations to date as depreciation (*Co. No. 590)
Amount charged to expense to date (*Co. No. 367)
Plant and equipment at depreciated cost (*Co. No. 315)

LONG-TERM LEASES—Disclosure by Lessees

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.

Table 19 summarizes the nature of the information disclosed in the 1960 survey reports with regard to long-term leases and the related methods of disclosure.

There were 223 survey companies that referred to, or implied, the existence of long-term leases in their 1960 reports. One hundred and six of these companies merely mentioned or indicated that such leases existed but did not furnish details with regard to them. The remaining 117 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 notes to the financial statements.

As an indication of the trend toward more adequate disclosure relating to long-term leases, the figures for the year 1951 are presented in Table 19 for comparison. These figures were taken from the 1952 edition of *Accounting Trends and Techniques* which was the

*Refer to Company Appendix Section.

TABLE 19: LONG-TERM LEASES

Disclosures by Lessees	Details set forth in: Foot-notes	Letter to Stock-holders	1960 Total	1951 Total
Annual rental amount (*Co. Nos. 104, 122, 151, 355, 407, 500)	133	3	136	59
Aggregate rental amount (*Co. Nos. 72, 137, 200, 348, 384, 541)	10	1	11	2
Lease expiration date (*Co. Nos. 193, 260, 267, 327, 381, 472)	27	1	28	14
Number of leases (*Co. Nos. 84, 88, 186, 238, 440, 516)	57	2	59	37
Renewal option (*Co. Nos. 182, 302, 356, 377, 454, 489)	15	1	16	13
Sell-lease-back feature (*Co. Nos. 165, 220, 459, 484, 550, 595)	19	3	22	3
Term of leases (*Co. Nos. 65, 118, 223, 309, 478, 516)	85	2	87	12
Total	346	13	359	140

Number of Companies	1960	1951
Setting forth details of long-term leases	117	61
Mentioning long-term leases but omitting details thereof	69	139
Indicating long-term leases (without mention thereof) by reference to leaseholds or leasehold improvements	37	
	223	200
Neither referring to nor indicating long-term leases	377	400
Total	600	600

*Refer to Company Appendix Section.

first year for which such statistics were given for the six hundred companies.

In addition it has been observed that more prominence is currently being given to long-term lease obligations. In the year under review one company (*Co. No. 381) incorporated in its balance sheet the pertinent amounts in this connection. Two companies (*Co. Nos. 60, 222) presented within their balance sheets, rental obligation figures—though in memorandum form, while an additional thirteen companies (*Co. Nos. 34, 88, 143, 151, 165, 220, 339, etc.) made a reference in their balance sheets to specific notes relating to their long-term lease commitments.

Examples—Long-Term Leases

Examples selected from the 1960 annual reports to illustrate the various types of long-term lease disclosures are as follows:

Disclosure by Lessees

LOCKHEED AIRCRAFT CORPORATION
Notes to Financial Statements

Note 7: Rent commitments under various long-term leases require annual payments excluding property taxes and insurance of from $4,400,000 to $3,000,000 through 1971 and from $2,000,000 to $1,100,000 for the years 1972 to 1981.

ARDEN FARMS CO.
Balance Sheet:

Capital and Surplus:	
Preferred stock	
Authorized 1,000,000 shares without par value, $3.00 cumulative and participating to not in excess of $1.00 per annum. Redeemable at $60.00 per share.	
Outstanding 487,051 shares	$19,482,040.00
Common stock	
Authorized 2,500,000 shares, par value $1.00.	
Outstanding 1,584,211 shares	1,584,211.00
Capital surplus	20,954,600.30
Earned surplus	9,219,257.86
	$51,240,109.16
Contingent Liabilities:	
Guarantees and lawsuits of approximately	$ 3,000,000.00
Long Term Lease Commitments:	
Minimum annual rentals of approximately	$ 7,750,000.00

CHEMETRON CORPORATION
Notes to Financial Statements

Note 6: The Company has leased certain equipment for periods of five to fifteen years at basic rentals which (over the period of the leases) aggregate the approximate purchase price of the equipment, plus additional rentals to cover interest on unpaid balances and carrying charges. The total rental payable for calendar year 1961 approximates $1,160,000 and the total rental payable over the remaining period of the leases approximates $7,297,000. At December 31, 1960, the Company was obligated under two long-term leases on real estate, one of which is described in Note 8. The other lease on real estate, relating to the Company's office building, has a remainder of 24 years under the primary term at an annual rental of $154,750 plus taxes and maintenance.

*Refer to Company Appendix Section.

Note 8: During 1958 the Company entered into an agreement with Northern Chemical Industries, Inc. under which the Company agreed to lease and operate, for a period of five years, commencing May 1, 1958, one of the aforementioned chemical plants at an aggregate rental of $6,000,000, payable $100,000 monthly. Northern Chemical Industries, Inc., in turn, agreed to distribute and market the entire output of the plant during the term of the lease; to repay, in forty-eight monthly installments, a $1,000,000 5½% loan made to it by the Company in 1957; and to liquidate in the fifth year of the lease any amounts remaining unpaid on the construction contract. In addition, Northern Chemical Industries, Inc. has granted the Company, an option to purchase 207,000 shares of its "Class B" common stock at a price of $1 a share, which option is exercisable within one year following the expiration of the lease.

AUTOMATIC CANTEEN COMPANY OF AMERICA

Letter to Stockholders

Our company leases as well as owns vending equipment. The rental paid on this leased equipment amounted to $2,644,564 during the fiscal year, equivalent to $.49 per share. Approximately $10,300,000 of rentals is payable over the life of such leases and approximately $3,050,000 of this amount will be payable during the 1961 fiscal year.

THE CUNEO PRESS, INC.

Balance Sheet :

Plant and Equipment—at cost:	
Land	$ 1,216,697
Leasehold and leasehold improvements	1,171,890
Buildings and land improvements	5,410,604
Machinery and equipment (including expenditures on equipment held under long-term leases, etc.)	40,248,525
Machinery in process of construction or remodeling	1,358,785
	$49,406,501
Accumulated depreciation and amortization	22,429,870
Plant and equipment, net	$26,976,631

Notes to Financial Statements

Note 4: Certain buildings and press equipment used by the companies have been leased for long terms (from 10 to 70 years on buildings and from 10 to 15 years on press equipment; most of the leases contain options for renewal at reduced rentals). The rentals payable under such leases during the fiscal years ending January 31, 1961 to 1965 inclusive, will approximate $1,454,000 annually. The amounts shown in the statement of income as rentals under long-term leases include approximately $675,000 and $679,000 in the years ended January 31, 1960 and 1959, respectively, which were paid to a company controlled by The Cuneo Press, Inc. The controlled company, whose principal assets at December 31, 1959 were machinery and equipment covered by these leases having a net book value of $3,125,907 and purchase money obligations of The Cuneo Press, Inc. and one of its subsidiaries in the amount of $1,305,443, had long-term debt amounting to $4,487,454 at that date. This debt is secured by the aforementioned purchase money obligations, mortgages on substantially all of the leased equipment, assignments of the leases, and guarantees of the leases by The Cuneo Press, Inc.

MOHASCO INDUSTRIES, INC.

Balance Sheet:

Non-current assets:	
Mortgage and other notes receivable, non-current:	
Secured by properties in Amsterdam (Note 3)	$7,647,597
Other	—
Total mortgage and other notes receivable	$7,647,597
Other non-current liabilities:	
Long-term rentals on Amsterdam properties (Note 3)	$5,824,879
Estimated liability under pension plans	891,803
Other liabilities	470,592
Total other non-current liabilities	$7,187,274

Note 3: Mortgage Note Secured by Properties in Amsterdam—The mortgage note receivable and interest thereon are due in equal quarterly installments of $130,084 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 properties securing the mortgage note are leased by Mohasco Industries, Inc.; the liability for rentals due over the term of the lease, net of estimated future tax effect, was provided in a prior year.

Note 8: Commitments and Contingent Liabilities—At December 31, 1960 the company was committed to annual net rentals of $1,600,000 under leases expiring after December 31, 1963, including the lease on the Amsterdam properties—see note 3.

MONTGOMERY WARD & CO., INCORPORATED

Balance Sheet:

Properties and Equipment, at cost:		
Land		$ 14,086,300
Buildings	$ 85,102,801	
Fixtures and equipment	56,303,016	
Total buildings, fixtures and equipment	$141,405,817	
Less—Reserves for depreciation	59,483,372	81,922,445
Leasehold improvements, after amortization		8,682,326
Total properties and equipment		$104,691,071

Letter to Stockholders

The Company has 1,952 leases with landlords covering retail stores, catalog stores and warehouse locations. The minimum annual rentals for which the Company is obligated under these agreements for the fiscal year 1960 total approximately $13,900,000. The total minimum rentals from February 3, 1960 until the expiration of the leases, or until their optional cancellation dates, amount to approximately $186,750,000. The Company has no obligations under any of these leases beyond the year 1991 except for some ground leases of one store that extend through the year 2020. Options that provide for renewal privileges exist under the terms of many of the retail store leases now in force.

F. W. WOOLWORTH CO.

Balance Sheet:

Properties—at cost:	
Land and buildings	$ 84,684,576
Furniture, fixtures and equipment	207,032,787
	291,717,363
Less—Accumulated depreciation	91,424,129
	200,293,234
Buildings on leased ground, less amortization	35,445,250
Alterations to leased and owned buildings, less amortization	95,593,190
Total Properties	$331,331,674

Notes to Financial Statements

Note F: Long-term Leases—Minimum annual rentals for leased property, excluding rentals based on a percentage of sales and excluding payments of real estate taxes or other expenses, total approximately $44,300,000, the major portion of which relates to leases expiring subsequent to 1965.

Sale and Lease-Back

CONTINENTAL BAKING COMPANY

Balance Sheet:

Current assets:	
Sundry accounts receivable (Note 1)	$1,047,589

Note 1: The Company has an agreement, which may be cancelled on eighteen months' notice, under the terms of which substantially all trucks to be acquired by the Company and its subsidiaries will be leased rather than purchased. Rentals for trucks leased as of December 31, 1960 will amount to approximately $3,250,000 in 1961. In addition the Company has other leases covering automotive equipment at December 31, 1960 on which the annual rental will amount to approximately $550,000 in 1961.

The Company has entered into sale-lease-back agreements covering certain properties for periods of twenty, twenty-five and thirty years. The costs of certain new properties, which the Company intends to sell and 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, 1963 amount to $2,025,000.

CROWN ZELLERBACH CORPORATION

Balance Sheet:

Properties, at cost:	
Buildings (Note 2), machinery and equipment	$491,402,000
Less allowances for depreciation	214,897,000
	$276,505,000

Note 2: Properties—Premises at various locations are leased under long-term agreements with expirations ranging from 1964 to 2000 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 $3,000,000; this includes ten premises leased under sale-and-lease-back agreements with rentals aggregating $2,375,000.

EVERSHARP, INC.

Balance Sheet:

Other Assets:	
Investments (Note 2)	$3,788,584
Leasehold costs (Note 3)	873,977
Miscellaneous other assets	439,210
	$5,101,771
Below Stockholders' Equity:	
Long-Term Leases (Note 5)	

Note 2 not reproduced here.

Note 3: Leasehold Costs—In 1960, the Company sold the land and buildings comprising the new Milford, Connecticut office and plant for $3,000,000 and leased them back for an initial period of 25 years. Costs of construction in excess of the selling price are included in leasehold costs, as are construction costs, in excess of a specified maximum amount, paid to the lessor-builder of the new Culver City plant.

Note 5: Long-Term Leases—At December 31, the Company was lessee under two leases (referred to in Note 3) expiring in 1980 and 1985 with aggregate annual rentals of $359,000 to 1967, and decreasing amounts thereafter to $189,000 in 1984, plus real estate taxes and other amounts.

LERNER STORES CORPORATION

Notes to Financial Statements

Note E: As at January 31, 1960, the minimum annual rentals on property leased under 352 leases expiring after January 31, 1963, amounted to approximately $8,200,000 plus, in some instances, real estate taxes, insurance, etc. Included in the foregoing is a lease on certain real property previously carried on the books of a subsidiary company at approximately $136,000, which property was exchanged and leased back during the year. The leases referred to above include 7 leases under which the companies may be required to purchase the premises under lease for a total of $1,576,210 at the option of the landlords. Various companies are contingently liable on bonds and mortgages in the approximate amount of $340,000 on real estate which had been sold previously.

THE OHIO OIL COMPANY

From the President's Letter

Capital outlays for properties, plants and other facilities, totaling $61,764,000 for 1960, were the second highest in Company history, being surpassed only in 1957 when a total of $65 million was recorded.

Significant increases in capital outlays were recorded in domestic and foreign production and for pipe lines. The purchase of properties and the development of producing facilities in the Michigan area contributed materially to the increase, as did the purchase of producing properties in Wyoming. Capital requirements for the stepped-up activity in Libya was the primary factor for an increase abroad. The gain for pipe line facilities is accounted for primarily by the purchase of the Muskegon Pipe Line.

While a reduction is shown in capital investments for marketing facilities and properties, it should be noted that a sale and lease-back transaction amounting to $4,950,000, which was completed in 1960, served in large measure to reduce capital requirements for marketing properties.

TWENTIETH CENTURY-FOX FILM CORPORATION

Statement of Consolidated Earnings

Earnings (Loss)	$(2,868,113)
Add Special Items (Note 10)	9,081,214
Earnings and Special Items	$ 6,213,101

Note 10: Special Items—Special items consist of the following:

Gain under contract to sell certain of the Studio properties (See (b) below)	$2,173,000
Gain on sale of investment in Metropolis and Bradford Trust Company, Limited	6,259,600
	$8,432,600
Less federal capital gain tax applicable thereto	87,000
	$8,345,600
Proceeds of insurance received on death of key employee ($1,885,614), less contractual liability to estate net of estimated tax effect of $1,350,000	735,614
Total special items	$9,081,214

(b) On August 1, 1960 a wholly-owned subsidiary of the Corporation executed an agreement to sell its main studio property, which superseded a prior agreement dated April 10, 1959, as amended. The new agreement provides for the sale of the property for $43,000,000 in cash, accompanied by a lease back to the Corporation of a portion of the studio facilities for a 99 year term at a rental of $1,500,000 per annum, plus taxes and expenses. Fox has the right to use the property for any purposes after the first five years of the lease term and options to cancel the lease at the end of 50 years and 75 years.

The original agreement provided for the conveyance of title to the buyer as installments of the purchase price were received over a period of approximately ten years, with an immediate lease back of a portion of the studio properties for 20 years. In connection with the revised agreement, the Buyer made an unreturnable payment of $2,500,000. This payment, together with a like amount paid by the Buyer in 1959, reduced the purchase price received on the closing date, April 17, 1961, to $38,000,000.

The current year's payment, less applicable costs has been included as a special item in the statement of earnings. For comparative purposes the prior year's payment, less applicable costs, has been reclassified from special gain included in earnings to a special item.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, returnable containers, dies, etc., were disclosed in the 1960 annual reports of 115 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 1960 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	$4,327,726
Semi-finished and finished products	5,503,621
At average cost, or cost less depreciation—	
Supplies, rolls and similar short-lived equipment	2,077,932

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

Type of Asset	Balance Sheet Presentation: Shown in Current Asset Section Under Inventories	Shown in Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Deferred Charges	Under Other Assets	Notes to Financial Statements	1960 Total
Small tools, tools (*Co. Nos. 67, 91, 210, 341, 400, 555)	3	—	25	2	2	2	34
Dies, lasts (*Co. Nos. 92, 117, 173, 311, 389, 392)	—	1	18	1	—	1	21
Jigs, fixtures (*Co. Nos. 117, 204, 279, 355, 362, 512)	—	2	3	1	—	1	7
Molds, chills, flasks, stools (*Co. Nos. 171, 353, 466, 542, 558, 587)	2	—	2	1	—	2	7
Drawings, patterns (*Co. Nos. 11, 135, 167, 311, 362, 580)	—	5	9	1	1	—	16
Returnable containers, cases (*Co. Nos. 13, 122, 235, 247, 289, 477)	9	—	8	—	—	2	19
Rolls (*Co. Nos. 25, 164, 171, 268, 466)	3	—	1	—	—	1	5
Component parts, stores (*Co. Nos. 31, 184, 307, 346, 434, 569)	18	—	2	1	5	3	29
Spare parts, spares (*Co. Nos. 50, 205, 327, 417, 423, 452)	10	1	1	2	1	2	17
Equipment—annealing, repair, can-making, and charging box (*Co. Nos. 52, 199, 268, 408, 556)	4	—	1	1	—	1	7
Utensils, silverware, signs (*Co. No. 493)	—	—	1	—	—	—	1
Other (*Co. Nos. 285, 419)	—	1	1	—	—	—	2
Total	49	10	72	10	9	15	165

Type of Asset	Balance Sheet Valuation: Amortized value	Unamortized Value	Nominal Value	Inventory Value	Fixed or Arbitrary Value	1960 Total
Small tools, tools	26	2	—	4	2	34
Dies, lasts	13	3	3	—	2	21
Jigs, fixtures	3	2	2	—	—	7
Molds, chills, flasks, stools	3	1	—	3	—	7
Drawings, patterns	7	—	8	—	1	16
Returnable containers, cases	8	—	—	11	—	19
Rolls	—	—	—	4	1	5
Component parts, stores	1	3	—	22	3	29
Spare parts, spares	1	1	—	12	3	17
Equipment—annealing, repair, can-making, and charging box	2	—	—	4	1	7
Utensils, silverware, signs	1	—	—	—	—	1
Other	2	—	—	—	—	2
Total	67	12	13	60	13	165

Number of Companies presenting:	1960
Small tools, containers, dies, etc.	115
Account not presented	485
Total	600

*Refer to Company Appendix Section.

FOOTE MINERAL COMPANY

Inventories, at lower of cost or market:	
Finished products and work in process	$4,333,262
Raw materials, supplies and containers	3,554,834
	$7,888,096

PHELPS DODGE CORPORATION

Inventories of metals and manufactured products—Note B	$59,447,996
Merchandise at mercantile stores, less reserve	1,359,570
Supplies—Note B	10,892,068

Note B: Inventories—Inventories are valued at the lower of cost or market, except silver and gold, which are priced at market quotations or less. Cost for the major portion of copper is determined on the last-in, first-out (LIFO) basis and for other inventories on a first-in, first-out, average or other appropriate basis.

Supplies, which include repair and replacement parts as well as ordinary current items, are carried at cost or less.

PULLMAN INCORPORATED

Inventories, at lower of cost or market (including $2,749,615 for 1960 on a last-in, first-out basis)—	
Finished goods	$ 6,013,951
Costs accumulated on uncompleted contracts and work in process	32,920,457
Raw materials, service parts and operating supplies	21,389,409

Fixed Asset Section

CANADA DRY CORPORATION

Property, Plant and Equipment:	
Land	$ 833,295
Buildings, machinery, equipment, etc. (less reserves for depreciation and amortization—1960, $13,579,076)	15,475,963
Containers—including estimated quantities in hands of customers:	
Bottles	11,561,034
Cases (less reserve, for balance sheet purposes, provided from earned surplus and equal to 50% of ledger value of cases—1960, $4,049,386)	4,049,386
Total property, plant and equipment—net	$31,919,678

Notes to Financial Statements

Note C: The general practice of the companies with respect to returnable containers is to charge to income the cost of containers retired or otherwise disposed of, including those which, it is estimated, will not be returned by customers, less customers' deposits thereon and less sales proceeds, if any; and, for balance sheet purposes only, to provide a reserve for cases (equal to 50% of the ledger value thereof) from earned surplus. Container costs (net) so charged to income were $2,717,947 for the year ended September 30, 1960.

H. J. HEINZ COMPANY

Fixed Assets:	
Land—at cost	$ 3,802,670
Buildings and leasehold improvements—at cost, less accumulated depreciation of $14,948,785	51,006,217
Equipment and fixtures—at cost, less accumulated depreciation of $36,393,479	50,124,925
Lug boxes, baskets and pallets—at cost, less amortization	1,203,760
	$106,137,572

AMERICAN BANK NOTE COMPANY

Fixed Assets:	
Land	$1,022,188
Buildings, less accumulated depreciation of $3,849,299	2,468,645
Machinery and equipment, less accumulated depreciation of $6,052,980	6,217,681
Dies and rolls (cost of additions is charged to income currently)	3,076,979

MACK TRUCKS, INC.

Fixed assets, at cost:	
Land and land improvements	$ 3,986,239
Buildings and improvements	26,379,458
Machinery and all other equipment	48,930,815
	79,296,512
Less allowance for depreciation	41,787,432
	37,509,080
Production model tools, dies, fixtures, etc. less amortization	1,338,432
Total fixed assets—net (Notes 2 and 4)	$38,847,512

(Notes not reproduced here)

Noncurrent Asset Section

AMERICAN ZINC, LEAD & SMELTING COMPANY

Deferred Charges:	
Automotive and other short-life equipment	$ 799,305
Operating expense	512,689
Exploration and mine development expense	1,689,463
	$3,001,457

THE BULLARD COMPANY

Noncurrent Assets:	
Patents, Drawings, Jigs, Dies, etc.	$1

THE EAGLE-PICHER COMPANY

Other Assets:	
Repair parts and maintenance supplies	$867,176

WAGNER ELECTRIC CORPORATION

Other Assets:	
Special tools and development expense	$342,247

UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

INVESTMENTS AND ADVANCES

A large number of the survey companies disclosed investments in, and advances to, unconsolidated subsidiary and affiliated companies in their 1960 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.

TABLE 21: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

Balance Sheet Presentation	I: Unconsolidated Subsidiary			II: Affiliated Companies		
	1960	1955	1951	1960	1955	1951
Investment in	141	117	116	133	118	91
Investment in, Advances to	99	82	82	55	39	39
Investment in, Advances to, Receivables due from	1	—	3	—	1	1
Investment in, Receivables due from	18	15	21	10	11	12
Advances to or due from	—	1	1	—	2	1
Equity in net assets	2	—	—	—	—	—
Securities or stock of	—	2	—	4	1	—
Securities or stock of, and advances to	2	—	—	1	—	—
Other assets	3	3	—	1	1	—
Total	266	220	223	204	173	144
Basis of Valuation						
A: Cost	121	93	104	124	94	78
B: Cost less reserve	27	25	18	13	20	16
C: Cost or below cost	20	21	15	26	19	14
D: Cost adjusted for equity in earnings	16	5	3	5	—	—
E: Cost less dividends	2	1	—	1	2	1
F: Substantially at cost	1	1	2	—	—	—
G: Below cost	—	1	—	—	—	—
H: "Not in excess of cost"	2	2	2	1	1	1
I: Lower of cost or estimated value	1	1	1	—	—	—
J: Assigned, appraisal, or reorganization value	2	—	3	—	—	4
K: Equity in net assets	30	7	9	1	2	—
L: Equity in net worth less reserves	3	2	3	—	—	—
M: Equity less unremitted profits	2	1	3	1	—	—
N: Dated equity value	—	2	1	—	—	—
O: Asset values at acquisition	1	1	1	—	1	—
P: Reinstated value	—	—	1	—	—	—
Q: Assigned value with additions at cost	1	4	2	2	2	—
R: Estimated realizable or recoverable value or less	3	1	3	—	—	—
S: Nominal value	2	5	10	1	3	—
T: At "No Value"	3	1	2	—	—	—
U: Acquisition value	—	—	1	—	—	—
V: Lower of cost or equity	1	—	—	—	—	1
W: Less reserve to nominal value	1	—	1	—	—	—
Total	239	174	185	175	144	115
Basis of valuation not set forth	44	63	51	28	37	22
Less reserve—(basis of valuation not set forth)	2	3	8	4	3	9
Total	285	240	244	207	184	146
Number of Companies with Investment Account for:						
Unconsolidated subsidiary companies	266	220	223	—	—	—
Affiliated companies	—	—	—	204	173	144
Account not presented	334	380	377	396	427	456
Total	600	600	600	600	600	600

Refer to Company Appendix Section—

I: *Unconsolidated Subsidiaries*—A: Co. Nos. 34, 158, 237, 381, 436, 584; B: Co. Nos. 126, 190, 255, 325, 472, 560; C: Co. Nos. 46, 172, 287, 326, 457, 585; D: Co. Nos. 90, 128, 252, 389, 541, 574; E: Co. Nos. 92, 183; F: Co. No. 495; H: Co. Nos. 49, 402; I: Co. No. 208; J: Co. Nos. 63, 203; K: Co. Nos. 105, 143, 229, 308, 471, 579; L: Co. Nos. 129, 304, 437; M: Co. Nos. 110, 394; O: Co. No. 419; Q: Co. No. 420; R: Co. Nos. 502, 514, 588; S: Co. Nos. 237, 563; T: Co. Nos. 21, 179, 349; V: Co. No. 105; W: Co. No. 189.

II: *Affiliated Companies*—A: Co. Nos. 25, 142, 256, 360, 430, 500; B: Co. Nos. 158, 242, 274, 357, 397, 553; C: Co. Nos. 63, 120, 159, 316, 446, 552; D: Co. Nos. 137, 248, 342, 469, 536; E: Co. No. 92; H: Co. No. 402; K: Co. No. 203; M: Co. No. 110; Q: Co. Nos. 279, 431; S: Co. No. 130.

The consolidation policies of survey companies fully or partially consolidating their subsidiaries are discussed in Table 47, this section, "Consolidation of Subsidiary Companies" and are illustrated by pertinent 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 1960, 1955, and 1951, 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 1960 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 BANK NOTE COMPANY

Investment in foreign affiliated company, at cost	$105,000

SINCLAIR OIL CORPORATION

Investments, at cost (Note 5):	
Richfield Oil Corporation:	
Capital Stock—1,223,581 shares	$12,518,425
4⅜% convertible subordinated debentures due April 15, 1983	15,294,700
Texas Pacific Coal and Oil Company—1,121,692 shares	48,599,384
Other	14,895,791
	$91,308,300

Note 5: Investments in securities of Richfield Oil Corporation and Texas Pacific Coal and Oil Company had quoted market values at December 31, 1960 of $127,634,713 and $31,407,376, respectively, which do not purport to be realizable values.

VANADIUM-ALLOYS STEEL COMPANY

Investments, at cost	
Investment in and receivables due from foreign subsidiaries not consolidated (Note 2)	$2,802,273
Other securities	335,861
	$3,138,134

Note 2: Investment in foreign subsidiaries not consolidated—The Company's equity in the net assets of majority-owned foreign subsidiaries at June 30, 1960 was approximately $565,000 less than the cost of its investment therein as shown on the balance sheet. The Company's share of the net income of these subsidiaries during the year ended June 30, 1960 was approximately $38,000. No dividends were received.

AMERICAN MACHINE & FOUNDRY COMPANY

Investments and Advances, at cost:	
Foreign subsidiaries not consolidated (Note 1)	$11,362,298
Other	8,526,109
	$19,888,407

Note 1: Principles of Consolidation and Investments in Subsidiaries—The consolidated statements include the accounts of all U.S. and Canadian subsidiaries. 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, 1960 is estimated at $1,220,000, after deducting an estimated loss of $280,000 for the year then ended.

Cost Less Reserve

CARRIER CORPORATION

Prepaid Expenses, Segregated Funds, Investments, etc.	
Prepaid expenses and deferred charges	$ 2,198,464
Funds segregated for expansion	3,400,000
Funds segregated for retirement of preferred stock	353,000
Investments, advances, etc., at cost less reserves	
Subsidiaries not consolidated	1,987,307
Other	9,734,503
	$17,673,274

GENERAL AMERICAN TRANSPORTATION CORPORATION

Investments and Other Assets	
Investments in affiliated and other companies—at cost, less allowance	$2,308,115
Sundry accounts	2,989,955
	$5,298,070

GENERAL REFRACTORIES COMPANY

Investments in wholly owned European and Canadian subsidiaries, at cost, less allowance (Note 1)	$8,509,358
Other investments, at cost, less allowances	1,049,364

Note 1: Based principally upon the most recent audited financial statements available December 31, 1959, the net assets of wholly owned foreign subsidiaries at that date applicable to the company's investment exceeded the $8,509,358 carrying value thereof by approximately $26,200,000 on the basis of official rates of exchange at December 31, 1960. Unaudited financial statements for the year 1960 indicate the applicable net earnings of these subsidiaries exceeded the dividends received from them for the year 1960 by approximately $1,900,000 as compared with an excess of approximately $2,800,000 for the year 1959. The further distribution of the subsidiaries' accumulated earnings is subject in part to applicable United States income taxes and restrictions imposed by certain of the foreign countries.

P. R. MALLORY & CO., INC.

Investments and advances (Note 2):	
Foreign subsidiaries and affiliates	$ 2,232,134
Reactive Metals, Inc.	10,556,000
Other, including domestic related companies	513,371
Total Investments and Advances	$13,301,505

Note 2: Investments and Advances—Investments in other companies are stated at cost, with one exception where an appropriate reserve has been provided, and the carrying values are not in excess of the Company's equity in the respective underlying net assets.

Based upon the latest financial statements available, in some instances unaudited, the Company's equity in the net assets of unconsolidated foreign subsidiaries and affiliates (principally Canadian, British and Australian companies) exceeded the carrying amount of the investments by approximately $2,750,000. The Company's share of the undistributed net earnings of these companies was approximately $430,000 for the year and $57,416, after payment of foreign taxes, was received as dividends.

During 1960, the Company exchanged all its shares of common stock of Mallory-Sharon Metals Corporation (subsequently named Reactive Metals, Inc.) for notes and preferred stock of that company. Reference is made to page 8 herein under the caption "Reactive Metals, Inc." for details regarding this transaction and significant terms of the securities acquired. The Company's investment in notes and preferred stock of Reactive Metals, Inc. is stated at the original cost of its investment in common stock, $10,556,000. Net assets at December 31, 1960 attributable to the Company's investment in notes and preferred stock are substantially in excess of the carrying value of the investment.

UNITED-GREENFIELD CORPORATION

Investment in and Advances to Foreign Subsidiary Company, not consolidated, at cost less reserve of $705,000 in 1960 (Note 1)	$603,743

Note 1: The consolidated financial statements include the Company and all wholly-owned domestic subsidiary companies. The investment in and advances to a foreign subsidiary company shown in the consolidated statement of financial position represents a 67% interest in a tool manufacturing company in Holland, together with advances made to that company aggregating $513,221. The Company has agreed to subordinate $350,000 of these advances to loans granted to the Holland company by banks in that country, which loans have been guaranteed to the extent of $743,000 by the Company.

The investment of the Company in this subsidiary exceeded its equity in the net assets thereof by approximately $705,000 as shown by the unaudited financial statements of this subsidiary at December 31, 1960. This excess of $705,000, which includes $170,000 for the Company's share of the net loss of this subsidiary in the year 1960, has been charged against retained earnings.

In order to protect the interests of the Company by strengthening control over management of the subsidiary and to enable the Company to benefit to the fullest extent possible from any improvement in operations of the Dutch subsidiary, the Company offered to acquire, at an approximate cost of $75,000, the remaining 33 per cent of the outstanding stock formerly held by the minority shareholders. Subsequent to December 31, 1960, all minority shareholders have indicated acceptance of this offer.

Cost or Below Cost

CONGOLEUM-NAIRN INC.

Investments, at cost or less:	
Purchase money mortgages—5½% and 5%	$1,071,407
Minority investment in British and Canadian companies	700,587
	$1,771,994

CORN PRODUCTS COMPANY

Investments in subsidiaries and affiliates, at cost or less, not consolidated	$800,582

HERCULES POWDER COMPANY

Investments	
Subsidiaries not consolidated	$4,384,976
Associated companies	3,125,096
Total Investments	$7,510,072

Notes to Financial Statements

Note 2: Investments—Investments are carried at cost or less.

The subsidiaries not consolidated are located in this country and foreign countries. Dividends received from these subsidiaries amounted to $588,000 in 1960 and $544,000 in 1959. The company's share of their net income in 1960 was $1,477,000 and in 1959 was $1,040,000. The company's equity in them has been increased since dates of acquisition as a result of profits, losses, and distributions by $2,575,000.

The associated companies are located in this country and foreign countries. Dividends received from these associated companies amounted to $261,000 in 1960 and $142,000 in 1959. The company's share of their net income in 1960 was $542,000 and in 1959 was $504,000. The company's equity in them has been increased since dates of acquisition as a result of profits, losses, and distributions by $1,028,000.

THE PITTSTON COMPANY

Investments—at cost or less (estimated market or equity value, 1960, $1,111,829)	$1,130,537

UNION CARBIDE CORPORATION

Investments (Cost or Less)	
Affiliated companies	$ 9,381,000
Foreign subsidiaries	32,447,000
Other	1,596,000
	$43,424,000

Cost Plus Accumulated Earnings or Equity in Earnings

CATERPILLAR TRACTOR COMPANY

Investment in Caterpillar Credit Corporation (Note 1)	$8,846,857

Note 1: Consolidation of subsidiaries—All of the Company's subsidiaries are wholly owned and the results of their operations 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 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.

TEXTRON INC.

Investment in Textron Electronics, Inc., at cost, adjusted for equity in income (Note D)	$8,650,682

Note D: Textron Electronics, Inc.—At December 31, 1960, Textron owned 2,250,000 shares of the 2,961,093 shares of Textron Electronics stock outstanding. Following is a condensed balance sheet of Textron Electronics, Inc. at December 31, 1960:

Current assets	$13,360,000
Property, plant and equipment, less reserves	2,320,000
Other assets	488,000
Total assets	$16,168,000
Current liabilities	$ 5,485,000
Other liabilities and deferred income	513,000
Capital stock and surplus	10,170,000
Total liabilities and capital	$16,168,000

The equity in TE's capital stock and surplus applicable to Textron's investment is $7,728,000. TE's operations for 1960 resulted in a loss of $1,022,000 of which $776,963, representing Textron's equity therein, has been deducted from Textron's income for the year.

Equity in Net Assets

BORG-WARNER CORPORATION

Investment in, and advances to, unconsolidated subsidiaries (including finance company, see accompanying statement) (Note 1)	$28,758,681

Note 1: The accompanying consolidated financial statements include all major domestic and Canadian subsidiaries with the exception of B-W Acceptance Corporation. The investment in this subsidiary is carried at net underlying asset value and the results of its operations are included in the consolidated statement of earnings. The carrying value of the investment in other unconsolidated subsidiaries is adjusted through earnings to the lower of cost or net underlying asset value.

CITY PRODUCTS CORPORATION

Investments in and Advances to subsidiaries not consolidated, at equity in underlying book values	$954,080

E. I. DU PONT DE NEMOURS & COMPANY

Investment in General Motors Corporation 63,000,000 shares common stock (Note 1-c)	$1,130,850,000

Note 1-c: Investment in General Motors Corporation common stock, in accordance with a practice followed since 1925, has been revalued annually to an amount which closely corresponds to the equity indicated by the consolidated balance sheet of General Motors Corporation at December 31 of the preceding year. The net additions to surplus as a result of all such revaluations amounted to $998,228,242 at December 31, 1960 and $922,628,242 at December 31, 1959.

RHEEM MANUFACTURING COMPANY

Investments (Note 1):	
Domestic subsidiary company and 50% owned company—at equity in underlying net assets	$ 2,644,101
Companies operating in foreign countries:	
Owned 50% or more—at equity in underlying net assets	6,337,195
Less than 50% owned—at cost (approximate equity in underlying net assets—1960, $3,500,000; 1959, $2,800,000)	3,191,862
	$12,173,158

Note 1: Principles of Consolidation—All domestic subsidiaries except for a finance company have been consolidated. During 1960, Rheem changed its method of accounting for its investments in its finance subsidiary, in foreign subsidiaries and in domestic and foreign 50% owned companies from the cost method to the book value method. Under the latter method these investments are carried at Rheem's equity in the underlying net assets and the consolidated statement of earnings includes Rheem's share of undistributed net income. For purpose of comparison, the 1959 financial statements have been restated with respect to foreign companies to reflect this change; as to domestic companies, the effect of the change was insignificant.

The financial statements of companies operating in foreign countries have generally been translated to U.S. dollars by use of current rates of exchange except that as to companies 50% owned or more, property accounts and the related depreciation provisions have been translated at rates prevailing at the dates the properties were acquired.

The 1960 financial statements include the accounts of Ruud Manufacturing Company, substantially all capital stock of which was acquired in January, 1960. At the date of acquisition the underlying net assets were approximately $1,400,000 in excess of the cost of the investment. Such excess, being substantially equivalent to the estimated cost of warranties on Ruud products sold prior to 1960, has been accounted for in the accompanying consolidated statements as a liability for anticipated claims at the date of acquisition.

Other

THE NATIONAL CASH REGISTER COMPANY

Investment in foreign subsidiaries and branches	$36,354,717
Schedule of Investment in Foreign Subsidiaries and Branches	
Net Assets	$85,356,363
Less:	
Minority interests	5,495,055
Accumulated earnings retained for use in foreign operations	43,506,591
Net Investment	$36,354,717

PHILIP MORRIS, INCORPORATED

Equity in net assets of unconsolidated foreign subsidiaries (Note 1)	$7,558,077

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of all wholly-owned active subsidiaries. Effective January 1, 1960, the Company changed its accounting practice (1) to include in the consolidated financial statements the accounts of all wholly-owned foreign subsidiaries, (2) to include in consolidated earnings the equity of the Company in net earnings of unconsolidated foreign subsidiaries more than 50% owned, less a reserve for federal taxes which may be payable on these earnings in the event of their remittance. For comparative purposes, 1959 earnings have been restated on the same basis.

The equity of the Company in net assets of unconsolidated foreign subsidiaries at December 31, 1960, exceeded the cost ($5,848,437) thereof by $1,709,640.

*Refer to Company Appendix Section.

ASSOCIATED COMPANIES (50% Jointly Owned)

In recognition of the increasing significance of associated or 50% jointly owned companies, the analysis of the reports of the 600 companies was extended last year to include this feature. The annual reports for 1959 disclosed 28 associated companies; in the 1960 reports the number had increased to 60.

It was not always clear whether the companies reported as being 50% owned, were in fact jointly owned associated companies, and some that purport to be such may be included here if the accounting treatment is in conformity with that for associated companies generally.

The sources of disclosure are listed below:

Where Disclosed	No. of Companies
Balance Sheet (*Co. Nos. 6, 29, 136, 235, 370, 466)	27
Notes to Financial Statements (*Co. Nos. 11, 13, 142, 235, 482, 503)	9
President's Letter or Financial Review (*Co. Nos. 147, 281, 425, 461, 519, 531)	24
Total	60

There was no indication that the accounts of the associated (50% jointly owned) companies were included in the consolidated statements of their parent companies except perhaps in memorandum form, for statistical purposes; but the study revealed the basis of valuation which is set forth as follows:

Basis of Valuation	No. of Companies
Cost (*Co. Nos. 29, 66, 197, 234, 276, 461)	36
Cost or less (*Co. Nos. 52, 63, 142, 383, 516)	6
Cost less reserve (*Co. Nos. 92, 135, 136, 274, 438)	8
Substantially at cost (*Co. No. 212)	1
Cost plus equity in accumulated earnings (*Co. Nos. 90, 137, 342, 567)	5
Underlying net asset value (*Co. Nos. 71, 471)	2
Book value of assets acquired (*Co. No. 419)	1
Not disclosed (*Co. No. 93)	1
Total	60

The following examples selected from the 1960 reports are illustrative of the variations of presentation and accounting treatment disclosed.

PRESENTATION

Balance Sheet

AMERICAN CYANAMID COMPANY

Investments and Advances:	
Associated companies, 40% to 50% owned—at cost (equity in net assets $31,667,762; 1959, $29,973,757)	$21,818,853
Common stock in treasury (Note 6)	5,355,495
Other investments and advances	1,972,104
Total Investments and Advances	$29,146,452

THE DOW CHEMICAL COMPANY

Investments and Non-current Receivables:	
Notes and accounts receivable and capital stock (at cost) of associated companies (Note B)	$ 9,344,050
Non-current notes and accounts receivable and sundry investments (less reserve for loss, $470,128)	7,278,563
	$16,622,613

Note B: Associated Companies—The Company's equity in the combined net assets of associated companies (50% owned), as shown by their unaudited financial statements, exceeded the Company's investment at cost by approximately $16,000,000 at May 31, 1960. The Company's equity in the combined net income of these companies was approximately $5,000,000 and $4,800,000 for the years ended May 31, 1960 and 1959, respectively.

THE HARSHAW CHEMICAL COMPANY

Investments and Other Assets	
Capital stock of domestic company—at cost (quoted market 1960—$1,181,800; 1959—$1,423,808)	$174,886
Capital stock of associated companies—at cost	297,771
Miscellaneous receivables	119,169
Total Investments and Other Assets	$591,826

REPUBLIC STEEL CORPORATION

Investments and Other Assets	
Investments in and receivables from unconsolidated subsidiaries—Note B	$13,301,897
Investments in and receivables from associated companies less allowances—Note C	36,179,349
Miscellaneous investments and receivables	16,218,794
	$65,700,040

Note B not reproduced here.

Note C: Associated companies—The Corporation's investments include $17,875,000 for capital stock and noncurrent indebtedness of Reserve Mining Company. Reserve is owned in equal shares by the Corporation and Armco Steel Corporation.

Reserve has recently undertaken an expansion program that will cost about $120,000,000. The program is to be financed by the sale of . . .

Notes to Financial Statements

FOOTE MINERAL COMPANY
Notes to Financial Statements

Note 1: Investment in HEF, Inc.—In 1958, Foote Mineral Company and Hooker Chemical Corporation formed a jointly owned affiliate to specialize in the manufacture of components of solid propellants for rockets. As of December 31, 1960, Foote's investment in HEF amounted to $1,625,000, represented by capital of $331,250 and the remainder 5% promissory notes, of which $300,000 is payable May 31, 1961 and $993,750 payable in five annual installments beginning December 31, 1961. The Company's equity in the net assets of HEF at December 31, 1960, based upon audited financial statements, was approximately $305,000 less than the cost of its investment. HEF's operations for the year 1960 resulted in a net loss of $178,175. Further information is given in the Chairman's letter to the Shareholders.

NATIONAL LEAD COMPANY

Miscellaneous investments and advances, at cost or below, less reserve of $663,440 (Note 5)	$2,055,910

Note 5: The equity of the Company in the net assets of Titanium Metals Corporation of America, 50 per cent owned, as shown by audited financial statements, exceeded the cost of the Company's investment, included in miscellaneous investments, by approximately $11,167,000 at December 31, 1960 and $10,956,000 at December 31, 1959.

ST. REGIS PAPER COMPANY

Investments, at cost or less:	
Marketable securities (quoted market value, 1960—$39,401,036; 1959—$4,242,338)	$35,102,722
Securities of and advances to subsidiary companies not consolidated and associated companies (Note 2)	29,806,945
Total investments	$64,909,667

Note 2: Subsidiaries Not Consolidated and Associated Companies—Investments in and advances to subsidiaries not consolidated, 50 per cent owned companies and other associated companies (less than 50 per cent owned) aggregated $29,806,945 at December 31, 1960; the related equities in their net assets, based on latest statements available, aggregated $30,760,000, including $11,030,000 for companies operating outside the United States and Canada. The equities in net earnings of these companies were $188,000 and $661,000 less in 1960 and 1959, respectively, than distributions from such companies included in consolidated earnings for those years. In general, the accumulated earnings of the companies operating outside the United States and Canada are subject to foreign government limitations on the amounts which can be transferred to this country.

President's Letter or Financial Review

PENN FRUIT CO., INC.

Baking Company—In April 1960 your Company and General Baking Company started operations of the newly-formed Boulevard Baking Company for the manufacture of fine quality bakery products for General Baking Company and Penn Fruit. Boulevard Baking Company is jointly owned by your Company and General Baking Company. The Penn Fruit bakery plant located at the Company's integrated distribution and production center is now leased by the Boulevard Baking Company. Its facilities are more efficiently employed by virtue of greatly increased volume and sharing of overhead expense.

RAYONIER INCORPORATED

Investment in Grays Harbor Paper Company—Grays Harbor Paper Company is a corporation jointly owned by Rayonier Incorporated and Hammermill Paper Company. This corporation is building a new paper mill at Grays Harbor, which will use pulp from Rayonier's Grays Harbor Division. Upon completion of the new construction project, Grays Harbor Paper Company will acquire Rayonier's existing paper mill at this location and will operate the combined facilities as a single manufacturing unit which will provide a large outlet for Rayonier pulps.

Construction work on the project was in progress during 1960. To provide funds with which Grays Harbor Paper Company has been financing the expansion, both Rayonier and Hammermill are increasing their investments in this company. During the year, Rayonier purchased $1,202,400 capital stock of Grays Harbor Paper Company and made cash advances of $500,000 on notes bearing interest at 5½ per cent. It is expected that Rayonier's total cash investment, as its share of the new paper-making facilities, will be approximately $6,000,000.

SUN OIL COMPANY

AviSun Corporation, a Sun affiliate owned equally with American Viscose Corporation, continued to be the only integrated producer of polypropylene packaging film in commercial quantities. Its plastic film, Olefane, is fast winning customer approval.

In 1960, AviSun commenced construction of a 75,000,000 pound-per-year polypropylene resin plant next to its film plant at New Castle, Del. Polypropylene molding resin produced at its 20,000,000 pounds-per-year leased facilities at Port Reading, N.J., found wide application among plastic molders for housewares, industrial components, appliances and the automotive industry.

Treatment of Income

CHEMETRON CORPORATION

Investments, Advances and Other Assets:	
Investments in and advances to unconsolidated subsidiary and affiliated companies (Note 1)	$12,991,384
Other investments, at cost	2,380,134
Other receivables, advances, deposits, etc. (Note 8)	2,208,064
Equipment and repair parts for resale or use, at cost or less	605,674
Leasehold improvements and sundry equipment—unamortized cost	2,347,853
Total investments, advances and other assets	$20,533,109

Note 1: Basis of Consolidation—The accompanying consolidated financial statements include all domestic subsidiaries. All significant intercompany sales, profits, and other items have been eliminated. In recognition of the increasing significance of foreign operations and of the 50% owned domestic affiliates, the policy was adopted in 1960 of recording investments in unconsolidated foreign subsidiaries and in foreign and domestic 50% owned companies at cost plus the related share of undistributed earnings since dates of acquisition. Heretofore, such investments were carried at cost and the earnings thereof included in the accounts only to the extent of dividends received. For comparative purposes, the consolidated financial statements for 1959 have been restated in accordance with the new accounting policy. No provision has been made for additional taxes that might result from the distribution of these earnings as dividends.

THE MEAD CORPORATION

Investments and Other Assets	
Fund reserved for capital improvements	
Affiliated companies, at cost (Note B)	$ 9,232,421
Miscellaneous assets and other investments	5,298,169
	$14,530,590

Note B: Affiliated Companies—The Corporation's proportionate equity in net assets of its four 50%-owned affiliated companies was $22,604,482 in excess of the cost of its investment at December 25, 1960, and its share of their undistributed net earnings for the year (52 weeks) then ended was $88,186.

PREPAID EXPENSES AND DEFERRED CHARGES

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

> 4. 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 . . . (g) prepaid expenses such as insurance, interest, rents, taxes, unused royalties, current paid advertising service not yet received, and operating supplies. . . .
>
> 6. This concept of the nature of current assets contemplates the exclusion from that classification of such resources as . . . (g) 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, 588 presented prepaid expenses or deferred charges in their 1960 balance sheets. Of the 588 companies displaying such items, 204 companies presented them under "current assets," 159 companies presented them under both "current and noncurrent assets," and the remaining 225 companies included them among the "noncurrent assets."

The terminology used by the survey companies in presenting prepaid expenses or deferred charges in their balance sheets for the years 1960, 1959, 1955, and 1950 is summarized and classified in Table 22.

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

Examples illustrating the various types of prepaid expenses and deferred charges and their presentation in the balance sheets of the respective companies are as follows:

Current Asset Section

CARNATION COMPANY

Current Assets:	
Unexpired insurance premiums and deposits	$271,565
Other prepaid expenses	709,414

ELECTROLUX CORPORATION

Current Assets:	
Prepayment of federal income taxes (Note A)	$2,015,000
Other prepaid expenses	267,494

Note A: Prepayment of Federal Income Taxes—Instalment commissions and certain other accruals charged to expense on the books are not deductible for federal income tax purposes until paid. The amount of $2,015,000 carried as a prepayment of federal income taxes at December 31, 1960 is equivalent to the estimated tax reduction to be realized in 1961 when these accrued expenses for 1960 are paid and become deductible for tax purposes.

ENDICOTT JOHNSON CORPORATION

Current Assets:	
Prepaid taxes, insurance and miscellaneous	$1,233,980

M. H. FISHMAN CO., INC.

Current Assets:	
Prepaid expenses and supplies inventory	$118,490

Current and Noncurrent Asset Sections

AMERICA CORPORATION

Current Assets:	
Prepaid expenses	$182,308
Noncurrent Assets:	
Deferred expenses (Note 3)	$1,800,874

Note 3: Deferred Expenses—The unamortized costs of film processing contracts was $1,531,970 at December 31, 1960. Other miscellaneous deferred expenses amounted to $268,904, which includes expenses of $135,370 relating to the promissory note due 1973.

TABLE 22: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used In	1960	1959	1955	1950
Current Asset Section:				
Prepaid	331	315	246	175
Prepaid and deferred	10	14	10	4
Deferred	11	13	5	3
Unexpired	7	8	8	6
Costs applicable to future periods	6	9	13	7
Various other terms	3	3	3	3
Total	368	362	285	198
Noncurrent Asset Section:				
Deferred	182	174	169	143
Deferred and prepaid	74	77	93	94
Deferred with certain items listed thereunder described "prepaid"	26	31	59	104
Prepaid	49	53	67	65
Costs applicable to future periods	10	14	12	17
Unamortized	42	43	32	13
Unexpired	1	4	6	4
Various other terms	10	7	1	10
Total	394	403	439	450
Number of Companies presenting:				
Prepaid Expenses or Deferred Charges in:				
Current asset section	204	207	198	128
Current and noncurrent asset sections	159	141	138	76
Noncurrent asset section	225	238	251	386
No prepaid expense or deferred charge items	12	14	13	10
Total	600	600	600	600

	Balance Sheet Presentation			
	1960		1955	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Advertising (*Co. Nos. 33, 110, 140, 429, 450, 507)	7	6	6	12
Debt discount (*Co. Nos. 13, 93, 128, 178, 257, 355)	—	31	1	23
Debt expense (*Co. Nos. 230, 352, 478, 480, 490, 554)	—	60	1	52
Employee welfare (*Co. Nos. 163, 165, 244, 325, 410, 421)	4	12	2	18
Expense advances (*Co. No. 10)	1	—	—	2
Financing expense (*Co. No. 160)	—	1	—	6
Insurance (*Co. Nos. 67, 181, 193, 269, 496, 534)	105	42	122	122
Interest (*Co. Nos. 99, 527)	1	1	1	2
Mine stripping and expense (*Co. Nos. 18, 52, 435, 568)	—	4	—	4
Oil exploration	—	—	—	1
Organization expense (*Co. No. 496)	—	1	—	2
Pre-occupation and plant costs (*Co. Nos. 7, 116, 195, 435, 561)	2	3	1	3
Rent (*Co. Nos. 15, 102, 471, 472, 535, 544)	9	12	8	22
Research and development (*Co. Nos. 46, 90, 355, 395, 420, 574)	1	7	1	8
Seasonal expenses (*Co. Nos. 120, 527)	2	—	—	—
Selling, delivery, freight, commissions (*Co. Nos. 22, 205, 527)	2	1	2	5
Supplies (*Co. Nos. 2, 88, 267, 561, 579, 595)	22	12	17	29
Taxes (*Co. Nos. 132, 244, 307, 421, 444, 498)	51	21	59	63
Tooling and factory expense (*Co. Nos. 134, 188, 215, 239, 324, 416)	1	5	1	3
Unused royalties (*Co. Nos. 237, 466, 599)	—	3	—	2
Various other terms (*Co. Nos. 78, 294, 354, 374, 414, 559)	5	5	5	8
"Prepaid or Deferred" (*Co. Nos. 123, 276, 343, 377, 514, 554)	235	223	184	276
"Prepaid or Deferred"** (*Co. Nos. 407, 425, 428, 437, 457, 458)	94	94	41	41
Total	542	544	452	704

*Refer to Company Appendix Section.

**In both the current and the noncurrent asset section.

COLONIAL STORES

Current Assets:	
Inventories of supplies, at cost	$ 785,288
Prepaid and deferred expenses	1,192,856
Noncurrent Assets:	
Unamortized long-term debt expenses	$ 227,798

CONSOLIDATED FOODS CORPORATION

Current Assets:	
Advances to growers and costs in connection with growing crops	$ 764,863
Prepaid insurance, taxes, and expenses	1,010,064
Other Assets and Deferred Charges:	
Leasehold improvements, at cost less amortization	$1,739,686
Long term debt expense, less amortization	28,882
Sundry noncurrent assets and deferred charges	823,316

EASTERN STAINLESS STEEL CORPORATION

Current Assets:	
Prepaid expenses	$251,102
Noncurrent Assets:	
Deferred debenture issue expenses	$119,191

THE EMERSON ELECTRIC MANUFACTURING COMPANY

Current Assets:	
Prepaid insurance, taxes, etc.	$443,526
Noncurrent Assets:	
Unamortized Debt Expense, Tooling Costs, and Other Assets	$710,036

ERIE FORGE & STEEL CORPORATION

Current Assets:	
Prepaid expenses	$239,927.88
Noncurrent Assets:	
Deferred Charges:	
Unamortized bond expense	$ 91,117.45
Employees pension expense	81,828.86

THE GARRETT CORPORATION

Current Assets:	
Prepaid taxes, insurance, and other expenses	$2,019,181
Noncurrent Assets:	
Deferred debenture expense	$ 198,574
Deferred rent expense	431,458

GENERAL REFRACTORIES COMPANY

Current Assets:	
Prepaid accounts	$634,776
Noncurrent Assets:	
Other assets and deferred charges	$614,826

GIMBEL BROTHERS, INC.

Current Assets:	
Prepaid expenses—supplies, insurance, rent taxes, etc.	$3,479,632
Noncurrent Assets:	
Deferred Charges—unamortized debt expense	$ 208,943

Noncurrent Asset Section

ALCO PRODUCTS, INCORPORATED

Noncurrent Assets:	
Insurance, Taxes and Other Expenses—applicable to future periods	$548,566

THE EAGLE-PICHER COMPANY

Prepaid and Deferred Charges	
Prepaid freight, insurance, etc.	$406,183
Miscellaneous deferred charges	837,671

FIRST NATIONAL STORES INC.

Other Assets and Deferred Charges:	
Prepaid insurance and other deferred expenses	$2,714,456

GENERAL BAKING COMPANY

Deferred Charges:	
Prepaid insurance, taxes, etc.	$1,255,626
Retirement annuity plan	406,623

GENERAL MILLS, INC.

Other Assets:	
Sundry costs chargeable to future periods	$7,267,738

INTANGIBLE ASSETS

The committee on accounting procedure of the American Institute of Certified Public Accountants in the *Restatement and Revision of Accounting Research Bulletins No. 43* (Chapter 5) classifies intangibles as either: "(a) Those having a term of existence limited by law, regulation, or agreement, or by their nature . . ., or (b) Those having no such limited term of existence and as to which there is, at the time of acquisition, no indication of limited life. . . ."

Intangibles should be valued at cost. The *Bulletin* states:

> The initial amount assigned to all types of intangibles should be cost, in accordance with the generally accepted accounting principles that assets should be stated at cost when they are acquired. In the case of non-cash acquisitions, as, for example, where intangibles are acquired in exchange for securities, cost may be considered as being either the fair value of the consideration given or the fair value of the property or right acquired, whichever is the more clearly evident.
>
> A problem arises in cases where a group of intangibles or a mixed aggregate of tangible and intangible property is acquired for a lump-sum consideration, or when the consideration given for a stock investment in a subsidiary is greater than the net assets of such subsidiary applicable thereto, as carried on its books at the date of acquisition.

In the latter case, *Accounting Research Bulletin No. 51* issued in 1959 by the committee on accounting procedure states:

> To the extent that the difference is considered to be attributable to tangible assets and specific intangible assets, such as patents, it should be allocated to them. Any difference which cannot be so applied should be shown among the assets in the consolidated balance sheet under one or more appropriately descriptive captions. When the difference is allocated to depreciable or amortizable assets, depreciation and amortiza-

tion policies should be such as to absorb the excess over the remaining life of related assets.

The balance sheets of 345 of the 600 survey companies disclosed intangible assets in their 1960 annual reports. Table 23, which summarizes and classifies the various types of intangible assets and their balance sheet presentation and valuation, provides the following information:

1. *Type.* The most common types of intangible assets were patents, "goodwill," trademarks and brand names, leasehold improvements, and leases and leaseholds.
2. *Presentation.* Intangible assets shown separately in the noncurrent asset section of the balance sheet was the most frequent method of presentation of such assets. However, certain types of intangible assets, such as leasehold improvements, leases and leaseholds, water rights, and mining and timber rights were generally shown under "fixed assets" in the noncurrent asset section of the balance sheet.
3. *Valuation.* Intangible assets were most frequently shown in the balance sheet at an amortized value. A nominal-value (usually $1) presentation was also favored as a method of valuation. Intangible assets such as patents, "goodwill," and trademarks and brand names were in the majority of cases 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 values other than nominal values, but with no specific indication that the asset is being amortized.

Illustrations of the various balance sheet presentations found in the 1960 reports are as follows:

Shown in Current Asset Section Under Inventories

WARNER BROS. PICTURES, INC.

Inventories, at cost or less:	
Productions—	
Released	$14,841,764
Completed—not released	16,074,592
In process	10,420,840
Rights and scenarios unproduced	3,181,402
Materials and supplies	719,661
Total inventories	$45,238,259

Shown Separately in Noncurrent Asset Section

AMERICAN HOME PRODUCTS CORPORATION

Goodwill, trade-marks, formulae, patents, etc. (Note 3)	$12,889,956

Note 3: Intangible assets at December 31, 1960 include the cost, $12,605,187, of goodwill, trade-marks, formulae, etc., acquired since January 1, 1954 and $284,768 for patents and patent rights acquired since January 1, 1950, which are stated at cost less amortization. In accordance with generally accepted accounting practice at the time, goodwill, trade-marks, formulae, etc., acquired prior to January 1, 1954, aggregating approximately $40,000,000, were written down to $1 by charges against retained earnings and capital surplus; however, such amount should be recognized in any determination of total invested capital.

GAR WOOD INDUSTRIES, INC.

Patents, Patent Applications, and Licenses, less amortization	$270,444

UNIVERSAL MATCH CORPORATION

Intangible Assets:	
Patents and trademarks, at cost less amortization	$3,169,832
Unamortized cost of goodwill acquired	1,062,831
	$4,232,663

Shown Under Fixed Assets

ASSOCIATED DRY GOODS CORPORATION

Property and Equipment	Cost	Accumulated Depreciation and Amortization
Land	$ 2,545,651	—
Buildings and equipment on owned properties	5,546,439	$ 2,533,397
Buildings and improvements on leased properties	7,229,763	1,818,031
Stores fixtures and equipment	25,307,095	11,216,696
Construction in progress	684,881	—
	$41,313,829	$15,568,124

BIGELOW-SANFORD, INC.

Plant and Equipment, at cost:	
Land and rights of way	$ 425,891
Buildings and improvements	8,194,815
Machinery and equipment	32,317,913
Leasehold improvements (net of amortization)	206,146
	$41,144,765
Less—Reserve for Depreciation	18,773,689
Net Plant Investment	$22,371,076

THE STANDARD OIL COMPANY (OHIO)

Net fixed assets—Note A	$250,885,029

Note A: Property, plant, and equipment, at cost, and accumulated depreciation, depletion, and amortization at December 31, 1960, were as follows:

	Property, plant, and equipment	Depreciation, depletion, and amortization	Net fixed assets
Production	$195,013,833	$110,409,007	$ 84,604,876
Transportation	24,458,359	13,964,501	10,493,858
Manufacturing	161,447,036	76,711,425	84,735,611
Marketing	103,302,143	42,651,366	60,650,777
Chemical	7,066,906	439,334	6,627,572
Other	5,475,504	1,703,169	3,772,335
Total	$496,763,831	$245,878,802	$250,885,029

Intangible costs of drilling producing wells are included above, although these costs as incurred are expensed on federal income tax returns.

TABLE 23: INTANGIBLE ASSETS

Type of Intangible Asset*	Balance Sheet Presentation: Current Asset Section Under Inventories	Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Other Assets	Under Deferred Charges	Notes to Financial Statements	1960 Total
A: Patents, patent rights and applications	—	124	6	21	4	1	156
B: Trademarks, brand names	—	67	1	22	1	1	92
C: Copyrights	—	6	—	1	—	—	7
D: Goodwill	—	110	—	21	—	1	132
E: Goodwill re subsidiary	—	34	—	11	3	3	51
F: Leasehold improvements	—	1	74	5	1	2	83
G: Leaseholds, leases, leased equipment	—	3	30	—	1	3	37
H: Exploration and development-mining, oil	—	—	4	1	2	5	12
I: Formulae, processes, designs	—	12	—	5	—	1	18
J: Research and experimental	—	7	1	1	—	—	9
K: Licenses, franchises, memberships	—	12	6	—	—	2	20
L: Rights—water, water-power, land	—	—	15	—	—	—	15
M: Rights—mining, timber, cutting, fishing, and "other rights"	—	3	13	1	1	1	19
N: Contracts	—	6	—	—	—	—	6
O: Name lists, catalogs, trade routes	—	4	—	1	—	—	5
P: Scripts, scenarios, story and film rights	5	2	—	—	—	—	7
Q: Finance and organization costs	—	2	—	—	—	—	2
R: Described as "intangible assets"	—	20	4	3	—	—	27
S: Various other	—	2	1	—	—	—	3
Total	5	415	155	93	13	20	701

Type of Intangible Asset	Balance Sheet Valuation and Amortization: Amortized Value After Charges To: Income	Retained Earnings	Charge Not Shown	Total	Unamortized Value	Nominal Value	Total 1960
Patents, patent rights and applications	55	—	19	74	8	74	156
Trademarks, brand names	18	—	8	26	11	55	92
Copyrights	—	—	—	—	2	5	7
Goodwill	19	—	8	27	23	82	132
Goodwill re subsidiary	22	—	6	28	23	—	51
Leasehold improvements	74	—	6	80	2	1	83
Leaseholds, leases, leased equipment	30	—	3	33	3	1	37
Exploration and development-mining, oil	11	—	1	12	—	—	12
Formulae, processes, designs	5	—	—	5	3	10	18
Research and experimental	5	—	1	6	—	3	9
Licenses, franchises, memberships	11	—	2	13	5	2	20
Rights—water, water-power, land	10	—	2	12	3	—	15
Rights—mining, timber, cutting, fishing and "other rights"	14	—	—	14	2	3	19
Contracts	2	—	1	3	1	2	6
Name lists, catalogs, trade routes	—	—	1	1	2	2	5
Scripts, scenarios, story and film rights	1	—	1	2	5	—	7
Finance and organization costs	1	—	1	2	—	—	2
Described as "intangible assets"	8	—	3	11	8	8	27
Various other	1	—	—	1	—	2	3
Total	287	—	63	350	101	250	701

Number of Companies presenting	1960
Intangible Assets	345
No Intangible Assets	255
Total	600

*Refer to Company Appendix Section—A: Co. Nos. 5, 38, 176, 203, 471, 485; B: Co. Nos. 64, 80, 128, 234, 259, 502; C: Co. Nos. 140, 244, 314, 368, 421; D: Co. Nos. 7, 79, 172, 409, 437, 504; E: Co. Nos. 72, 127, 187, 192, 280, 393; F: Co. Nos. 6, 12, 57, 161, 220, 414; G: Co. Nos. 137, 140, 359, 397, 493, 582; H: Co. Nos. 20, 54, 61, 516, 568; I: Co. Nos. 13, 85, 170, 276, 350, 502; J: Co. Nos. 34, 115, 126, 279, 404, 542; K: Co. Nos. 34, 239, 248, 309, 451, 581; L: Co. Nos. 54, 153, 177, 351, 434, 521; M: Co. Nos. 178, 215, 233, 278, 482, 540; N: Co. Nos. 92, 155, 209, 453, 545, 550; O: Co. Nos. 162, 189, 354, 366, 368; P: Co. Nos. 189, 349, 585; Q: Co. Nos. 187, 560; R: Co. Nos. 15, 26, 120, 200, 491, 542; S: Co. Nos. 367, 562, 600.

Shown Under Other Assets

EMERSON RADIO & PHONOGRAPH CORPORATION

Other Assets:	
Goodwill (arising in connection with acquisition of subsidiary companies) less amortization	$ 855,969
Deferred charges	505,788
Investments—at cost	458,056
Trade-marks and patents	1
	$1,819,814

MERRITT-CHAPMAN & SCOTT CORPORATION

Other Assets:	
Other investments, noncurrent receivables, etc.	$ 9,346,787
Carrying value of investments in subsidiaries in excess of their net assets at dates of acquisition, less amortization	4,757,572
Unamortized debenture discount and expense	674,732
	$14,779,091

WAGNER ELECTRIC CORPORATION

Other Assets:	
Special tools and development expense	$ 342,247
Unamortized leasehold improvements	18,645
Foreign investments, at cost	737,548
Trade-mark, at cost, less amortization of $1,055,000 and $965,000, respectively	145,000
Patterns, patents, and designs, at nominal value	1
	$1,243,441

Shown Under Deferred Charges

HARRIS-INTERTYPE CORPORATION

Deferred Charges	
Cost of investment in subsidiaries over equity (unamortized portion)	$1,608,885
Sundry prepaid expenses	204,321
	$1,813,206

MILLER MANUFACTURING CO.

Deferred Charges	
Unamortized bond discount and expense	$69,557
Unamortized patent licenses	20,115
	$89,672

UNIVERSAL MATCH CORPORATION

Deferred Charges:	
Research and development costs net of $778,580 deferred federal income taxes (Note 6)	$758,708
Unamortized debt expense	182,592
	$941,300

Note 6: Research and development costs—In prior years, the Company has in general followed the practice of charging research and development costs to expense for both corporate financial and income tax purposes. In 1960, the Company substantially expanded its research activities, particularly in the area of merchandising and currency devices, and has, for financial statement purposes, deferred such expenses to future periods when it is anticipated that the profits from the 1960 program will be realized. Net earnings in 1960 would have been reduced $758,708 had the Company followed its prior practice of expensing such items.

Shown in Notes to Financial Statements

NATIONAL BISCUIT COMPANY

Other assets (Note b) $7,820,803

Note b: Other assets for 1960 include $5,789,786 of unamortized excess of cost of investment over book amount of net assets of consolidated foreign subsidiaries acquired since 1958; and $2,031,017 of prepaid expenses and deferred charges.

PHILADELPHIA AND READING CORPORATION

Intangibles (Note 5) $3,488,623

Note 5: Intangibles represent the excess of the purchase price for the majority interest in Chatham Reading Chemical Corporation and the automotive chemical business acquired during the year over the net book value of the underlying tangible assets. These costs will be amortized over a period commencing with the beginning of operations of the chemical plants under construction.

WARD BAKING COMPANY

Intangible Assets, etc. (Note 2) $756,036

Note 2: Intangible assets, etc., consisted of the following:

Trademarks, formulae, and licenses	$297,116
Excess of cost over book value of net assets at acquisition of subsidiaries consolidated	238,431
Excess of cost over fair value of net assets at acquisition of predecessors	220,487
Goodwill	2
	$756,036

AMORTIZATION OF INTANGIBLE ASSETS

According to the committee on accounting procedure of the American Institute of Certified Public Accountants in the *Restatement and Revision of Accounting Research Bulletin No. 43* (Chapter 5) the cost of intangibles under its (a) classification, "should be amortized by systematic charges in the income statement over the period benefited, as in the case of other assets having a limited period of usefulness." The cost of intangibles under its (b) classification should be amortized in a similar manner if and when "it becomes reasonably evident that the term of existence . . . has become limited," or when the intangible will not have value during the entire life of the enterprise "despite the fact that there are no present indications of limited existence or loss of value . . ., and despite the fact that expenditures are being made to maintain its value." The committee further points out that the cost of intangibles classified under (b) above "should be written off," in a manner which will not give rise to misleading inferences in the income statement, "when it becomes reasonably evident that they have become worthless."

> Lump-sum write-offs of intangibles should not be made to earned surplus immediately after acquisition, nor should intangibles be charged against capital surplus. If not amortized systematically, intangibles should be carried at cost until an event has taken place which indicates a loss or a limitation on the useful life of the intangibles.

The information contained in the 1960 survey reports with regard to the amortization of intangible assets is summarized in Table 23. There were 350 instances of intangible assets shown in the balance sheets at an amortized value. In 287 of these cases the amortization was charged to the income account; in the remaining 63 cases there was no indication in the report as to the account charged.

ACCOUNTS PAYABLE—Current Liabilities

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, 57 of the survey companies showed current liabilities to trade customers for such items as advance payments received from customers, deposits on containers, and for other trade purposes, and credit balances in accounts receivable.

Twenty of the survey companies included among their noncurrent liabilities various items such as accounts payable (long-term), equipment purchase obligations, customers' deposits on returnable containers and customers advance payments (*Co. Nos. 37, 46, 57, 70, 122, 181, 183, 187, 210, 216, 276, 302, 369, 445, 446, 549, 576).

Table 24 classifies and summarizes the various kinds of accounts payable items included among current liabilities in the 1960 balance sheets of the survey companies.

The following examples, selected from the balance sheets of the 1960 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.

THE CURTIS PUBLISHING COMPANY

Current:	
Bond sinking fund payments of subsidiary due within one year	$ 1,425,000
Accounts payable	8,358,180
Bank loans	8,000,000
Fidelity-Philadelphia Trust Company, trustee for pension fund	718,232
Accrued liabilities	2,881,915
Dividends declared but not due	286,765
Provision for state and federal taxes	1,688,964
Total Current Liabilities	$23,359,056
Advance Payments for Subscriptions	$44,878,152

*Refer to Company Appendix Section.

TABLE 24: ACCOUNTS PAYABLE

Current Liability Description	Presentation: Separately	Presentation: With Other Items	1960 Total
Re: Trade Creditors—			
Accounts payable (*Co. Nos. 139, 142, 145, 426, 431, 503)	373	227	600
"Accrued expenses"—not identified (*Co. Nos. 40, 346, 428, 432, 515, 541)	146	304	450
Notes payable (*Co. Nos. 48, 60, 197, 310, 327, 539)	14	11	25
Royalties payable (*Co. Nos. 11, 92, 237, 245, 368, 420)	1	9	10
Trade acceptance or drafts payable (*Co. Nos. 37, 154, 172, 290, 298, 301, 561)	3	4	7
Total	537	555	1092
Re: Trade Customers—			
Advance payments received from customers (*Co. Nos. 119, 204, 241, 280, 330, 528)	17	7	24
Progress billings on non-government contracts (*Co. Nos. 126, 304, 347, 408)	2	2	4
Additional costs on completed contracts (*Co. Nos. 86, 196)	2	—	2
Deposits for various trade purposes (*Co. Nos. 318, 339, 377, 394, 479, 504)	7	9	16
Deposits for merchandise containers (*Co. Nos. 247, 262, 281, 432, 434, 443, 477)	7	—	7
Credit balances (*Co. Nos. 12, 186, 424, 510, 561)	5	5	10
Total	40	23	63

Number of Companies showing:	
Accounts payable trade creditors	600
Accounts payable trade customers	57

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

CONTINENTAL MOTORS CORPORATION

Current Liabilities:		
Notes payable to banks under V-Loan Agreement (Note C)		$ 6,720,000
Accounts payable and accrued expenses:		
Trade accounts		9,873,244
Pay rolls and other compensation		3,099,859
Property, pay roll, and other taxes		1,637,722
Taxes and other amounts withheld from employees		696,437
		15,307,262
Federal and state taxes on income, less United States Government securities in the amount of $200,000 to be used in payment thereof		605,428
Payment due within one year on long-term debt		280,000
Total Current Liabilities		$22,912,690

CANADA DRY CORPORATION

Current Liabilities:	
Accounts payable	$ 3,301,389
Dividends payable	640,387
Debentures and notes due within one year (less debentures in treasury — 1960, $432,000; 1959, $107,000)	969,349
United States and Canadian Federal income taxes	2,389,761
Other taxes	1,266,235
Salaries, wages, interest, and other accruals	1,329,461
Total current liabilities (exclusive of an indeterminable amount of container deposits which will be currently returned to customers —see below)	$ 9,896,582
Other Liabilities:	
Twenty Year 4% Sinking Fund Debentures due June 1, 1976 ($530,000 redeemable annually)	10,410,000
4% Notes, due $63,700 annually to July 1, 1969	509,600
Liability to customers for deposits on returnable containers—estimated	4,040,484
Deferred income taxes	723,000
Total other liabilities	$15,683,084

CRADDOCK-TERRY SHOE CORPORATION

Current Liabilities:	
Trade accounts payable	$ 354,822.45
Accrued royalties and expenses	69,989.45
Employees' deposits	1,100.00
Accrued payrolls, commissions and unclaimed wages	322,307.57
Employees' income taxes withheld	141,322.03
Income and social security taxes	518,843.24
Dividend on preferred stock, payable January 1, 1961	35,847.50
Total Current Liabilities	$1,444,232.24

MONTGOMERY WARD & CO., INCORPORATED

Current Liabilities:	
Notes payable to banks	$ 28,000,000
Accounts payable and other liabilities	52,312,055
Accrued expenses	29,012,517
Federal taxes on income	23,420,733
Total current liabilities	$132,745,305

THE PURE OIL COMPANY

Current Liabilities:	
Current portion of long-term debt	$ 7,092,512
Accounts payable	46,867,103
Accrued liabilities	10,794,025
Total current liabilities	$64,753,640
Long-term Debt, excluding current portion:	
Promissory notes, 3¾%, due semi-annually 1981 to 1990	$50,000,000
Serial notes, interest 2.80% to 2.95%, due semi-annually to 1965	7,675,000
Pipeline mortgage sinking fund bonds, average interest 4.34%, due semi-annually to 1976	13,207,000
Purchase obligations, etc.	5,392,825
Notes payable of subsidiary, 5¼%, due $225,000 quarterly beginning October 1, 1962	4,500,000
	$80,774,825

LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

There were 365 survey companies that evidenced the many types of liabilities to employees and stockholders as current liabilities in their 1960 balance sheets. The type most frequently occurring was "salaries and wages payable." Others frequently occurring were "dividends payable," "payroll taxes withheld," "commissions payable," and "contributions to employee benefit plans." Table 25 summarizes the various types of liabilities regarding employees and stockholders which appeared in the current liability section of the balance sheets of the 1960 reports.

Thirty-seven 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 (*Co. Nos. 29, 141, 250, 319, 457, 486).

Examples—Liabilities re Employees and Stockholders

Examples from the 1960 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

BLUE BELL, INC.

Notes payable—Banks	$ 8,500,000
Accounts payable	3,196,435
Employees' funds withheld for taxes, etc.	208,838
Federal and State income taxes	875,000
Accrued liabilities:	
Salaries and wages	460,227
Bonus to officers	83,603
Taxes—Other than on income	193,796
Contribution to employees' pension trust fund	79,150
Total current liabilities	$13,597,049

CONSOLIDATED PAPER COMPANY

Accounts payable	
Trade	$ 464,909
Taxes withheld from employees	105,682
Sundry	30,795
Accrued liabilities	
Payrolls and commissions	95,139
Social security taxes	21,767
Federal income taxes for prior years (Note A)	8,189
Property and other taxes	648,308
Vacation pay	426,200
Employees' death benefits	473,475
Total current liabilities	$2,274,464

*Refer to Company Appendix Section.

TABLE 25: LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

	Presentation		
Current Liabilities Description	Separately	With Other Items	1960 Total
Salaries or wages payable (*Co. Nos. 45, 145, 249, 316, 342, 348, 408, 502, 535)	53	203	256
Dividends or declarations payable (*Co. Nos. 18, 135, 207, 208, 350, 547)	128	2	130
Payroll taxes withheld (*Co. Nos. 64, 65, 163, 248, 284, 346)	16	71	87
Commissions payable (*Co. Nos. 65, 76, 135, 213, 218, 395)	1	24	25
Unclaimed wages, retroactive salary (*Co. No. 173)	—	1	1
Payroll deductions for U.S. bond purchases (*Co. Nos. 196, 218, 241, 342, 411)	—	5	5
Deposits—various employee purposes (*Co. Nos. 37, 173, 495)	4	—	4
Deposits—salesmen's guarantees (*Co. Nos. 165, 213, 504, 584)	3	1	4
Employee balances or accounts payable (*Co. Nos. 132, 250, 311, 424)	—	4	4
Additional or other compensation (*Co. Nos. 18, 38, 97, 241, 253, 502)	2	6	8
Incentive compensation (*Co. Nos. 184, 408)	—	2	2
Bonus plan payments (*Co. Nos. 99, 203, 380, 464)	1	10	11
Employee benefit plan contributions (*Co. Nos. 52, 181, 218, 318, 392, 587)	24	11	35
Employee profit sharing plan (*Co. Nos. 90, 276, 389, 600)	4	2	6
Employee savings or thrift plans (*Co. Nos. 2, 208, 217, 251)	5	1	6
Vacation pay (*Co. Nos. 18, 163, 165, 199, 536, 593)	6	15	21
Total	247	358	605

Number of Companies showing:	
Liabilities in current liability section only	341
Liabilities in noncurrent liability section only	13
Liabilities in both current and noncurrent liability sections	24
No liabilities—employees, stockholders, etc.	222
Total	600

*Refer to Company Appendix Section.

ELECTROLUX CORPORATION

Accruals for instalment commissions	$ 3,143,981
Other commissions and payrolls payable	737,406
Accounts payable and sundry accruals	4,335,659
Sales representatives' security deposits	662,620
Estimated federal income taxes	2,508,248
	$11,387,914

CRADDOCK-TERRY SHOE CORPORATION

Trade accounts payable	$ 354,822.45
Accrued royalties and expenses	69,989.45
Employees' deposits	1,100.00
Accrued payrolls, commissions and unclaimed wages	322,307.57
Employees' income taxes withheld	141,322.03
Income and social security taxes	518,843.24
Dividend on preferred stock, payable January 1, 1961	35,847.50
Total Current Liabilities	$1,444,232.24

CURTISS-WRIGHT CORPORATION

Payables, trade creditors	$ 6,920,186
Accrued wages, taxes and other expenses (Note 2)	10,398,206
Advances on contracts (non-military)	3,527,593
Provision for federal taxes on income, less tax anticipation notes: 1960, $5,949,881; 1959, $9,832,317	6,106,041
Other liabilities	6,050,547
Current Liabilities	$33,002,573

Note 2: Under the Corporation's stockholder-approved Modified Incentive Compensation Plan, additional compensation to 486 employees of $808,950, payable over a 5-year period, was awarded in 1961 based on the Corporation's earnings for the year 1960. The 1961 awards, together with unpaid instalments of prior years' awards, are included, net of applicable federal income taxes, in "Accrued wages, taxes and other expenses" in the consolidated balance sheet.

EASTMAN KODAK COMPANY

Payables	$115,650,240
Provision for income and other taxes (less $60,000,000 U. S. Government securities for 1960, $75,000,000 for 1959)	24,213,397
Cash dividends payable January 3, 1961	28,841,456
Total current liabilities	$168,705,093

Notes to Financial Statements

Payables: Provisions of $47,555,932 for the accrued wage dividend and company payments under the employees' savings and investment plan, and $3,405,139 for the company's incentive and deferred compensation plan were included in payables.

ELASTIC STOP NUT CORPORATION OF AMERICA

Loan payable—bank	$ 700,000.00
Accounts payable—trade	580,774.23
Payroll deductions	150,077.72
Payrolls and commissions	977,875.30
Mortgage and other notes payable—current installments	29,328.75
Dividends payable, including to minority interests	153,076.75
Accrued liabilities:	
Payroll and sundry taxes	148,554.01
U. S. and Canadian taxes on income—estimated:	
Prior years	19,547.51
Current year	1,078,572.08
Sundry accruals	385,643.28
	$4,223,449.63

INTERNATIONAL SHOE COMPANY

Notes payable to banks	$ 720,000
Current maturities of long-term debt	1,755,250
Accounts payable and accrued expenses	19,114,335
Employees' balances and tax withholdings	1,339,615
Federal and Canadian taxes on income	6,599,914
Total current liabilities	$29,529,114

THE GARRETT CORPORATION

Notes payable to banks—unsecured	$29,000,000
Trade accounts payable—including estimated liability under price redetermination contracts and product warranty	11,664,940
Salaries, wages, and other compensation—Note D	3,441,955
Withholds from employees for bond purchases and taxes	1,884,859
Local and pay roll taxes	1,753,518
Advance payments received from customers	535,869
Interest accrued	175,632
State and foreign taxes based on income	498,208
Vacation and sick-leave pay accrued	4,427,382
Federal taxes on income—estimated	3,214,970
Installments on long-term debt due within one year	714,286
Total Current Liabilities	$57,311,619

Note D: Deferred Compensation—The liability shown for salaries, wages, and other compensation at June 30, 1960, includes $1,232,794 for payments (net of estimated related tax benefits) under the Company's deferred compensation plan. Such amount comprises the balance of $1,060,631 at June 30, 1959, increased by $184,824 charged against fiscal year 1960 operations in respect of current services, salary adjustments, and new contracts, and decreased by $12,661 for payments to retired personnel.

The future annual cost of the plan is not determinable; but if contracts in force at June 30, 1960, are continued on their then present basis, the amounts (which are net of estimated tax benefits) to be provided by charges against income would vary from $125,955 for the fiscal year 1961 to $77,671 for the fiscal year 1965, and smaller amounts thereafter.

In Noncurrent Liability Section Only

BRUNSWICK CORPORATION

Long-term Liabilities:

4½% convertible subordinated debentures, due January 1, 1981	$25,634,000
Long-term notes	11,541,000
Deferred compensation (Note 7)	2,892,000
	$40,067,000

Note 7: Deferred Compensation—Under various employee bonus plans of the Company, amounts may be set aside each year for distribution to officers and employees as additional compensation for outstanding service. A portion of the amounts so provided is paid in cash each year, and the balance is deferred for payment over a five-year period generally beginning three years from the year provided. The compensation deferred under these plans at December 31, 1960, is payable through 1967, in annual amounts ranging from $71,000 to $513,000.

THE DRACKETT COMPANY

Continued compensatioi (Note 3)	$76,109

Note 3: Continued Compensation Plan—The plan provides that a portion of the compensation normally paid to eligible officers and employees is deferred and paid, under restricted conditions, to them or their beneficiaries upon retirement, death or other termination of employment.

During the years 1959 and 1960, amounts of $65,229 and $93,331, respectively, were allocated to the plan. In 1960 the accounting was changed to reflect in the Balance Sheet and Statement of Earnings continued compensation net of estimated federal income taxes of $82,451, since the compensation will be deductible for tax purposes when paid.

JOHNSON & JOHNSON

Certificates of Extra Compensation	$3,517,638

MOHASCO INDUSTRIES, INC.

Other non-current liabilities:

Long-term rentals on Amsterdam properties	$5,824,879
Estimated liability under pension plans	891,803
Other liabilities	470,592
Total other non-current liabilities	$7,187,274

In Both Current and Noncurrent Liability Sections

E. I. DU PONT DE NEMOURS & COMPANY

Current Liabilities:

Accounts Payable (Note 3)	$104,136,527
Other Accrued Liabilities	41,348,866
Total Current Liabilities	145,485,393
Bonus Awarded in Cash—Payable Beyond One Year	23,192,997
"B" Bonus Fund—Unawarded Balance	2,272,332

Note 3: Accounts Payable includes—

Bonus installments payable in cash within one year	$15,295,251
Bonus awarded in cash to be invested in new common stock of the company within one year	18,906,608
	$34,201,859

ERIE FORGE & STEEL CORPORATION

Current Liabilities:

Accounts payable and accrued expenses:	
Trade accounts	$ 581,612.69
Salaries, wages, and commissions and amounts withheld from employees' compensation for taxes, bond purchases, etc.	565,418.96
Rentals, taxes, and interest	284,205.74
Employees pension trust	172,835.05
Reserve for relining and repairing furnaces, and other operating expenses	243,436.59
Federal and state taxes on income, estimated	339,791.50
Current portion of long-term liabilities	180,000.00
Total Current Liabilities	$2,367,300.53
Other Liability:	
Employees pension trust payable in annual installments to April 30, 1964	330,019.61

SCREW & BOLT CORPORATION OF AMERICA

Current Liabilities:

Notes payable within one year	$ 200,000
Accounts payable	1,179,932
Accrued liabilities—page 10	1,207,640
Federal and state income taxes	27,404
Total current liabilities	2,614,976
Long-term debt—page 10	3,400,000
Accrued pensions and incentive compensation—page 11	589,954
	$6,604,930

Page 10:

Accrued Liabilities:	
Payrolls including vacation wages	$ 432,560
Taxes, other than income taxes including amounts withheld from employees	323,700
Pensions	233,718
Other	217,662
	$1,207,640

Page 11: Pension Plans—Pensions are granted by the Corporation to hourly paid employees under a noncontributory pension plan and to salaried employees under a noncontributory plan and a contributory plan. Sufficient funds have been put in trust to comply with the requirements of these plans as of December 31, 1960. Pension costs of the hourly noncontributory plan are provided for on the basis of the actuarial cost to fund fully pensions for employees eligible to retire during the year. Pension costs under the salaried plans are provided for in accordance with the terms of the plans. The amount provided in 1960 for pensions under all plans was $362,000.

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 46 survey companies which did not disclose a liability for federal income taxes in their 1960 balance sheets (*Co. Nos. 20, 21, 57, 70, 77, 117, 129, 132, 146, 159, 196, 202, 214, 224, 258, 262, 272, 286, 290, 292, 293, 303, 318, 335, 341, 387, 413, 419, 432, 439, 477, 479, 487, 490, 491, 513, 529, 535, 549, 562, 563, 568, 571, 578, 581, 588). Twenty-five of these companies indicated "loss from operations," and nine companies referred to operating loss "carry-forward" or "carry-back."

The following examples, selected from the 1960 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")

ALCO PRODUCTS, INCORPORATED
Current Liabilities:
Estimated federal income taxes and renegotiation $550,497

CITY STORES COMPANY
Current Liabilities:
Federal income taxes—Note E $8,459,976

Note E: Federal Income Taxes—The provision for federal income taxes is approximately $570,000 more than would have been required had current year operating losses of certain consolidated subsidiaries been available as a deduction from consolidated taxable income.

At January 30, 1960, there became available to City Stores Company operating loss carryovers of approximately $3,000,000 which may be deducted against its future taxable income to the extent permitted by the Internal Revenue Code.

The deferred federal income taxes of $1,827,600 represent the cumulative estimated amount which may be payable in future years resulting from deducting more depreciation for tax purposes, as permitted by the Internal Revenue Code, than the amount included in the accounts.

The accompanying financial statements are subject to final determination of federal, state and local taxes.

COLONIAL STORES INCORPORATED
Current Liabilities:
Federal and State Taxes on income (Note 6) $1,326,375

Note 6: Commitments and Contingencies—At December 31, 1960, leases extending beyond three years from that date require an aggregate annual rental of approximately $6,736,000 for 1961 plus, in some cases, real estate taxes and other expenses, or increased amounts based on percentages of sales. About 40% of such aggregate relates to leases expiring within ten years and the major portion of the remainder to leases expiring within from ten to twenty-five years.

The Internal Revenue Service has proposed to assess additional Federal taxes on income for the years 1954-1957, aggregating approximately $2,300,000 plus interest. Because of the nature of the items in question, the company is of the opinion that settlement would not adversely affect income. The company is contesting the major issues and, although no estimated amount of the ultimate liability is determinable, in the opinion of counsel, such liability should be substantially less than the amount proposed.

*Refer to Company Appendix Section.

TABLE 26: INCOME TAX LIABILITY

Balance Sheet—Current Liability Presentation and Classification	1960	1959	1955
"Federal Income Tax"	228	233	273
Above combined with:			
Other taxes	5	6	9
Other income taxes	7	6	6
Territorial and other taxes	10†	1	1
Renegotiation	1	4	9
Redetermination	—	—	1
Non-tax items	—	—	3
Total	251	250	302
"Federal and State Income Taxes"	54	50	56
Above combined with:			
Foreign taxes	9	15	15
Foreign and municipal taxes	1	1	1
Municipal taxes	1	2	2
Other taxes	5	4	5
Renegotiation	—	—	3
Total	70	72	82
"Federal and Foreign Income Taxes"	46	57	84
Above combined with:			
Other taxes	—	—	1
Other taxes and renegotiation	1	—	3
Renegotiation	3	4	6
Total	50	61	94
Classification set forth as:			
"Income taxes"	66	62	55
"Foreign income taxes"	—	—	1
"Income and other taxes"	9	10	4
"Income tax, domestic and foreign"	1	2	1
"Income tax and renegotiatiton"	—	—	3
Total	76	74	64
"Taxes"	36	40	35
"Federal, state and other taxes"	3	2	3
"Federal and state taxes"	3	6	1
"Federal, state, municipal taxes"	6	5	5
"Federal and general taxes"	—	3	2
"Domestic and foreign taxes"	1	1	1
"Taxes and non-tax items"	1	1	2
"Taxes and renegotiation"	—	—	1
"U.S. and local and/or foreign"	57	45	N/A
Total	107	103	50
Number of Companies presenting:			
Current liability for income tax or taxes	554	560	592
Not presenting such liability	46	40	8
Total	600	600	600

†Includes Canadian taxes.
N/A—Not available.

NATIONAL DAIRY PRODUCTS CORPORATION
Current Liabilities:
Provision for Federal and foreign taxes on income $32,166,765

NATIONAL STARCH AND CHEMICAL CORPORATION
Current Liabilities:
Accrued taxes $2,172,825

FRUEHAUF TRAILER COMPANY
Current Liabilities:
United States and Canadian taxes on income (Note C) $6,356,446

Note C: United States and Canadian Taxes on Income—The amounts shown for United States and Canadian taxes on income in the consolidated statement of net earnings include taxes ($3,247,900 in 1960 and $3,096,500 in 1959) on income of finance subsidiaries.

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, having been both required and approved by the Internal Revenue Service in prior years, has resulted in a postponement in time of payment of income taxes that have been provided for in the financial statements. 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 Internal Revenue Service has asserted certain deficiencies in United States income taxes paid with respect to the practice of stating used trailers at $1.00 each for United States income tax purposes for the years subsequent to 1953. The Company has filed petitions with the Tax Court contesting such assertions. If the contentions of the Internal Revenue Service are sustained, the postponed taxes described in the preceding paragraph would become payable and interest would also become payable. The Company and its counsel are of the opinion that the ultimate liability for such taxes and interest will not exceed the amounts provided therefor in the financial statements.

The current liability for United States and Canadian taxes on income in the consolidated balance sheet includes at December 31, 1960, $4,950,000 payable currently and $2,350,000 applicable to used trailers included in current assets, reduced by $950,000 arising from future tax benefits. The future tax benefits relate to certain anticipated losses which have been recognized by charges against earnings but which have not been deducted for tax purposes. Deferred taxes on income are applicable principally to used trailers leased to customers (included in investments and other assets) and depreciation of property, plant, and equipment deducted for tax purposes but not for financial reporting purposes.

GENERAL CABLE CORPORATION
Current Liabilities:
Accrued Federal income taxes (Note 5) $4,510,259

Note 5: Federal income tax liability of the Corporation for all years through 1958 has been determined and all deficiencies have been paid. The returns of certain subsidiaries for earlier years are still subject to examination.

H. J. HEINZ COMPANY
Current Liabilities:
Estimated liability for Federal and foreign taxes on income $9,807,527

MOHASCO INDUSTRIES, INC.
Current Liabilities:
Estimated Federal and State income taxes (Note 6) $2,570,729

Note 6: Federal Income Taxes—By reason of substantial losses incurred by Alexander Smith, Incorporated prior to December 31, 1955 and its merger with Mohawk Carpet Mills, Inc., Federal income taxes provided in 1960 are approximately $600,000 less than they would otherwise have been.

The Internal Revenue Service has proposed to assess additional Federal income taxes in amounts aggregating $3,600,000, exclusive of interest, in connection with the tax returns of Alexander Smith, Incorporated for the years 1950 and 1951 based largely on the disallowance of the LIFO basis of reporting inventories. The company is protesting the proposed assessment and its tax advisors believe that the matter can be disposed of for substantially less than this amount. The company is of the opinion that ultimate settlement will not have a materially adverse effect on the consolidated financial position.

NATIONAL STEEL CORPORATION
Current Liabilities:
Federal taxes on income—estimated, less United States Treasury obligations—1960, $16,893,665; 1959, $19,738,468 ...... $4,006,335

TERMINOLOGY FOR "INCOME TAX LIABILITY"

The balance sheets of the 600 survey companies disclosed varying terminology in the presentation of income tax liability. There were 279 companies that used descriptive terms such as *estimated, provision, reserve,* or *accrued* in conjunction with other words to describe their tax liability. The remaining 275 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 indicates an over-all downward trend in the use of primary descriptive terms from 409 in 1950 to 279 in 1960, with the use of the term *reserve* dropping from 48 in 1950 to 20 in 1960.

TABLE 27: INCOME TAX LIABILITY

Primary Descriptive Term:	*1960	1959	1955	1950
Estimated, etc.	111	124	131	109
Provision, etc.	62	71	93	130
Reserve, etc.	20	18	22	48
Accrued, etc.	86	89	101	122
	279	302	347	409
None Used with—				
Federal or U.S. income taxes	236	222	214	180
Income taxes	27	24	19	
Taxes	12	12	12	
Total	554	560	592	589
No income tax liability	46	40	8	11
Total	600	600	600	600

*1960 Descriptive Term Used with:	Estimated	Provision	Reserve	Accrued	Used Alone	1960 Total
Federal income tax	44	30	11	22	144	251
Federal and state income taxes	16	11	3	9	31	70
Federal and foreign income taxes	14	5	2	4	25	50
Income taxes	22	11	1	15	27	76
Taxes	1	4	1	32	12	50
U.S. and other	14	1	2	4	36	57
Total	111	62	20	86	275	554

Examples

The following examples of balance sheet terminology for federal and other income or tax liability have been taken from the 1960 survey reports.

Estimated—(111 Companies):
Estimated federal taxes on income (*Co. No. 254)
Estimated federal and foreign income taxes and renegotiation, less government securities of $xxx (*Co. No. 139)

*Refer to Company Appendix Section.

Estimated federal and state taxes on income (*Co. No. 473)
Estimated federal and foreign taxes on income (*Co. Nos. 189, 298)
Estimated federal income taxes and renegotiation (*Co. No. 9)
Estimated liability for federal and foreign taxes on income (*Co. No. 285)
Estimated United States and foreign taxes on income for current and prior years (*Co. No. 468)
Estimated liability for federal income taxes (*Co. No. 108)
Estimated U. S. and Canadian income taxes (*Co. No. 331)
Federal taxes on income—estimated (*Co. Nos. 36, 216, 286, 296)
Federal income taxes—estimated (*Co. No. 45)
Federal taxes on income—estimated less United States Government securities (*Co. No. 406)
Federal and state taxes on income—estimated (*Co. Nos. 170, 186, 218)
Federal, state, and foreign taxes on income—estimated (*Co. No. 200)
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: $xxx (*Co. No. 398)
Federal and Canadian taxes on income—estimated (*Co. Nos. 40, 507)
Federal and state income taxes, estimated (*Co. Nos. 47, 235, 475)
Federal income tax—estimated (*Co. No. 64)
Federal taxes on income—estimated, less United States Treasury obligations—$xxx (*Co. No. 402)
Federal and state income taxes, estimated (*Co. No. 47)
Federal and other taxes on income—estimated (*Co. Nos. 281, 516)
Federal and foreign income taxes—estimated (*Co. No. 509)
Federal and British taxes on income—estimated (*Co. No. 65)
Income taxes payable—estimated (*Co. No. 261)
Taxes on income—estimated (*Co. Nos. 2, 3, 579)
Taxes on income (estimated), less United States Government securities to be applied to payment thereof: $xxx (*Co. No. 469)
United States and Canadian taxes on income, estimated (*Co. No. 357)
United States, Canadian, and state taxes on income—estimated. Less securities of United States and Canadian Governments (*Co. No. 462)
U. S. Federal income taxes—estimated (*Co. No. 307)
U. S. taxes on income (estimated) (*Co. No. 373)

Provision—(62 Companies):

Estimated provision for taxes based on income (*Co. No. 276)
Provision for federal taxes on income (*Co. Nos. 80, 94, 284, 407, 426)
Provision for federal income taxes (*Co. Nos. 98, 391, 511, 534, 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. 11)
Provision for federal, state and foreign income taxes (*Co. No. 212)
Provision for federal and foreign taxes on income (*Co. No. 29)
Provision for United States and foreign taxes on taxable net income (*Co. No. 37)
Provision for income taxes (*Co. No. 237, 422)
Provision for taxes: taxes on income (*Co. No. 277)
Provision for United States and Canadian taxes on income (*Co. No. 375)
Provision(s) for taxes (*Co. No. 399, 448)
Provision for federal and state income taxes (*Co. No. 380)
Provision for income and other taxes (less $xxx U. S. Government securities) (*Co. No. 208)
Provision for federal, state and foreign income taxes (less U. S. Government and other marketable obligations of $xxx) (*Co. No. 416)
Provision for federal, state and foreign taxes on income (*Co. No. 449)
Provision for income taxes, United States and Canada (*Co. No. 347)
Provision for United States and Canadian taxes on income and for renegotiation (*Co. No. 105)
Provision for federal taxes on earnings (*Co. No. 30)
Provision for federal income taxes (less governmental and other marketable securities of $xxx) (*Co. No. 181)
Provision for federal taxes on income, less tax anticipation notes: $xxx (*Co. No. 184)
Provision for federal income taxes, less $xxx paid previously for the year 1960 (*Co. No. 538)
Provision for taxes, including taxes on income (*Co. No. 18)
Provision for federal and state income taxes, less United States Government securities, at cost, including interest—$xxx (*Co. No. 109)
Provision for federal, state and other taxes on income (*Co. No. 160)

Reserve—(20 Companies):

Reserve for federal income tax(es) (*Co. Nos. 63, 88, 102, 299, 339, 369)
Reserve for federal, state and foreign income taxes (*Co. No. 6)
Reserves for U. S. taxes on income (*Co. No. 48)
Reserve for U. S. and Canadian income taxes and renegotiation (*Co. No. 548)
Reserve for taxes on income (*Co. No. 157)
Reserves for federal, state and local taxes (*Co. No. 467)
Reserve for estimated federal income taxes (*Co. No. 22)
Reserve for federal taxes on income (*Co. No. 91)
Reserve for federal and states taxes on income (*Co. No. 126)

Accrued—(86 Companies):

Accruals: federal income taxes, less United States tax notes of $xxx (*Co. No. 44)
Accrued federal taxes on income (*Co. No. 593)

*Refer to Company Appendix Section.

Accrued federal income taxes (*Co. Nos. 247, 359)
Accrued liabilities: federal taxes on income (*Co. Nos. 145, 433)
Accrued taxes: federal income (*Co. No. 17)
Accrued interest and taxes (*Co. No. 500)
Accrued liabilities: federal income taxes (*Co. No. 245)
Accrued liabilities: federal and state taxes (*Co. No. 171)
Accrued income taxes: United States $xxx less securities (*Co. No. 177)
Accrued federal and foreign taxes on income (*Co. No. 520)
Accrued federal, state, local and foreign taxes (*Co. No. 498)
Accrued federal, state and town taxes (*Co. No. 524)
Accrued taxes: United States and foreign income taxes (*Co. No. 429)
Accrued taxes: U. S. and foreign taxes on income (*Co. No. 46)
Accrued domestic and foreign taxes (*Co. No. 349)
Accrued accounts: federal income taxes (*Co. No. 72)
Accrued accounts: federal, state, and local taxes (*Co. No. 137)
Accrued federal and Canadian income taxes (*Co. No. 455)
Accrued accounts: federal taxes on earnings (less U. S. Treasury obligations, $xxx) (*Co. No. 482)
Accrued accounts: federal taxes on income, less U. S. Government securities—$xxx (*Co. No. 551)
Taxes accrued (*Co. Nos. 13, 250)
Tax accruals (*Co. No. 166)
Accrued federal income tax (*Co. No. 165)
Accrued liabilities: federal and state income taxes (*Co. No. 445)
Accrued taxes: federal and state income tax (*Co. No. 61)
Accrued taxes, including federal income taxes (*Co. No. 168)
Accrued federal, state and other taxes (*Co. No. 233)
Accrued income taxes: U. S. federal and state (*Co. No. 310)
Accrued federal and foreign taxes on income (*Co. No. 530)
Taxes, payable and accrued: federal taxes on income (*Co. No. 161)
Taxes payable and accrued (less U. S. Treasury tax anticipation notes (*Co. No. 344)

Federal or U. S. income taxes (236 Companies):

Federal income tax(es) (*Co. Nos. 31, 51, 153, 243, 300, 411)
Federal taxes on income (*Co. Nos. 100, 306, 337, 372, 397, 503)
Federal income tax(es) payable (*Co. Nos. 334, 510)
Federal and state taxes on income (*Co. Nos. 282, 437)
Federal and state income taxes (*Co. Nos. 315, 361)
Federal, state, and Canadian taxes on income (*Co. Nos. 209, 253, 325)
Federal and foreign taxes on income (net after government tax notes of $xxx) (*Co. No. 25)
Federal, state and other taxes (*Co. No. 34)
Federal and state taxes (*Co. No. 470)
Federal and foreign taxes on income and renegotiation, less U. S. tax anticipation notes ($xxx) (*Co. No. 234)
Federal and foreign income taxes (*Co. Nos. 321, 589)
Federal and foreign taxes on income (*Co. Nos. 7, 393)
Federal taxes on income, less U. S. Government securities of $xxx (*Co. No. 84)
Federal, state and foreign taxes (less United States and foreign government securities—$xxx) (*Co. No. 474)
Federal and state taxes on income, less United States Government securities in the amount of $xxx to be used in payment thereof (*Co. No. 167)
Federal, Canadian, and state taxes on income (*Co. No. 570)
Federal income taxes, less U. S. Government obligations of $xxx (*Co. No. 356)
United States taxes on income, less U. S. Treasury securities; $xxx (*Co. No. 230)
United States income taxes (*Co. Nos. 410, 496)
United States and Canadian Federal income taxes (*Co. No. 122)
United States and foreign taxes on income (*Co. Nos. 156, 197, 465)
United States and foreign income taxes (*Co. No. 194)
United States and Canadian income taxes (*Co. No. 249)
United States, Canada, and other taxes on income (*Co. No. 240)
United States taxes less U. S. Treasury securities—$xxx *(Co. No. 266)
United States and Canadian taxes on income (*Co. No. 297)
U. S. and Canadian income taxes (*Co. Nos. 75, 256, 418)

Income taxes—(27 Companies):

Income taxes (*Co. Nos. 343, 532)
Income and social security taxes (*Co. No. 173)
Income and other taxes (*Co. No. 74)
Income taxes payable (*Co. Nos. 442, 519, 595)
Income and operating taxes (*Co. No. 494)
Income, excise, state gasoline, and other taxes payable (*Co. No. 505)
Taxes on income (*Co. Nos. 151, 440)
Taxes on income payable to United States and Canada (*Co. No. 512)

Taxes—(12 Companies):

Taxes (*Co. No. 178)
Taxes payable (*Co. No. 354)
Taxes payable and accrued (*Co. No. 270)
Taxes, less U. S. Government securities of $xxx (*Co. No. 319)
Taxes payable—including income taxes (*Co. No. 517)
Taxes on income (*Co. Nos. 90, 370)
Local, state and federal taxes, less United States securities of $xxx (*Co. No. 558)
General and federal taxes (*Co. No. 597)

*Refer to Company Appendix Section.

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":

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 240 survey companies in 1960, 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 discloses the various 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 $798,736 .... $210,635

DIAMOND NATIONAL CORPORATION
Current Liabilities:
Accrued taxes (less U.S. Government securities: $4,901,000) $7,465,000

FEDERATED DEPARTMENT STORES, INC.
Current Liabilities:
Federal income taxes, less U.S. Treasury Bills of $5,946,694 .... $21,620,665

LANGENDORF UNITED BAKERIES, INC.
Current Liabilities:
Federal taxes on income, less United States Treasury obligations, $992,909 .... $146,737

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

Number of Companies with U.S. Government Securities presenting—	1960	1955
All Government securities as an offset to the federal income tax liabilitiy with such securities identified as:		
U.S. Government securities (or similar terms)	24	28
Treasury notes	—	10
Treasury notes, and bills or certificates	2	4
Treasury tax notes or certificates	1	4
Treasury tax anticipation notes, certificates, or bills	4	8
Treasury bills	1	4
Total	32	58
Certain Government securities as an offset to the federal income tax liability with such securities identified as:		
U.S. Government securities (or similar terms)	44	78
Treasury notes	4	7
Treasury notes, and bills or certificates	2	3
Treasury tax notes or certificates	—	9
Treasury tax anticipation notes, certificates, or bills	6	9
Treasury bills	2	5
Total	58	111
All Government securities as Current Assets with securities identified as:		
U.S. Government securities (or similar terms)	129	169
Treasury notes	1	4
Treasury bills	18	13
U.S. Government or treasury bonds	2	4
Total	150	190
Number of Companies with no U.S. Government Securities presenting:		
Federal income tax liability	324	232
No Federal income tax liability	36	9
Total	360	241
Total	600	600

PRATT & LAMBERT, INC.
Current Liabilities:
United States and Canadian income taxes (less U.S. Government securities, $349,373) .. $821,016

REVERE COPPER AND BRASS INCORPORATED
Current Liabilities:
Reserves for federal, state and local taxes $7,271,917
Less U.S. Treasury Bills 2,964,810
$4,307,107

ST. REGIS PAPER COMPANY
Current Liabilities:
Accrued accounts:
Federal taxes on earnings (less U.S. Treasury obligations, $1,829,239) .. $12,802,298

UNITED GREENFIELD CORPORATION
Current Liabilities:
Federal taxes on income, less United States Government securities of $1,150,000 .... $240,559

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

ALLEN INDUSTRIES, INC.
Current Assets:
Obligations of U.S. Government and agency thereof $757,307
Current Liabilities:
Federal income taxes—less U.S. Treasury securities of $1,215,675 .... —0—

THE ARUNDEL CORPORATION
Current Assets:
U.S. Treasury obligations $3,200,000
Current Liabilities:
Federal income taxes (less U.S. Treasury obligations held for payment—$300,000) $ 27,000

CELANESE CORPORATION OF AMERICA
Current Assets:
U.S. Government securities, at cost, which approximates market $9,709,160
Current Liabilities:
Federal taxes on income (Note 4) .... —0—

Note 4: Federal Taxes on Income—The net accrued liability for Federal taxes on income at December 31, 1960 is as follows:

Provision for Federal income taxes	$10,018,389
Deduct U.S. Treasury securities, short term, and accrued interest	10,018,389
Net	$ —

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

In November 1960 the Corporation recovered the net amount, after related expenses and taxes, of approximately $950,000 in final settlement of its claims for refund of interest with respect to Federal excess profits taxes for the years 1940 to 1942, inclusive. This amount has been applied in reduction of the provision for Federal taxes on income of the year 1960.

FALSTAFF BREWING CORPORATION
Current Assets:
Securities—at cost plus accrued interest:
United States Government $4,197,632
Current Liabilities:
Taxes payable and accrued:
Income taxes (less United States Treasury tax anticipation notes and accrued interest, $2,472,796) $1,430,988

PENN FRUIT CO., INC.
Current Assets:
United States Treasury Notes .... $ 285,247
Current Liabilities:
Federal taxes payable on income $1,210,107
Less—U.S. Treasury Notes—applied as a reduction of foregoing liability ...... (1,210,107)

RAYBESTOS-MANHATTAN, INC.
Current Assets:
United States Government obligations at cost (quoted market value, $566,625) $600,000
Current Liabilities:
Federal taxes on income, less United States Tax Anticipation Bills ($1,594,132) .... $ 71,370

THE WHITE MOTOR COMPANY
Current Assets:
U.S. Treasury Bills, at cost and accrued interest $9,449,957
Current Liabilities:
Estimated Federal and Canadian income taxes (less U.S. Treasury Bills, at cost and accrued interest, $4,526,000) .... $ 329,500

All Government Securities Presented as Current Assets

THE BILLINGS & SPENCER COMPANY

Current Assets:	
United States Treasury Certificates of Indebtedness, at cost and accrued interest (approximate market)	$199,529
Current Liabilities:	
Federal and state taxes on income—estimated	$242,159

CANADA DRY CORPORATION

Current Assets:	
Marketable securities—at cost plus accrued interest:	
United States Treasury obligations	$ 487,500
Current Liabilities:	
United States and Canadian Federal income taxes	$2,389,761

COLLINS & AIKMAN CORPORATION

Current Assets:	
U.S. Treasury obligations at cost (approximately market) plus accrued interest	$3,484,592
Current Liabilities:	
Taxes on income	$ 697,390

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The various types of short-term borrowing and long-term indebtedness presented in the 1960 balance sheets of the 600 companies included in the survey are summarized in Table 29.

The annual reports of these companies disclose that 91 had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 509 companies, 29 presented short-term borrowing only; 283 disclosed only long-term indebtedness, and 197 presented both short-term borrowing and long-term indebtedness in their balance sheets.

Notes payable continues to be the most prevalent type of both short-term borrowing and long-term indebtedness disclosed in the 600 reports surveyed.

A total of 96 survey companies (not included in the above table) disclosed in their annual reports that they had established credit agreements either during the year or in some prior year. The types of agreement disclosed were: V-loan (5 companies), revolving credit (36 companies), or simple credit agreements (55 companies).

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

Examples from the 1960 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."

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

	Current Liability	Noncurrent Liability
Balance Sheet Description	Short-term	Long-term
Notes payable (*Co. Nos. 83, 119, 248, 298, 391, 535)	162	346
Loans payable (*Co. Nos. 72, 221, 282, 386, 483, 519)	28	40
Bonds payable (*Co. Nos. 8, 93, 177, 218, 222, 274)	—	19
Accounts payable (non-trade) (*Co. Nos. 125, 187, 402, 533, 539)	2	3
Debentures (*Co. Nos. 73, 128, 196, 219, 378, 510)	—	87
Sinking fund debentures (*Co. Nos. 84, 85, 135, 261, 321, 462)	—	147
Equipment contracts (*Co. Nos. 21, 210, 262, 318, 319, 330, 468, 593)	—	8
Purchase money obligations (*Co. Nos. 29, 52, 102, 161, 373, 500)	1	22
Real estate obligations (*Co. Nos. 54, 249, 468)	—	3
Mortgages payable (*Co. Nos. 78, 155, 162, 229, 389, 404)	2	84
Contracts payable (*Co. Nos. 118, 236, 300, 371, 419, 539)	4	17
Other long-term liabilities (*Co. Nos. 162, 247, 277, 450, 482, 530)	—	9
Owed by—subsidiaries (*Co. Nos. 2, 96, 256, 326, 438, 519)	17	47
Owed to—unconsolidated subsidiaries or affiliates (*Co. Nos. 146, 147, 293, 402, 449, 494)	10	3
Total	**226	835

Number of Companies presenting:	
Short-term borrowing only	29
Short-term borrowing and long-term indebtedness	197
Long-term indebtedness only	283
Neither short-term borrowing nor long-term indebtedness	91
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.

SHORT-TERM BORROWING

Notes Payable

ACME STEEL COMPANY
Current Liabilities:
Notes payable to banks $12,500,000

ALLIED MILLS, INC.
Current Liabilities:
Notes payable, short term loans $2,300,000.00

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
Current Liabilities:
Notes payable due in one year $4,748,756

BUCYRUS-ERIE COMPANY
Current Liabilities:
Notes payable to banks—unsecured $5,000,000

Loans Payable

DEERE & COMPANY
Current Liabilities:
Bank loans $45,000,000

B. F. GOODRICH COMPANY
Current Liabilities:
Bank loans—foreign $3,355,780

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
Current Liabilities:
Short-term bank loans $30,000,000

THE TIMKEN ROLLER BEARING COMPANY
Current Liabilities:
Bank loans (operations outside U.S.) $4,327,090

Revolving Credit Agreement

GRANITE CITY STEEL COMPANY
Current Liabilities:
Notes payable to banks (Note 2) $6,000,000

Note 2: Commitments—In connection with the current plant expansion program, the company at December 31, 1960 had outstanding purchase commitments of approximately $16,000,000. Subject to the terms of a Revolving Credit Agreement, the company has bank loan commitments totaling $30,000,000 in connection with this program. Any loans thereunder, of which $6,000,000 were outstanding at December 31, 1960, are evidenced by 90-day notes, convertible to four-year term loans anytime prior to the expiration of the Agreement, August 1, 1962.

V-Loan

CONTINENTAL MOTORS CORPORATION
Current Liabilities:
Notes payable to banks under V-Loan Agreement (Note C) $6,720,000

Note C: Notes Payable to Banks Under V-Loan Agreement—The V-Loan Agreement as amended, provides, among other covenants, that the Corporation will not declare cash dividends on or purchase shares of its capital stock subsequent to October 31, 1960, in excess of 70% of the Corporation's net earnings subsequent to that date plus $500,000. The agreement also provides that the Corporation will maintain net current assets of $17,000,000, plus 20% of its net earnings subsequent to October 31, 1957. As of October 31, 1960, this provision was less restrictive than the requirement with respect to net earnings.

Contracts Payable

FOREMOST DAIRIES, INC.
Current Liabilities:
Accounts payable $15,628,573
Notes and contracts 2,426,926

PACIFIC AMERICAN FISHERIES, INC.
Current Liabilities:
Notes payable to banks $1,900,000
Other notes and contracts payable 87,501

Owed by Subsidiaries

H. H. ROBERTSON COMPANY
Current Liabilities:
Payable to Banks by Subsidiaries $1,899,436

SIMMONS COMPANY
Current Liabilities:
Notes payable to banks by financial subsidiary $18,800,000

Owed to Unconsolidated Subsidiaries

NATIONAL LEAD COMPANY
Current Liabilities:
Payable to unconsolidated subsidiaries $90,009

OTIS ELEVATOR COMPANY
Current Liabilities:
Payable to subsidiaries—not consolidated $519,145

LONG-TERM INDEBTEDNESS

Noncurrent Liabilities

ARMOUR AND COMPANY

Long Term Obligations, Reserves and Common Stock Equity:	
Long term debt (Note 4):	
First Mortgage Twenty-Five Year 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	$37,500,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	9,726,000
3½% Sinking Fund Debentures, due September 1, 1968	21,200,000
Purchase Money Notes, payments due in installments to 1968	7,940,565
	$76,366,565
Subordinated long term debt (Note 5):	
3½% Cumulative Income Debentures (Subordinated), due November 1, 1972	12,338,000
5% Cumulative Income Subordinated Debentures, due November 1, 1984	56,892,260
	$69,230,260

Note 4: Long term debt—Long term debt maturities and sinking fund requirements for the fiscal year 1961 aggregate $8,079,675. Of this amount $2,740,000 has been anticipated and paid in advance; the balance of $5,339,675 has been deducted from long term debt and included in current liabilities at October 29, 1960. The amount payable in 1962 will be $9,080,370, in 1963 $9,081,092, in 1964 $9,056,846, and in 1965 $6,645,840.

Note 5: Subordinated long term debt—Subordinated long term debt sinking fund requirements for the 1961 fiscal year aggregate $3,050,460 of which $2,332,000 is applicable to the 3½% income debentures and $718,460 to the 5% income debentures. This amount has been deducted from subordinated long term debt and included in current liabilities at October 29, 1960. Since the computation of sinking fund requirements is based on formulae relating principally to annual earnings, such requirements for 1962 and subsequent years are not presently determinable.

BASIC PRODUCTS CORPORATION

Long Term Bank Loan	$3,000,000
Senior Term Loans (Note 3):	
4½% note payable	5,650,000
5½% sinking fund notes payable	2,076,000
Total senior term loans	$7,726,000
5½% Subordinated Notes Payable (Note 3)	$3,900,000

Note 3: The 4½% term loan of $5,650,000 due July 1, 1978 is payable quarterly in annual installments of $280,000 each beginning on October 1, 1961 and concluding with a payment of $960,000 on July 1, 1978.

The 5½% sinking fund notes of $2,076,000 due December 1, 1973 are payable semi-annually in annual instalments of $124,000 each from December 1, 1961 to June 1, 1973 and concluding with a payment of $588,000 on December 1, 1973.

The 5½% notes of $3,900,000 due March 1, 1971, are subordinated to the senior term loans, term bank loan, and such other short term debt as may be outstanding, and are payable in annual installments of $100,000 from March 1, 1962 to March 1, 1965 and $200,000 from March 1, 1966 to March 1, 1970, concluding with a payment of $2,500,000 on March 1, 1971. The Company has issued to the purchasers of the 5½% subordinated notes, warrants, entitling them to purchase 100,000 shares of the Company's common stock at a price of $30 per share at any time up to and including March 1, 1969.

The terms of the loan agreements contain provisions restricting the payment of dividends or other distributions to stockholders unless certain requirements as to income reinvested and working capital are met. At July 31, 1960 the amount of income reinvested not restricted under the provisions was $2,623,000.

CONTINENTAL BAKING COMPANY

Noncurrent Liabilities:

Long Term Debt (Note 2)	$13,300,000

Note 2: Long term debt outstanding at December 31, 1960 consisted of the following:

	Due in 1961	Due in later years
Twenty-year 3% Debentures, due July 1, 1965	$136,000	$ 9,425,000
3% note payable, due March 1, 1964	125,000	375,000
4% note payable, due January 24, 1962	—	3,500,000
	$261,000	$13,300,000

THE KENDALL COMPANY

Noncurrent Liabilities:

Funded Debt of The Kendall Company:	
3⅝% Notes due November 1, 1975 (semi-annual prepayments of $175,000 each required to 1975)	$ 7,950,000
5¼% Notes due November 1, 1977 (semi-annual prepayments of $120,000 each required to 1977)	5,760,000
Mortgage payable due August 1, 1963	329,000
	$14,039,000

TIME INCORPORATED

Noncurrent Liabilities:

Long-term Indebtedness	
Notes payable to bank—unsecured—Note H	$17,000,000
Subsidiary—East Texas Pulp and Paper Company—Note I	
Note payable to bank—unsecured	14,000,000
First mortgage bonds	13,500,000
Other notes payable	441,000
	$44,941,000

Note H: The indebtedness ($17,000,000) of the Company is payable in annual installments of $2,000,000 on January 1 of the years 1962-1966 and $7,000,000 on January 1, 1967. The terms of the loan agreement place certain restrictions on dividends (other than stock dividends), on other distributions among the Company's stockholders, and on the purchase of the Company's outstanding stock. Approximately $67,000,000 of the Company's earned surplus at December 31, 1960, was free of such restrictions. The agreement also requires the maintenance of certain amounts of consolidated net current assets (as defined). At December 31, 1960, the amount of such consolidated net current assets was substantially in excess of the amount so required.

Note I: The note payable to a bank ($16,500,000, of which $14,000,000 is classified as long-term indebtedness) by East Texas Pulp and Paper Company is payable in annual installments of $2,500,000 on December 31 of the years 1961-1964, and $6,500,000 on December 31, 1965. The first mortgage bonds require semi-annual sinking fund payments of $500,000 from January 7, 1963 to July 7, 1969, inclusive, for that portion ($10,000,000) of the bonds due January 7, 1970. There is no sinking fund requirement for the remaining $3,500,000 of the bonds which are due January 7, 1971.

In connection with its long-term indebtedness, East Texas has agreed (1) to observe certain restrictions with respect to maintenance of working capital, prepayment of debt, incurring additional debt, etc., and (2) not to pay any dividends (other than stock dividends) or make any payments of principal or interest on its subordinated notes, all of which are held by Time Incorporated. Approximately 23% of the consolidated net current assets were those of East Texas.

Payment of this indebtedness is not guaranteed by Time Incorporated but the Company has pledged with the bank the stock and subordinated notes of Jasper Timber Company (a subsidiary organized in 1960 to hold approximately 40% of the timber properties formerly owned by East Texas) and, in effect, may not dispose of any portion of its investment in East Texas or Jasper without the consent of the lending institutions.

DAYCO CORPORATION

Noncurrent Liabilities:

Long term debt:	
Notes payable, due quarterly from December 1, 1960 to 1962, inclusive, less current portion	$ 150,000
Notes payable (secured), due quarterly from December 1, 1960 to 1967, inclusive, less current portion	236,150
Note payable (secured), due monthly from December 1, 1960 to 1975, inclusive, less current portion	173,052
Notes payable, due annually from December 1, 1960 to 1973, inclusive, less current portion	14,200,000
4% convertible subordinated debentures—due December 1, 1970	59,000
5¼% convertible subordinated debentures—due January 1, 1972, sinking fund requirements beginning in 1968	3,201,000
5½% convertible subordinated debentures—due August 1, 1980, sinking fund requirements beginning in 1970	7,500,000
Account payable, due annually June 15, 1961 to 1963, inclusive, less current portion	4,200
	$25,523,402

BOTH SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

BOEING AIRPLANE COMPANY

Current Liabilities:	
Notes payable to banks	$15,300,000
Long-term Debt:	
5% Sinking Fund Debentures	$40,000,000
4½% Convertible Subordinated Debentures	30,545,000
	$70,545,000

BOOTH FISHERIES CORPORATION

Current Liabilities:

Bank loans	$ 500,000
Current maturities of long-term debt	149,786
Long-Term Debt, noncurrent portion—consists of notes payable to two insurance companies due over a period extending to 1978. Annual principal and interest requirements are approximately \$350,000 in the years 1962-1965, \$425,000 from 1966-1975, \$300,000 in 1976, and \$80,000 in 1977 and 1978. Interest rates are 4¼%, 5% and (for the \$750,000 note issued in December, 1959) 5¾%	$4,150,973

CONTAINER CORPORATION OF AMERICA

Current Liabilities:	
Short-term loans and current portion of long-term debt	$ 6,042,147
Long-term Debt:	
3.30% sinking fund debentures, due July 1, 1980, less current portion	$33,600,000
Other	9,979,372
	$43,579,372

LEAR, INC.

Current Liabilities:	
Notes payable to banks (Note B)	$18,600,000
Trade accounts payable, including provision for estimated contract adjustments	11,889,229
Customers' deposits	376,816
Salaries, wages, and other compensation	1,988,306
Taxes and other amounts withheld from employees	693,489
Taxes, insurance, and other expenses	1,113,999
Federal taxes on income	2,403,517
Principal payments on long-term debt due within one year	216,800
Total Current Liabilities	$37,282,156
Long-term Debt (Note C):	
4¼% convertible subordinated debentures, redeemable June 1, 1961; presently convertible into common stock at \$12.50 a share	$ 140,000
Mortgage Notes payable, 5½% and 5¾%—due 1964 and 1979	1,556,036
	$ 1,696,036
Less principal payments due within one year	216,800
Total Long-Term Debt	$ 1,479,236

Note C: Long-term debt—The 4¼% convertible subordinated debentures, unless converted to common stock before June 1, 1961, will be fully redeemed at 102.5% through operation of the sinking fund on that date. The related indenture provides that the Company will not declare or pay dividends (other than stock dividends) on its capital stock if the aggregate of such dividends paid or declared subsequent to September 30, 1955, would exceed the consolidated net earnings (or net deficit) of the Company and its subsidiaries subsequent to September 30, 1955, plus the amount of \$350,000; or if the consolidated net current assets of the Company and its subsidiaries after such action would be less than \$4,500,000. At December 31, 1960, \$7,179,231 of the earnings retained in the business were free from the foregoing dividend restriction.

The 5¾% mortgage note payable is due in monthly installments, including interest, of \$12,460 until December 1964, and of \$9,430 thereafter until December 1979. The related agreement provides, among other covenants, that the Company will maintain (1) net current assets of at least 175% of long-term debt and (2) net worth of at least \$9,000,000. Land and buildings having a net carrying amount of \$3,318,000 at December 31, 1960, are mortgaged under the agreement. The 5½% mortgage note payable is due in semiannual payments of \$4,000, plus interest. Land and building have a net carrying amount of \$232,000 at December 31, 1960, are mortgaged under the agreement.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

Current Liabilities:	
Notes payable to banks—unsecured (Note 2)	$ 8,000,000
Current installments of mortgage payable	52,024
Accounts payable and accrued liabilities	7,629,740
Provision for Federal and other taxes on income (Note 3)	3,653,804
Total current liabilities	$19,335,568
Long-term Debt:	
Secured revolving credit (Note 2)	$ 2,900,000
4¾% mortgage payable, less current installments	537,146
	$ 3,437,146

Note 2: Bank Loans—A short-term unsecured credit agreement (as amended) which terminates June 30, 1961, permits borrowings to a maximum amount of \$13,500,000 (such maximum amount subject to periodic reductions during the remaining term of the agreement). The rate of interest, which is based on the prime rate, was 5¼% at year end. The company is also obligated to pay a commitment fee of ½ of 1% per annum on the average daily unused but available portion of the credit.

A secured revolving credit agreement dated May 29, 1958 (as amended), permits borrowings by a subsidiary up to a maximum of \$3,500,000. The borrowings are secured by the capital stock of the subsidiary and the assignment of the proceeds from equipment rental leases. The interest rate, which is based on the prime rate, was 5½% at the year end. A commitment fee of ½ of 1% per annum on the average daily unused but available portion of the credit is also payable. The banks have the right to terminate this agreement at any time by giving written notice. After receipt of such notice, the borrowings must be repaid in twelve equal monthly installments commencing seven months from the notice date. As of March 6, 1961, no termination notification has been received, nor is any expected, and therefore borrowings under the secured revolving credit agreement have been classified as long term. Should the banks decide to terminate this agreement immediately after March 6, 1961, the maximum amount of the loan outstanding at December 31, 1960 that would be payable by the end of 1961 would be \$725,000.

Among the restrictive covenants contained in the short-term unsecured credit agreement (which is the more restrictive of the agreements) is a requirement to maintain consolidated working capital of \$11,000,000 and a restriction as to the payment of cash dividends and purchases of stock (other than purchases from the proceeds of sales of stock) to 50% of consolidated net earnings from January 1, 1960. Unrestricted consolidated retained earnings at December 31, 1960 amounted to \$1,266,652.

SPERRY RAND CORPORATION

Current Liabilities:	
Accounts payable and accrued items	$137,871,109
Federal and foreign income taxes—estimated	32,800,000
Notes payable to banks	84,000,000
Bank and other loans payable in foreign currencies	15,508,661
Payments due within one year on long-term debt	2,358,235
Total Current Liabilities	$272,538,005
Long-Term Debt—Note A:	
5½% Sinking fund debentures, due September 1, 1982	$110,000,000
3⅝% Sinking fund debentures, due February 1, 1972	53,000,000
3⅛% Sinking fund debentures, due June 1, 1969	13,085,000
3⅞% Promissory notes	20,000,000
4½% Promissory notes (3¼% in 1959)	15,000,000
Mortgages and other long-term debt	3,693,750
	$214,778,750

Note A: Indentures under which the Sinking Fund Debentures were issued provide for annual sinking fund payments as follows: 5½% Debentures—\$4,500,000 commencing in 1963; 3⅝% Debentures—\$2,000,000; 3⅛% Debentures—\$900,000 through 1961 and \$1,000,000 thereafter. The 3⅞% notes are payable in quarterly installments of \$1,250,000 beginning February 1, 1971. The 4½%

notes are payable in semi-annual installments of $2,500,000 beginning June 30, 1962.

At March 31, 1960, the Company held $1,915,000 principal amount of its 3⅛% Debentures, which has been reflected on the balance sheet as a reduction of current liabilities and long-term debt in the amount of $900,000 and $1,015,000, respectively.

The indentures and loan agreements contain certain restrictive provisions including a limitation upon the declaration of dividends and the purchase, redemption or retirement of outstanding capital stock. Earned surplus in the amount of $57,799,245 was free of such restrictions at March 31, 1960.

INDEBTEDNESS SECURED BY COLLATERAL

Short-Term Borrowing

AMERICA CORPORATION

Current Liabilities:

Notes payable—banks:	
Secured ($3,132,011 of receivables pledged in 1960)	$1,059,519
Unsecured	500,000

BRUNSWICK CORPORATION

Current Liabilities:

Notes payable to C.I.T. Corporation (Note 2)	$137,756,000

Note 2: Financing Agreement with C.I.T. Corporation—In 1957, The Brunswick Automatic Pinsetter Corporation (a wholly-owned consolidated subsidiary) entered into a five-year financing agreement with C.I.T. Corporation under which loans are secured by instalment notes receivable. The agreement allows Pinsetter to borrow up to $140,000,000. All payments received on the instalment notes assigned as collateral are to be applied to the reduction of the principal and interest owing on the notes payable.

HARNISCHFEGER CORPORATION

Current Liabilities:

Notes payable to banks—	
Secured by real estate mortgage notes receivable aggregating $1,188,610 and $472,124, respectively	$1,051,385
Unsecured	9,126,484

TRANS-UNITED INDUSTRIES, INC.

Current Liabilities:

Long-term debt, current installments	$ 67,032
Factors' loans (with collateral) (Note B)	3,868,856

Note B: Assets Pledged as Collateral to Current Indebtedness—Assets assigned as collateral to Factors' loans of $3,868,856 consisted of the following:

Trade accounts receivable	$2,673,372
Notes receivable	90,621
Inventories	3,357,921
Machinery and equipment	1,417,743
	$7,539,657

Long-Term Indebtedness

THE CURTIS PUBLISHING COMPANY

Noncurrent Liabilities:

Long Term Debt:	
Thirty Year 6% Subordinated Income Debentures Due 1986 (less $65,000 Par Value in Treasury)	$10,540,960
First Mortgage 3¼% Bonds of Subsidiary Maturing October 1, 1965	5,625,000
	$16,165,960

Notes to Financial Statements

Note 4: First Mortgage Bonds—To secure payment of the notes and bonds payable under an indenture dated October 1, 1950, New York & Pennsylvania Co., Inc. mortgaged its property, plant and equipment and assigned the shares of stock representing its investments in its domestic subsidiary companies.

NATIONAL STEEL CORPORATION

Noncurrent Liabilities:

Long-term Debt	
First Mortgage Bonds—Note D	$187,607,000
Other long-term debt—Note D	1,906,555
Total Long-term Debt	$189,513,555

Note D: Long-Term Debt—First mortgage bonds outstanding were comprised of the following issues:

	1960
3⅛% series, due May 1, 1982 (less principal amount of bonds held in the treasury—1960, $788,000; 1959, $683,000)	$ 53,462,000
3⅞% series, due November 1, 1986 (less principal amount of bonds held in the treasury—1960, $855,000; 1959, $ —0—)	54,145,000
4⅝% series, due June 1, 1989	80,000,000
	$187,607,000

Capital stock and demand mortgage bonds and notes of certain consolidated subsidiaries and capital stock of an associated company were pledged as collateral in addition to the general first lien on the principal plants and properties given as security of First Mortgage Bonds.

THE RYAN AERONAUTICAL CO.

Noncurrent Liabilities:

Long-term debt due after one year (Note 2):	
5½% secured installment notes payable	$1,029,539
5½% unsecured installment notes payable	4,400,000
Total long-term debt	$5,429,539

Note 2: Notes Payable—Long-term debt—The 5½% secured installment notes payable (original amount—$1,450,000) are due $188,964 annually (which amount includes interest) to May 1, 1968. The notes are secured by land and buildings at Torrance, California, having an aggregate net book value of $1,752,311. . . .

STUDEBAKER-PACKARD CORPORATION

Other Liabilities:

Deferred installments of incentive compensation awards	$ 705,000
Long-term debt—Note C:	
5% secured notes payable	16,500,000
Other, less current maturities	9,315,302
	$26,520,302

Note C: Long-term Debt—The 5% secured notes are payable in annual installments of $1,650,000 beginning in 1964. Substantially all of the properties of the Corporation at South Bend, Indiana, with a net carrying amount of approximately $20,000,000 at December 31, 1960, have been pledged as collateral. Additional collateral consists of the capital stock of two wholly-owned consolidated subsidiaries, Studebaker-Packard of Canada, Limited and Mercedes-Benz Sales, Inc., which had combined net assets of $13,062,520 at December 31, 1960. The Corporation agrees, among other things, to maintain consolidated net current assets of at least $25,000,000.

Other long-term debt (noninterest-bearing), which was incurred in connection with business acquisitions, is payable in annual installments dependent upon earnings of the acquired divisions, is subject to possible reductions dependent upon such earnings, and is secured, in part, by a mortgage on certain real and personal property acquired.

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 notwithstanding the fact that such amounts may be largely offset by costs still to be incurred in connection therewith.

Accounting Research Bulletin No. 51, Consolidated Financial Statements, issued in August, 1959 by the committee on accounting procedure of the American Institute of Certified Public Accountants discussing the Elimination of Intercompany Investments states:

> Where the cost to the parent (of the investment in a purchased subsidiary) is less than its equity in the net assets of the purchased subsidiary, as shown by the books of the subsidiary at the date of acquisition, the amount at which such net assets are carried in the consolidated statements should not exceed the parent's cost. Accordingly, to the extent that the difference . . . is considered to be attributable to specific assets, it should be allocated to them, with corresponding adjustments of the depreciation or amortization. In unusual circumstances there may be a remaining difference which it would be acceptable to show in a credit account, which ordinarily would be taken into income in future periods on a reasonable and systematic basis. A procedure sometimes followed in the past was to credit capital surplus with the amount of the excess; such a procedure is not now considered acceptable.

Table 30 indicates that for the year under review a total of 119 items were disclosed by 103 of the survey companies as compared with 110 items disclosed by 92 companies for the year 1959. Such items or accounts have been variously treated—for example, 85 items were presented in the balance sheet above the stockholders' equity section, 15 items were included in the current liability section, while 19 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:

TABLE 30: DEFERRED INCOME

Balance Sheet Presentation	1960	1959	1955
With Related Current Asset:			
Unearned finance charge (*Co. Nos. 213, 263, 363, 504, 537, 587)	11	10	8
Unearned interest (*Co. Nos. 114, 190, 280, 355)	4	4	1
Advances or payments on uncompleted contracts (*Co. Nos. 16, 157, 200, 273)	4	4	—
In Current Liability Section:			
Billings on uncompleted contracts (*Co. Nos. 64, 347, 408)	3	3	1
Metal treatment charge (*Co. No. 37)	1	1	2
Rent on leased equipment, films, or meters (*Co. No. 550)	1	2	1
Customer service prepayment (*Co. Nos. 5, 119, 194, 394, 502)	5	5	7
"Deferred credit" (*Co. No. 192, 306)	2	1	1
"Deferred income" (*Co. Nos. 138, 194)	2	2	1
Unearned deposits or royalties (*Co. No. 249)	1	1	—
Above Stockholders' Equity Section:			
Billings on uncompleted contracts (*Co. No. 397)	1	—	3
Customer service prepayment (*Co. No. 291)	1	—	—
Discount on reacquired securities	—	—	1
Government contract income (*Co. No. 348)	1	1	1
Magazine subscription income (*Co. Nos. 183, 354, 366, 374, 545)	5	5	5
Premium on debentures issued (*Co. No. 250)	1	1	1
Profit on foreign sales	—	1	—
Profit on sales or installment contracts (*Co. Nos. 193, 279, 340, 400, 473)	6	7	6
Profit on fixed assets sold (*Co. Nos. 146, 158, 168, 531, 553, 561)	6	6	4
Rentals on leased equipment, films, or meters, or rent (*Co. Nos. 195, 221, 276, 349, 442, 479)	6	9	7
Deferred or unearned deposits or royalties (*Co. Nos. 195, 225, 497)	3	5	3
Unearned finance charges (*Co. Nos. 86, 592)	2	2	3
Unearned interest (*Co. Nos. 561, 592)	2	2	3
Unfinished voyage revenue (*Co. No. 559)	1	1	1
Various other (*Co. Nos. 237, 483)	9	12	3
"Deferred credits" (*Co. Nos. 18, 61, 121, 171, 419, 500)	21	18	20
"Deferred income" (*Co. Nos. 21, 189, 501, 545, 574, 585)	10	7	12
Equity in net assets of subsidiary over cost (*Co. Nos. 118, 221, 277, 291)	10	—	—
Total	119	110	95
Number of Companies presenting Deferred Income Items in:			
Current asset section	18	16	8
Current asset section and *above* stockholders' equity section	2	1	1
Current liability section	13	14	12
Above stockholders' equity section	70	61	63
	103	92	84
Not presenting deferred income items	497	508	516
Total	600	600	600

*Refer to Company Appendix Section.

With Related Current Asset

DEERE & COMPANY

Current Assets:

Receivables:	
Accounts	$194,893,188
Notes, less unearned interest of $5,194,863	36,094,724
Total	230,987,912
Less reserves for returns and allowances and doubtful receivables	11,500,000
Receivables—net	$219,487,912

DRESSER INDUSTRIES, INC.

Current Assets:

Inventories—at lower of cost (principally average cost) or replacement market	
Finished products and parts	$31,908,305
In-process products and parts	16,575,211
Raw materials and supplies	13,426,749
	61,910,265
Less applicable advances from customers on contracts	1,263,443
	$60,646,822

THE MAY DEPARTMENT STORES COMPANY

Current Assets:

Accounts and notes receivable (Note C)	$133,747,767

Note C: Accounts and Notes Receivable—Accounts and notes receivable at January 31, 1960 are as follows:

Due from customers:	
Regular retail accounts	$ 56,290,588
Instalment accounts (less $15,553,256 sold without recourse)	76,894,779
Other accounts and notes receivable	8,465,154
	$141,650,521
Less allowance for doubtful accounts and deferred carrying charges	7,902,754
	$133,747,767

SYMINGTON WAYNE CORPORATION

Current Assets:

Accounts receivable—Note 2	$11,359,340

Note 2: Accounts receivable may be summarized as follows:

Trade	$10,748,240
Instalment trade	640,449
Other	152,508
Deduct provisions for	
Uncollectible accounts	(120,620)
Unearned finance charges	(61,237)
	$11,359,340

In Current Liability Section

AMERICAN METAL CLIMAX, INC.

Current Liabilities:

Unearned treatment charges, etc., on metals in process including metals being treated on a toll basis for others	$6,899,286

INTERCHEMICAL CORPORATION

Noncurrent Assets:

Goodwill (Notes 2 and 3)	$ 400,378
Current Liabilities:	
Accounts payable	$ 4,629,420
Payrolls and commissions	1,904,465
Other current liabilities	2,430,385
Federal taxes on income	3,116,525
3⅛% promissory notes—prepayment due July 1	210,000
Total current liabilities	$12,290,795

Note 2: Goodwill acquired in 1956 and in 1960 is included in the consolidated balance sheet at acquisition costs, $250,028 and $150,349, respectively, while goodwill acquired prior to 1956 is carried at the nominal amount of $1.00. (See also Note 3.)

Note 3: On September 12, 1960 Interchemical Corporation acquired substantially all of the combined business and assets of Vansul Corporation and Vansul Colors in exchange for 7,000 of its common shares and as of November 1, 1960 acquired substantially all of the business and assets of The Landers Corporation in exchange for 63,422 of its common shares. In the case of the Vansul Companies, $150,349 was attributed to goodwill. In the Landers acquisition the net book value of the assets acquired exceeded the value of the common shares issued therefor by $274,385, which amount is included in other current liabilities to provide for certain anticipated losses and expenses to be incurred in coordinating the Landers operations with those of Interchemical.

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

Current Assets:

Accounts receivable—	
Contracts and orders	$10,143,304
Other	143,593
Excess of expenditures on shipbuilding contracts and estimated profits recorded thereon over billings applicable thereto (Note 1)	19,952,352
Expenditures on other work, less billings (Note 1)	3,715,775

Current Liabilities:

Excess of billings on shipbuilding contracts over expenditures and estimated profits recorded thereon (Note 1)	$ 871,141

Note 1: The Company records profits on its long-term shipbuilding contracts through estimates on the percentage-of-completion basis, and on its other long-term contracts as billings are made thereon. The profits so estimated and recorded are subject to the provision of 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 performance of such contracts may extend over periods as long as several years, and revisions in the contract estimates and allowance requirements during performance and upon final contract settlements have the effect of including in subsequent accounting periods adjustments necessary to reflect the results indicated by the revised estimates and allowances. 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, and aggregated $4,000,000 at December 31, 1960 and $5,825,000 at December 31, 1959, of which $3,325,000 was applied as a direct contract adjustment in 1960.

A substantial part of the Company's business is with departments and agencies of the United States and the contracts therefor may be subject to profit limitations, renegotiation, and to termination at the convenience of the Government.

SMITH-CORONA MARCHANT, INC.

Current Liabilities:

Customers' prepayments for uncompleted maintenance agreements and coupon books	$3,542,368

Above Stockholders' Equity Section

DURA CORPORATION

Deferred Credit—Unamortized excess of equity in net assets (at book value) of subsidiaries at date of acquisition over cost of the investment—Note 3	$243,488

Note 3: In accordance with a recent change in accepted accounting practice, the excess of equity in the net assets (at book value) of subsidiaries at date of acquisition over cost of the investment, previously carried as a separate item as part of the stockholders' investment, has been reclassified to a deferred credit account and is now being taken into earnings ratably over the estimated lives of the depreciable properties acquired in the purchases (subject to a limitation of 20 years). Amortization of such excess in the amount of $130,387 (including $67,778 relative to the final liquidation in 1960 of properties of a former subsidiary) has been credited to other income in 1960. The figures for 1959 have been restated to reflect this change, with a resultant increase of $66,526 in the net earnings as previously reported for 1959, and a credit to retained earnings in the amount of $306,924 applicable to the period from the earliest acquisition in 1953 to July 31, 1958.

WALT DISNEY PRODUCTIONS

Unearned Deposits and Rentals	$2,086,743

EX-CELL-O CORPORATION

Deferred Credits:

Rental income—leased machines	$2,095,298
Unamortized excess of equity (at book value) in subsidiaries at date of acquisition over cost of the investment—Note 2	1,905,000
Total deferred credits	$4,000,298

Note 2: The excess of equity (at book value) in subsidiaries at date of acquisition over cost of the investment is being taken into earnings rateably over the estimated lives (subject to a limitation of twenty years) of depreciable properties acquired in the purchases; such properties continue to be depreciated by the subsidiaries on the basis of book value.

FREEPORT SULPHUR COMPANY

Deferred credit arising from forward sale of proceeds from future sulphur production which will be reflected in income as production is marketed (Note 6)	$50,000,000

Note 6: In December 1960, the Company made a forward sale of a portion of the proceeds from future sulphur production in the amount of $50,000,000. Under this arrangement, the purchaser is entitled to a portion of the proceeds from the sale of future production at certain of the Company's principal sulphur properties. It is estimated that in the course of normal operations this amount, which bears interest at 5¼ per cent per annum, will be liquidated in approximately two years. The sale and related costs and expenses will be reported as the sulphur is marketed.

HAMILTON WATCH COMPANY

Excess over cost at acquisition date of net assets of subsidiary (Note 3(a)) $773,435

Note 3: Acquisition of Wallace Silversmiths, Inc., and Minority Interests Therein—(a) On November 3, 1959, Hamilton Watch Company purchased for cash all except 43 shares of the 305,106 shares of outstanding common stock of Wallace Silversmiths, Inc. The excess over cost at acquisition date of the consolidated net assets of Wallace has been segregated in the accompanying balance sheet for the purpose of eliminating disparate future charges to expense which otherwise would arise by reason of past differences in accounting between Hamilton and Wallace, chiefly relating to the accounting for pensions. The consolidated operations of Wallace for the three months ended January 31, 1960 are included in the accompanying consolidated statement of income.

LESLIE SALT CO.

Deferred Profit—Installment sale of land (Note 1) $3,085,583

Note 1: In August 1960 the Company entered into an agreement for sale of 861 acres of land in San Mateo County for $4,068,225, with provisions for price increases on acreage paid for after August 19, 1963. A cash payment of $813,645 was received in 1960; the balance of the purchase price is represented by non-interest bearing notes receivable, secured by a deed of trust on 689 acres, payable on or before August 19, 1967. The gain of $771,396 less applicable Federal and State income taxes of $214,062 realized on 172 acres paid for in 1960 has been reflected as a special credit in the accompanying statement of consolidated income and retained income; the gain applicable to the remaining 689 acres, $3,085,583 before income taxes (estimated to be $857,000), has been deferred and will be reflected as special credits when additional payments are received and acreage is released from the deed of trust. The notes receivable have been deposited as additional security with the Trustee under the bond indenture . . .

LOCKHEED AIRCRAFT CORPORATION

Deferred Income—Note 4 .... $3,164,000

Note 4: The amounts shown in the accompanying balance sheets as deferred income arise from the inclusion of administrative and general expenses in the basis on which progress payments are received from the U.S. government (on other than cost reimbursement type contracts), whereas such expenses are charged off by the Company as they are incurred. These amounts of deferred income are taken into income in ensuing periods as deliveries are made under the contracts.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Deferred Income, net (Note 5) $12,618,000

Note 5: Deferred Income, Net—The Company sells bulk whiskey to certain wholesale distributors holding contracts for bottling at maturity. Prior to 1960, the profit on such sales was recorded as income at the time of sale. Effective as of January 1, 1960, a policy was adopted whereby such profit, net of Federal taxes on income, is deferred until the whiskey is bottled and shipped. This change in accounting policy, which had no material effect on net income for the year ended December 31, 1960, is reflected retroactively by a charge to earned surplus as of January 1, 1960. For comparative purposes only, the accompanying statement of income for the year ended December 31, 1959 has been restated.

NATIONAL PRESTO INDUSTRIES, INC.

Deferred Income—Unrealized gross profit on installment sales $1,143,411.51

TIME INCORPORATED

Deferred Income:

Unearned portion of paid subscriptions ..	$47,115,000
Other—Note J	4,244,000
	$51,359,000

Note J: In April 1960, East Texas Pulp and Paper Company sold approximately 35,000 acres of timberland and timber for $4,795,000 in cash and an interest-bearing note. A ratable portion of the $3,825,000 capital gain on the sale was taken into income on the basis of payments received in 1960. The balance of the capital gain will be taken into income ratably, subject to income taxes, upon receipt of installment payments which are due annually to 1964.

UNION OIL OF CALIFORNIA

Deferred Earnings $5,205,190

Notes to Financial Statements

Deferred Earnings: Includes deferred earnings from installment sales of properties amounting to $1,631,272 and $1,848,514 in 1960 and 1959, respectively. In addition, a portion of the company's interest in future natural gas production from certain properties was sold in 1960. The proceeds, less applicable income taxes, amounting to $3,573,918 have also been included in deferred earnings. This amount will be reported as income over a period of approximately two years.

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 1960 survey reports. Only 115 of the 515 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 1960 annual reports of various companies. For additional examples relating to minority interests refer to those shown under "Consolidation of Subsidiaries" elsewhere in this section.

Above Stockholders' Equity Section

ALLEGHENY LUDLUM STEEL CORPORATION

Consolidated Balance Sheet

Minority Interest $192,472

Statement of Consolidated Earnings and Earned Surplus

Costs:

Minority shareowners' share of earnings of subsidiary .... $ 6,449

ANACONDA COMPANY

Consolidated Balance Sheet

Minority interest in capital stock and surplus of consolidated subsidiaries $2,132,031

Statement of Consolidated Income

Minority share of income .... $ 122,551

ANDERSON, CLAYTON & CO.

Consolidated Balance Sheet

Capital Stock and Surplus of Subsidiaries Applicable to Minority Interests $5,637,562

Statement of Consolidated Income

Income applicable to minority interests .... $ 517,837

TABLE 31: MINORITY INTERESTS

Balance Sheet Presentation	1960	1959	1955
Above Stockholders' Equity section, and shown as:			
Minority stockholders' interest (*Co. Nos. 21, 72, 142, 184, 274, 329, 421, 517)	94	87	60
Minority stockholders' interest in capital stock and surplus (*Co. Nos. 54, 57, 85, 361, 420, 453)	6	7	11
Minority stockholders' interest in capital stock (*Co. Nos. 25, 144, 204, 256, 461, 473, 480)	7	8	5
Within Stockholders' Equity section, and shown as:			
Minority stockholders' interest (*Co. Nos. 177, 278, 500)	3	4	3
Total	110	106	79
Income Statement Presentation			
In separate last section:			
After current tax estimate (*Co. Nos. 41, 71, 118, 172, 277, 394, 449, 576)	30	32	30
Before current tax estimate (*Co. Nos. 34, 471)	2	3	2
With current tax estimate	—	—	1
Current tax estimate not required (*Co. No. 21)	1	—	—
Listed among operating items (*Co. Nos. 156, 197, 256, 282, 539, 553)	34	37	20
Within Earned Surplus section of Combined Income and Earned Surplus statements	—	—	2
Total	67	72	55
Consolidated Financial Statements with Minority Interest set forth in:			
Balance sheet only	44	37	26
Balance sheet and income statement	66	71	52
Income statement only	3	2	4
Accompanying footnotes only	2	2	1
	115	112	83
Not referred to in report	401	399	376
	516	511	459
Unconsolidated Financial Statements with:			
Subsidiary companies	20	19	42
No subsidiary companies	64	70	99
Total	600	600	600

*Refer to Company Appendix Section.

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet
Preferred Stock of subsidiary held by public . . $420,000

BEAUNIT MILLS, INC.
Consolidated Balance Sheet
Minority interest in subsidiary companies:
Preferred stock at $100 par (redeemable at $110 per share) . . . $215,300
Common stock and surplus . . . 35,213
$250,513

MINNESOTA MINING AND MANUFACTURING COMPANY
Consolidated Balance Sheet
Minority Interest in Foreign Subsidiaries . . $3,523,658
Consolidated Statement of Income and Net Income Retained for Use in the Business
Other expense, including minority interest in income of foreign subsidiaries . . . $1,940,555

MONSANTO CHEMICAL COMPANY
Statement of Consolidated Financial Position
In Thousands
Minority Interests in Subsidiary Companies . . $23,114
Statement of Consolidated Income
Deductions:
Minority interests . . . $ 1,569

Within Stockholders' Equity Section

CROWN ZELLERBACH CORPORATION
Balance Sheet
Stockholders' Equity:
Minority interest in Canadian Subsidiaries $4,885,000

SINCLAIR OIL CORPORATION
Consolidated Balance Sheet
Stockholders' Equity:
Minority Stockholders of Sinclair Venezuelan Oil Company . . . $3,230,500

APPROPRIATIONS AND RESERVES

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 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).

With regard to reserves in general covered in the following pages, the survey showed that in 56 per cent of the reserves a change was apparent, but the charge or credit offsetting the reserve was not disclosed; 23 per cent of the reserves disclosed that the offsetting entry was made to income; 12 per cent of the reserves did not reveal any dollar change. The remainder of the entries were distributed over various accounts.

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 1960 annual reports.

TABLE 32: CONTINGENCY RESERVES

Balance Sheet Presentation*	1960	1959	1955	1950
Among: *Current Liabilities*	—	—	1	2
A: Above: *Stockholders' Equity*	35	39	42	107
B: Within: *Stockholders' Equity*	13	16	29	46
Total	48	55	72	155
Terminology Used				
Reserve	37	43	55	125
Provision	2	2	1	3
Various other terms	9	10	16	27
Total	48	55	72	155
Number of Companies with:				
Contingency reserves	48	55	72	155
No contingency reserves	552	545	528	445
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 33, 70, 185, 203, 291, 298, 310, 349, 420, 591; B: Co. Nos. 173, 194, 234, 282, 285, 399, 424, 511, 564, 580.

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 has decreased each year since that time and in 1960 only 48 companies or 8 per cent reported reserves for contingencies.

As disclosed in Table 32, such reserves were usually shown either above the stockholders' equity section (35 reserves in 1960), or within the stockholders' equity section of the balance sheet (13 reserves in 1960). Extensive references are given at the foot of Table 32 illustrating the above presentations.

In the majority of the reports presenting contingency reserves, there was no change in the reserve balance, or the account was presented in a combined caption with other reserves, and accordingly changes in the contingency reserve could not be determined. In those instances where there were changes in the reserves during 1960, the annual reports, in most cases, did not disclose the accounts to which the related entries were made. However, two companies disclosed that the charges or credits offsetting the reserve entries were made to income accounts (*Co. Nos. 183, 252), and one company (*Co. No. 549) to an asset account. Examples of operation and elimination of contingency reserves as presented in the 1960 annual reports are provided below.

Reserves Maintained

DICTAPHONE CORPORATION
Within Stockholders' Equity:
Reserve for contingencies $328,000

THE GENERAL TIRE & RUBBER COMPANY
Above Stockholders' Equity:
Reserves:
Contingencies (surplus reserve) $1,000,000

HOWE SOUND COMPANY
Above Stockholders' Equity:
Reserves for insurance, contingencies, etc. .. $607,640

*Refer to Company Appendix Section.

WESTINGHOUSE ELECTRIC CORPORATION
Above Stockholders' Equity:

Allowance for Contingencies	$14,723,278

Reserves Eliminated

McGRAW-HILL PUBLISHING COMPANY, INC.

Net Income	$ 8,995,690
Add:	
Federal income tax reserves no longer required	
Reserves for contingencies and valuation no longer required (Note 1)	907,424
Adjustments of income retained in the business — appropriated, to reflect changes in unexpired subscriptions and in related Federal income taxes	175,003
	$10,078,117
Deduct:	
Dividends paid	4,916,186

Note 1: On January 25, 1961 the Board of Directors authorized the return of the following reserves considered no longer required to "Income Retained in the Business—Unappropriated."

Reserve for investment in associated company	$150,766
Reserve for revaluation of real estate	256,658
Reserve for contingencies	500,000
	$907,424

The above transfers were effected as of December 31, 1960 and are reflected in the consolidated financial statements.

STANDARD OIL COMPANY (KENTUCKY)

	1960	1959
Capital Stock and Surplus:		
Reserve for contingencies including fire, flood, and storm	$—0—	$800,000

EMPLOYEE BENEFIT RESERVES

There were 115 employee benefit reserves shown by 102 of the 600 survey companies in their 1960 annual reports. Table 33 discloses in comparative form the various types of employee benefit reserves found in the survey reports for the years 1950, 1955, 1959, and 1960. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (98 reserves in 1960); twelve reserves were classified as current liabilities, and five reserves were presented within the stockholders' equity section in the reports for 1960.

Detailed information regarding increases or decreases in these reserves was occasionally given in the notes to financial statements or in the president's letter (*Co. Nos. 121, 178, 208, 316, 425) and in some reports the related charges were found in the income statement (*Co. Nos. 29, 196, 199, 372, 445, 495). An extensive list of references to those survey companies which indicated reserves for employee benefits in their 1960 reports is provided at the foot of Table 33. Related information and examples of income statement presentations are 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:

TABLE 33: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation*	1960	1959	1955	1950
A: Among: *Current Liabilities* for—				
Incentive compensation plan	2	1	2	1
Profit sharing, welfare or benefit plans	3	3	2	3
Pension plan not funded	1	1	2	1
Pension plan—past and current service costs	6	3	1	—
B: Above: *Stockholders' Equity* for—				
Deferred or contingent compensation plan	22	25	13	6
Incentive compensation plan	9	9	8	2
Bonus plan	6	8	7	6
Profit sharing plan	2	2	2	1
Retired employee benefits	10	8	2	3
Welfare or benefit plans	4	6	8	11
Employment contract	1	1	1	1
Severance pay	3	4	—	—
Supplemental unemployment benefits	2	2	—	—
Pension or Retirement Plans:				
Pension plan costs	33	33	33	34
Past service costs	1	2	5	14
Past and current service costs	2	2	3	5
Future service costs	1	1	—	1
Former plan liability	1	1	—	1
Annuity costs	1	1	6	5
C: Within: *Stockholders' Equity* for—				
Employment contract	1	1	1	2
Pension plan costs	2	—	—	—
Deferred compensation	2	1	—	—
Total	115	115	96	97
Terminology Used				
Reserve	65	67	56	75
Provision	13	16	14	13
Various other terms	37	32	26	9
Total	115	115	96	97
Number of Companies with:				
Employee benefit reserves	102	101	84	82
No employee benefit reserves	498	499	516	518
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 90, 362, 445, 507; B: Co. Nos. 13, 36, 65, 190, 198, 269, 287, 297, 432, 444; C: Co. Nos. 173, 284, 373, 597.

Deferred or Contingent Compensation Plans

FEDERATED DEPARTMENT STORES, INC.
Above Stockholders' Equity:

Provision for contingent compensation	$6,752,515

JONES & LAUGHLIN STEEL CORPORATION
Above Stockholders' Equity:

Accrued pensions, accident compensation and deferred compensation	$5,456,000

*Refer to Company Appendix Section.

SERVEL, INC.
Above Stockholders' Equity:
Deferred compensation (Note 3) $837,683

Note 3: Deferred compensation is based on employment contracts with the Company's President, Executive Vice-President, a former officer, and one key employee. The amount accrued is payable, subject to certain conditions, after termination of active employment, over varying periods, but not in excess of 120 months. Two of such contracts provide for deferred compensation for 1960 and subsequent years. Approximately $116,000 was charged to income for the fiscal year 1960 as deferred compensation under these two contracts.

VAN NORMAN INDUSTRIES, INC.
Above Stockholders' Equity:
Long Term Obligations and Other Credits:
Reserve for deferred compensation and taxes $230,530

Incentive Compensation Plans

ACME STEEL COMPANY
Above Stockholders' Equity:
Reserves:
For deferred compensation—Note B $106,224

Note B: Incentive Compensation Plan—Provisions for incentive compensation under the Company's Incentive Compensation Plan for approximately 133 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. Incentive compensation distributed or allocated in 1960 was awarded from amounts remaining in the reserve from provisions made in prior years. A minor amount was provided by a subsidiary during 1960 for incentive compensation.

The 24,239 shares of Common Stock held in the treasury at December 31, 1960, included 24,179 shares allocated under the Plan and 60 shares held for future allocation. The cost ($698,417) of the 24,179 shares was deducted from the amount of the reserve for deferred compensation and the cost ($1,097) of the 60 shares was included as an asset in the statement of financial condition. The balance of the reserve ($106,224) is available for future allocation.

The amount ($400,000) by which future income taxes are expected to be reduced on account of payment of deferred compensation is a deferred charge and has been included in the statement of financial condition.

AMERICAN CYANAMID COMPANY
Above Stockholders' Equity:
Incentive compensation contingently payable —Net (Note 6) $2,864,435

Note 6: The accounts for 1960 include provision of $2,914,531 for incentive compensation available for allotment to officers and other employees under Section 52 of the Company's By-Laws. A portion of such amount is not payable currently in cash but is contingently payable in Common Stock of the Company after employment ceases; pending allotment of the amount available for 1960 the portion so contingently payable in Common Stock is not determinable. The amount contingently payable in respect of allotments for prior years, less estimated future tax benefits computed at 52%, is $2,864,435. At December 31, 1960 the Company owned and held in its treasury 130,152 shares of Common Stock acquired at an average cost of $41.15 per share which are available at the election of the Company to fulfill the aforesaid contingent obligations.

KELSEY-HAYES COMPANY
Above Stockholders' Equity:
Deferred Incentive Compensation (less estimated reduction in future income taxes) .. $309,995

OUTBOARD MARINE CORPORATION
Above Stockholders' Equity:
Provision for deferred incentive compensation $895,017

Bonus Plans

AMERICAN SMELTING AND REFINING COMPANY
Above Stockholders' Equity:
Reserves:
Additional compensation (Note 6) $1,657,345

Note 6: Additional compensation reserve—Under the provisions of the Additional Compensation Plan, $770,000 was appropriated from 1960 earnings. In 1960, $56,912 was paid in cash and contingently allotted in common stock to officers and major executives, and $582,366 was paid in cash and common stock to other eligible employees.

J. J. NEWBERRY CO.
Above Stockholders' Equity:
Reserve for Incentive
Stock Bonus Plan (Note 5) $137,274

Note 5: An employees' restricted stock option plan provides that each year for which it is declared effective, each person in the employ of the company since the beginning of the preceding year is to be granted an option to purchase one share of common stock for each full $300 of his compensation during that year. Options are exercisable prior to December 31 in the year granted at 85% of the fair market value on the date of purchase. During 1960, options for 18,214 shares including 11,934 shares subscribed for but not issued were exercised at an average price of $33.49. The number of shares available for 1961 for which the Board of Directors has again declared the plan effective is 23,131.

Provision for the incentive stock bonus plan for 1960 was limited to an amount equal to dividends on 6,799 shares previously allotted to participants of the plan; the Board of Directors in 1960 reserved 6,799 shares of common stock held in the treasury for purposes of the plan. The company has reserved the right to amend or discontinue the plan at any time, but may not retroactively reduce credits to the participants.

Pensions, Retirement Benefits, and Annuities

JOHNS-MANVILLE CORPORATION
Above Stockholders' Equity:
Reserves for guarantees: (Note 6) $1,957,000

Note 6: Reserves for guarantees, etc., include:

Reserve for workmen's compensation self-insurance ..	$ 425,000
Reserve for retired employees' group life self-insurance	1,087,000
Reserve for product guarantees	445,000
	$1,957,000

PENNSALT CHEMICALS CORPORATION
Above Stockholders' Equity:
Reserve
Employees' retirement benefits (Note 7) $1,525,000

Note 7: Retirement Plan—Under a non-funded employee retirement benefit plan, prior to its amendment as of December 15, 1960, $338,100 was paid by the Company to pensioners during 1960 and charged to income. It has been the Company's policy to give recognition in its accounts to the actuarially estimated liability under the plan for retirement benefits payable over future years to employees on pension, after the related tax deduction. A substantial portion of this reserve for employee benefits, in an amount not determinable until 1961, will no longer be required following an amendment to this plan set forth below.

As of December 15, 1960 the Board of Directors adopted an amendment to the employee retirement benefits plan. Accumulated past service costs and the annual cost of current services under the revised plan for the Company and certain domestic subsidiaries are actuarially estimated to be $15,600,000 and $775,000, respectively.

The Company has funded the major portion of the past service costs and has prepaid the current service cost for the ensuing year by transferring certain real property at its estimated fair market value to a pension trust on December 28, 1960. Such property will be leased back at an annual rental of approximately $870,000 for a period of twenty-nine years.

The depreciated cost of the property contributed to the pension trust for past services and the related tax effects will be amortized over a period of ten years beginning in 1961. The prepaid cost of current services, less the related tax reduction, has been deferred at December 31, 1960 and will be charged to income in 1961.

SCOVILL MANUFACTURING COMPANY
Above Stockholders' Equity:
Reserve for Unfunded Retirement Benefits $1,925,000

SOCONY MOBIL OIL COMPANY, INC.
Above Stockholders' Equity:
Deferred Credits and Reserves:
Reserve for retirement and separation benefits $65,090,997
Notes to Financial Statements

Employee Benefit Plans: Domestic—Socony Mobil benefit plan payments in 1960 included a fourth annual installment under the Retirement Annuity Plan of $6.9 million for past service costs which are being funded over a period of 20 years.

Foreign—Various company administered, non-funded, non-contributory plans are in effect in foreign countries. In general the estimated costs of these plans to December 31, 1960, are provided for in the "Reserve for retirement and separation benefits." There are also a few insured or funded plans in foreign countries, but annual contributions are not significant.

STANDARD OIL COMPANY OF CALIFORNIA
Above Stockholders' Equity:
Reserves—General Insurance and Benefits $25,115,700
Notes to Financial Statements

Retirement Plans: The companies provide for their liabilities under retirement plans by deposits with trustees and insurance companies.

UNITED STATES RUBBER COMPANY
Above Stockholders' Equity:
Reserves
Retirement allowances $11,911,140
Notes to Financial Statements

Retirement Allowances: The Retirement Allowance Plan provides generally for retirement allowances to eligible employees or former employees beginning at age 65, based upon compensation and length of service, less applicable statutory benefits. Subject to continuance during the period of certain labor agreements, the Plan may be repealed or modified as to employees in active service, and the allowances to all employees retired may be proportionately reduced.

The stockholders at the Annual Meeting on April 19, 1960 approved the funding of the Plan as from January 1, 1960 as it relates, generally, to domestic employees. The funds are in the custody of independent Trustees to whom the Company pays amounts, computed by independent actuaries, sufficient to provide for no less than minimum funding.

For retired employees not covered by funding, the Company will, as in prior years, charge allowances paid to current costs and, in addition, maintain a Retirement Allowance Reserve equivalent to allowances payable to presently retired employees over the next five years after application of 1960 income tax rates.

During the year 1960, $12,031,916 was paid for current service funding and for interest on past service cost for domestic employees covered by Funded Plans. In addition, $549,235 was paid in retirement allowances to retired employees not covered by Funded Plans and reserves applicable thereto were increased by $131,534. These amounts aggregated $12,712,685 before reduction for income taxes, of which $11,812,685 was absorbed in 1960 cost of operations and $900,000 (representing a portion of the 1960 funding cost related to past service cost) was applied to the Reserve for Retirement Allowances.

At December 31, 1960, the Reserve for Retirement Allowances aggregated $11,911,140, of which $10,645,501 related to Funded Plans.

Other Employee Benefit Reserves

TEXACO INC.
Above Stockholders' Equity:
Reserves for Employees' Plans $38,469,119

VANADIUM-ALLOYS STEEL COMPANY
Current Liabilities:
Additional compensation to directors, officers, and employees $986,011

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
Current Liabilities:
Accrued wages, earned vacations and incentive compensation and provision for sick pay $9,075,650
Notes to Financial Statements

Note: . . . Costs and expenses for the year 1960 include a provision of $1,269,986 for the Incentive Additional Compensation, the accrued liability for which is included in the accompanying Balance Sheet. The amount of Incentive Additional Compensation for 1959 was $1,249,731.

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 1960 (together with comparative statistics for prior years). Forty-three companies disclosed 50 reserves in their balance sheets. In most instances they were placed above the stockholders' equity section of the balance sheet (29 reserves in 1960).

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. 28, 149, 168, 306, 451, 567).

Extensive references are given within Table 34 to various balance sheet presentations of reserves by sur-

*Refer to Company Appendix Section.

TABLE 34: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation*	1960	1959	1955	1950
A: With: *Related Assets* for—				
Foreign investment	10	5	4	—
Foreign losses	4	2	1	—
B: Above: *Stockholders' Equity* for—				
Foreign exchange	7	8	7	11
Foreign investments	3	5	4	5
Foreign losses	3	2	2	3
Foreign operations	10	10	4	3
Unremitted foreign profits	3	4	4	2
Foreign statutory requirements	3	4	3	5
C: Within: *Stockholders' Equity* for—				
Foreign investment	1	1	1	2
Foreign losses	1	3	1	1
Unremitted foreign profits	—	1	—	2
Foreign statutory requirements	5	5	5	7
Total	50	50	36	41
Terminology Used				
Reserve	40	39	29	39
Various other terms	10	11	7	2
Total	50	50	36	41
Number of Companies with:				
Foreign activity reserves	43	43	31	33
No foreign activity reserves	557	557	569	567
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 120, 129, 168, 366, 502, 539, 558, 560, 584; B: Co. Nos. 33, 141, 230, 265, 266, 373, 378, 444, 488, 567; C: Co. Nos. 37, 46, 57, 120, 259, 285, 561

vey companies, and examples illustrating the nature of the disclosures taken from the 1960 reports are given below.

Reserves for Foreign Investment and Foreign Exchange

AMERICAN HOME PRODUCTS CORPORATION
Above Stockholders' Equity:
Reserves:
Foreign losses and exchange adjustments $2,900,000

CHRYSLER CORPORATION
Above Stockholders' Equity:
International Operations Reserve, for currency devaluation, exchange restrictions, and other extraordinary risks $15,000,000

THE FIRESTONE TIRE & RUBBER COMPANY
Above Stockholders' Equity:
Reserves:
For Foreign Investments $13,667,102

THE GOODYEAR TIRE & RUBBER COMPANY
Above Stockholders' Equity:
Reserves:
For foreign investment—general reserve $12,588,855

Reserve for Foreign Losses

CONTINENTAL OIL COMPANY
Investments, Advances and Other Assets:
Subsidiaries at cost less reserve of $32,409,378 in 1960 . . . (Note 1) $136,835,710

Note 1: It is the policy of the Company to consolidate the accounts of all 100%-owned subsidiaries operating in the United States.

The Company's equity in the net assets of unconsolidated subsidiaries at December 31, 1960 and in their 1960 earnings based upon their financial statements is summarized below:

	December 31, 1960		
	Investments and advances	Equity in net assets plus advances	Equity in 1960 earnings (losses)
Hudson's Bay Oil and Gas Company Limited (67.77%-owned)	$ 30,673,841	$ 46,303,175(a)	$ 860,001(a)
San Jacinto Petroleum Corp. (81.98%-owned)(b)	55,197,245	30,505,945(a)	(1,441,952)(a)
Companies operating abroad (100%-owned)	79,511,825	79,535,713(c)	(10,364)(c)
Other subsidiaries	3,862,177	7,627,329	1,162,493(d)
	169,245,088	$163,972,162	$ 570,178
Less reserves	32,409,378		
	$136,835,710		

(a) On the basis of capitalizing and amortizing intangible development costs applicable to producing wells.

(b) The equity in earnings is after giving effect to amortization of the excess of investment over equity in the net assets of this subsidiary at date of acquisition, such excess being attributable to the subsidiary's petroleum reserves. The amortization applicable to production and to reserves sold in 1960 was $1,960,000 and $12,940,000, respectively. The unamortized excess investment remaining at December 31, 1960 was $19,704,425. Dividends of $1,424,929 received during the year were credited to investment.

(c) These unconsolidated subsidiaries have followed the policy of capitalizing or deferring all costs incurred during the exploratory phase of their operations. The Company will include them in its 1960 consolidated federal income tax return and, as previously, the resulting reduction in income tax liability ($7,814,000) has been added to the reserve for loss on foreign investments. The Company has also increased this reserve by $7,000,000 through a charge to 1960 income. The aggregate reserve of $32,056,234 is not materially different from what the accumulated losses of these subsidiaries would have amounted to had they been determined in accordance with the Company's usual accounting practices.

G. D. SEARLE & CO.
Above Stockholders' Equity:
Reserve for Possible Losses on Foreign Investments and Future Income Taxes on Undistributed Earnings of Foreign Subsidiaries $748,000

Reserves for Operations and Unremitted Foreign Profits

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
Above Stockholders' Equity:
Reserve for foreign operations $14,896,200

THE COCA-COLA COMPANY
Above Stockholders' Equity:
Reserve for Unremitted Foreign Profits $50,987,568

MERCK & CO., INC.
Above Stockholders' Equity:
Reserve Applicable to Foreign Operations $3,000,000

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY
Above Stockholders' Equity:
Reserves applicable to foreign operations $1,361,860

Reserves for Foreign Statutory Requirement

ANDERSON, CLAYTON & CO.
Within Stockholders' Equity:
Surplus:
Earned:
Unappropriated per accompanying statement (Note 5) $108,095,138

Note 5: Included in earned surplus as of July 31, 1960 are legal reserves, aggregating $1,520,596 required by the laws of certain of the countries in which the foreign subsidiaries are situated. These reserves are restricted as to payment of dividends by the foreign subsidiaries.

STANDARD OIL COMPANY (NEW JERSEY)
Within Stockholders' Equity:
Capital (see page 11) $2,375,657,000

Page 11: . . . Earnings reinvested included $18,259,000 of statutory reserves of various foreign affiliates and $6,590,000 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. . . .

UNITED MERCHANTS AND MANUFACTURERS INC.
Above Stockholders' Equity:
Other Noncurrent Items and Deferred Income (Note G) $4,916,927

Note G: Other Noncurrent Items and Deferred Income—The items included in this caption consist of deferred income on installment sales of capital assets before Federal taxes on income ($139,219); unearned service income and interest ($1,299,914); reserves of foreign subsidiaries ($2,475,534), including $2,462,858 for compensation payable under applicable foreign state laws on death or dismissal of employees; and debentures, notes and mortgages payable, etc. of subsidiary companies ($1,002,260).

CALIFORNIA PACKING CORPORATION
Within Stockholders' Equity:
Capital and Retained Earnings:
Earnings retained for use in the business
Appropriated for contingencies in respect of assets and obligations in foreign country $5,000,000

GUARANTEE OR WARRANTY RESERVES

Accounting Research Bulletin No. 43 (Chapter 3) issued by the committee on accounting procedure of the American Institute of Certified Public Accountants discusses the nature of current liabilities and states among other things "As a balance-sheet category, the classification is intended to include obligations for items which have entered into the operating cycle, such as . . . collections received in advance of the delivery of goods or performance of services[2]; . . .

[2]Examples of such current liabilities are obligations resulting from advance collections on ticket sales, which will normally be liquidated in the ordinary course of business by the delivery of services. On the contrary, obligations representing long-term deferments of the delivery of goods or services would not be shown as current liabilities. Examples of the latter are the issuance of a long-term warranty. . . ."

Table 35 discloses the various types of guarantee or warranty reserves or liabilities presented by the survey companies. Twenty-six such reserves were disclosed in the balance sheets of 23 of the 600 survey companies in the 1960 reports. Seventeen of the reserves were shown in the balance sheets among current liabilities and nine were shown above the stockholders' equity section.

Certain companies (*Co. Nos. 6, 45, 408) 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.

*Refer to Company Appendix Section.

TABLE 35: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation*	1960	1959	1955	1950
A: Among: *Current Liabilities* for—				
Product guarantee	4	3	2	3
Product warranty	6	4	3	3
Service guarantee	1	1	2	2
Service warranty	—	1	—	—
"Guarantee"	4	1	1	2
Contract completion	2	3	2	3
B: Above *Stockholders' Equity* for—				
Product guarantee	5	7	11	12
Product warranty	—	—	1	3
Service guarantee	—	—	1	1
Service warranty	—	—	—	1
"Guarantee"	1	1	2	4
"Warranty"	2	2	2	1
Coupon redemption	1	1	3	2
Commercial paper guarantee	—	—	1	3
Contract completion	—	2	—	1
Miscellaneous	—	—	—	2
Total	26	26	31	43
Terminology Used				
Reserve	15	17	21	29
Provision	2	2	5	6
Various other terms	9	7	5	8
Total	26	26	31	43
Number of Companies with:				
Guarantee or warranty reserves	23	23	30	41
No guarantee or warranty reserves	577	577	570	559
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 126, 250, 284, 506, 529, 589; B: Co. Nos. 105, 133, 267, 316, 422, 476, 538.

Reserves for Product Guarantee or Warranty

CERTAIN-TEED PRODUCTS CORPORATION
Above Stockholders' Equity:
Reserve for Product Guarantees $430,000

THE GARRETT CORPORATION
Current Liabilities:
Trade accounts payable—including estimated liability under price redetermination contracts and product warranty .. $11,664,940

THE PARKER PEN COMPANY
Above Stockholders' Equity:
Reserve for product guarantee costs $400,000

STUDEBAKER-PACKARD CORPORATION
Current Liabilities:
Reserve for product warranty $2,357,066

Reserve for Service Guarantee

ADMIRAL CORPORATION
Above Stockholders' Equity:
Reserves for Warranties, Other Deferred Credits, Etc.:
Reserves for warranties, less Federal and Foreign income taxes thereon (1960—$1,591,125; 1959—$1,322,617) $1,607,632

SONOTONE CORPORATION
Current Liabilities:
Estimated cost of discharging unexpired service guarantees $250,000

Reserves for Contract Completion

CARRIER CORPORATION
Current Liabilities:
Progress billings, guarantee and completion reserves, etc. $9,946,361

HAZELTINE CORPORATION
Current Liabilities:
Accrued expenses, provision for contract adjustments and taxes other than federal taxes on income $5,095,005

INSURANCE RESERVES

There were 85 insurance reserves shown by 74 of the 600 survey companies in their 1960 annual reports. Table 36 discloses the various types of insurance reserves together with their balance sheet presentation.

Of the 85 reserves disclosed, 78 were presented above the stockholders' equity section and the remaining seven 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 1960, disclosed the accounts to which the related charges or credits were made.

Examples illustrating the presentation in the financial statements of insurance reserves follow:

TABLE 36: INSURANCE RESERVES

Balance Sheet Presentation*	1960	1959	1955	1950
A: Among: *Current Liabilities* for—				
Self-insurance	2	1	1	—
Workmen's compensation self-insurance	—	1	1	1
Workmen's compensation	1	2	1	—
Miscellaneous	—	—	1	3
B: Above: *Stockholders' Equity* for—				
Self-insurance**	1	2	5	7
Self-insurance	22	19	18	22
Workmen's compensation self-insurance	11	9	18	34
Workmen's compensation**	1	3	7	5
Workmen's compensation	13	12	14	13
General insurance**	—	—	2	1
General insurance	18	21	22	31
Fire loss	9	6	4	8
Accident insurance	2	4	2	5
Public liability	—	2	2	5
Employer's liability	1	2	2	2
Marine insurance	—	2	1	2
Tornado insurance	—	1	1	2
Casualty risks	—	1	1	2
C: Within: *Stockholders' Equity* for—				
Self-insurance**	1	1	2	1
Self-insurance	1	—	—	—
General insurance	—	—	4	4
Employer's liability	—	1	1	—
Fire loss	2	1	2	1
Miscellaneous	—	—	—	2
Total	85	91	112	151
Terminology Used				
Reserve	80	83	98	136
Provision	2	5	5	7
Various other terms	3	3	9	8
Total	85	91	112	151
Number of Companies with:				
Insurance reserves	74	82	102	128
No insurance reserves	526	518	498	472
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 79, 233; B: Co. Nos. 9, 30, 37, 61, 305, 407, 426, 476, 519; C: Co. Nos. 125, 399, 559.
**With cash or securities segregated therefor.

Self-Insurance Reserves

LONE STAR CEMENT CORPORATION
Noncurrent Assets:
Special Funds and Other Investments
Self-insurance funds—cash and investments $2,844,458
Above Stockholders' Equity:
Reserve for Self-Insurance $2,743,586

THE FLINTKOTE COMPANY
Current Liabilities:

Reserves for self-insurance and product guarantees	$880,537

Workmen's Compensation Reserves and Self-Insurance Reserves

CONSOLIDATED LAUNDRIES CORPORATION
Noncurrent Assets:

United States and municipal bonds on deposit with State of New York Workmen's Compensation Board—at cost	$160,970

Above Stockholders' Equity:

Reserves:	
Workmen's compensation insurance	$ 75,000
Contingencies	80,000
Total Reserves	$155,000

ALCO PRODUCTS INCORPORATED
Above Stockholders' Equity:

Reserves:	
Self-insurance under Workmen's Compensation Laws	$397,932

BASIC PRODUCTS CORPORATION
Current Liabilities:

Reserve for workmen's accident compensation	$76,640

Fire Insurance Reserves

ARGO OIL CORPORATION
Above Stockholders' Equity:

Reserve for Fire Loss	$100,726

NATIONAL LEAD COMPANY
Within Stockholders' Equity:

Earned Surplus:	
Appropriated:	
Fire insurance reserve	$ 4,797,284
Employer's liability reserve	426,664
Contingencies reserve	4,080,358
Unappropriated	176,894,437

Other Insurance Reserves

BETHLEHEM STEEL CORPORATION
Above Stockholders' Equity:

Other Liabilities and Reserves:	
Long-term debt	$140,411,000
Accrued liabilities payable after one year (Note B)	61,300,000
Insurance reserve	30,000,000
Total Liabilities and Reserves	$625,778,221

THE BORDEN COMPANY
Above Stockholders' Equity:

Reserves	
Insurance, etc.	$ 6,968,920
Deferred Federal Taxes on Income	4,489,766
Total	$11,458,686

INLAND STEEL COMPANY
Above Stockholders' Equity:

Reserves:	
Accident compensation	$900,000

E. I. DU PONT DE NEMOURS & COMPANY
Above Stockholders' Equity:

Reserves	
Depreciation and Obsolescence	$1,282,759,098
Insurance and Contingencies	8,697,141
Total Reserves	$1,291,456,239

SINCLAIR OIL CORPORATION
Above Stockholders' Equity:

Insurance and Miscellaneous Reserves and Deferred Credits	$10,139,404

PROPERTY RESERVES

The reserves encompassed in this chapter are apart from the normal property revaluation allowances, such as for depreciation, depletion, or obsolescence; these accumulations and annual charges are discussed in Section 3.

Table 37 discloses in a comparative summary for the years 1960, 1959, 1955, and 1950 the various types of property reserves shown in the annual reports of the 600 survey companies, and their balance sheet presentation. Fifty-three survey companies presented 59 reserves in their 1960 reports. The reserves were presented most frequently above the stockholders' equity section of the balance sheet (26 reserves in 1960), but a substantial number were also presented with the related assets (23 reserves in 1960).

In instances where there were increases or decreases in these reserves during 1960 the offsetting debits or credits were disclosed in only a few of the reports. In most cases the disclosed entries were shown in the income account (*Co. Nos. 203, 211, 355, 464, 468).

Extensive references are given within Table 37 to companies revealing various property reserves. For a discussion of extraordinary depreciation and higher plant replacement costs, refer to Section 3, Table 9.

Examples—Property Reserves

Revaluation of Property and Loss on Disposal of Property

ELGIN NATIONAL WATCH COMPANY
Plant and Equipment:

	Cost	Reserves
Land	$ 631,815	—
Buildings	4,839,707	$3,069,872
Machinery and equipment	7,105,207	3,784,162
Provision for abandonment of machinery and equipment	—	758,914
	$12,576,729	$7,612,948

*Refer to Company Appendix Section.

TABLE 37: PROPERTY RESERVES

Balance Sheet Presentation*	1960	1959	1955	1950
A: With: *Related Fixed Assets* for—				
Revaluation of property	5	4	2	7
Loss on property	16	7	5	3
Extraordinary depreciation	—	—	5	10
Purpose not stated	1	2	1	—
Intangible drilling costs	1	1	1	—
Obsolescence of property	—	—	—	—
Miscellaneous	—	—	1	1
B: Among: *Current Liabilities* for—				
Loss on property	—	1	—	—
Furnace rebuilding, relining	2	2	1	—
Moving expenses	—	1	—	—
Miscellaneous	—	—	—	1
C: Above: *Stockholders' Equity* for—				
Loss on property	—	—	—	—
Furnace rebuilding, relining	7	7	9	13
Glass tank renewal	1	1	1	1
Plant rehabilitation	—	—	3	1
Repairs, painting, maintenance	9	10	10	13
Mine development costs	1	1	1	1
Moving expenses	2	1	—	—
Normal depreciation	4	2	2	4
Obsolescence of property	1	2	2	3
Accelerated amortization	—	—	1	1
Restoration and replacement of leased property	—	1	—	—
Higher plant replacement costs	1	2	3	9
Miscellaneous	—	—	3	10
D: Within: *Stockholders' Equity* for—				
Revaluation of property	2	2	2	4
Loss on property	1	1	1	1
Plant contingencies	—	—	1	—
Higher plant replacement costs	4	2	6	13
Steamship replacements	—	—	1	—
Property replacement	1	1	—	—
Miscellaneous	—	1	—	1
Total	59	52	62	97
Terminology Used				
Reserve	37	33	44	65
Provision	5	4	4	8
Various other terms	17	15	14	24
Total	59	52	62	97
Number of Companies with:				
Property reserves	53	47	53	81
No property reserves	547	553	547	519
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 59, 122, 143, 168, 202, 211, 214, 477, 541, 548;
B: Co. Nos. 55, 218;
C: Co. Nos. 43, 63, 144, 203, 305, 342, 355, 417, 444;
D: Co. Nos. 265, 284, 374, 590.

CITY PRODUCTS CORPORATION

Property, Plant and Equipment, at cost:	
Land	$ 6,630,650
Buildings on owned and leased land	40,389,154
Leaseholds and leasehold improvements	16,158,012
Machinery, fixtures and equipment	69,895,574
	$133,073,390
Less—Reserves for depreciation, depletion and amortization, including reserve of $5,000,000 for possible losses on disposition of certain older properties	81,712,899
	$ 51,360,491

HOUDAILLE INDUSTRIES, INC.

Property, Plant and Equipment, at cost:	
Gross book value	$58,066,910
Less accumulated depreciation, depletion, amortization and provision for loss on disposal $397,000	34,888,977
Property, plant and equipment—net	$23,177,933

JACOB RUPPERT

Property:	1960	1959
Land, buildings, machinery and equipment, and containers—at cost	$22,393,609	$22,475,719
Less reserves	14,881,216	14,502,683
Property—net	$ 7,512,393	$ 7,973,036

Notes to Financial Statements

Note 2: The reserves deducted in the balance sheet from property include reserves for depreciation accumulated by charges against income ($863,675) and specific reserves created for balance sheet purposes as follows:

Reserves for depreciation	$14,715,216
Specific reserve for valuation of cases—25% of book value	166,000
Total	$14,881,216

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 conservative treatment in the balance sheet, the Company maintains, by charges or credits to income, the specific reserve shown above.

TEXTRON INC.

Property, plant and equipment (Note E):	1960	1959
Land and buildings	$ 38,254,785	$ 37,576,329
Machinery and equipment	88,208,699	74,933,812
Other property	6,826,998	4,407,172
	133,290,482	116,917,313
Less—reserves	52,126,828	46,048,680
	$ 81,163,654	$ 70,868,633

Note E: Property, Plant and Equipment—The reserves provided for property, plant and equipment consist of:

	1960	1959
Reserve for depreciation and amortization	$48,296,360	$41,861,496
Reserve for loss on sale of properties	2,543,525	2,571,954
Reserve for contingent payments for companies acquired	1,286,943	1,615,230
Total reserves	$52,126,828	$46,048,680

The gross property, plant and equipment is stated at cost, except that the fixed assets of one division are stated at appraised values which are $1,286,943 in excess of costs incurred to date. This excess has been credited to the reserve for contingent payments for companies acquired. Future contingent payments based upon earnings of this division will be charged to this reserve.

SMITH-CORONA MARCHANT INC.

Plant and equipment (Note 3)	
Land	$ 825,019
Buildings, machinery, and equipment	33,366,010
Construction in progress	424,496
Total at cost	34,615,525
Less accumulated depreciation	12,104,113
	22,511,412
Land, Buildings and Equipment to be disposed of, less reserve for loss	1,714,756

Note 3: Plant and Equipment—Action was initiated in April 1960 to terminate manufacturing operations in the Syracuse, New York plant and consolidate domestic typewriter, adding machine and cash register production in the Cortland and Groton, New York plants. The major portion of Syracuse manufacturing operations had been terminated as of June 30, 1960 and relocation costs incurred to that date have been charged to operations of the current year. Based on an independent real estate appraisal and management's review of plant machinery, tools, dies and other equipment, provision has been made for the estimated loss from eventual disposition of Syracuse plant facilities.

Repairs, Furnace Rebuilding, and Leased Property Restoration

ERIE FORGE & STEEL CORPORATION

Current Liabilities:	
Accounts payable and accrued expenses:	
Trade accounts	$ 581,612.69
Salaries, wages, and commissions and amounts withheld from employees' compensation for taxes, bond purchases, etc.	565,418.96
Rentals, taxes, and interest	284,205.74
Employees pension trust	172,835.05
Reserve for relining and repairing furnaces, and other operating expenses	243,436.59
Federal and state taxes on income, estimated	339,791.50
Current portion of long-term liabilities	180,000.00
Total Current Liabilities	$2,367,300.53

HAZELTINE CORPORATION

Within Stockholders' Equity:	
Earned surplus	
Appropriated	$ 1,636,915
Unappropriated	12,056,326
	$13,693,241

Notes to Financial Statements

Note 5: Appropriated earned surplus as of December 31, 1960 includes $1,241,915 shown in the balance sheet of December 31, 1959 as "Reserve for patent infringement, replacement of Government-furnished equipment, and possible losses in connection with future performance of contracts," in order to conform with what is deemed a more appropriate presentation.

Moving Expenses

ARMOUR AND COMPANY

Plant and Equipment	
Land, at cost	$ 13,781,299
Buildings, machinery and fixed equipment, at cost	215,308,712
Accumulated depreciation	(115,843,825)
Refrigerator cars, delivery equipment, tools, etc., at cost less accumulated depreciation	15,076,146
Revaluation of certain facilities in respect of anticipated replacement or relocation (Note 2)	(8,431,371)
	$119,890,961

Note 2: Reserves for anticipated charges in connection with replacement and relocation program—During 1959 the Company undertook a program to replace and relocate a portion of its producing and marketing facilities, and provided reserves of $13,076,000 and $2,246,000, respectively, (net of Federal income taxes) for anticipated losses and expenses. In 1960 charges of $4,644,629 and $796,652, respectively, (net of Federal income taxes) were made to these reserves, leaving balances of $8,431,371 and $1,449,348, respectively, at October 29, 1960. As a result of these charges the Company's liability for 1960 Federal income taxes will be reduced approximately $6,200,000.

Higher Replacement Cost

BRISTOL-MEYERS COMPANY

Within Stockholders' Equity:	
Earnings Retained in the Business:	
Appropriated	$ 7,309,274
Set aside for estimated increase in replacement cost of property, plant and equipment	
Unappropriated	36,335,948

TAX RESERVES

The 1960 annual reports of the 600 survey companies disclosed 206 tax reserves shown in the balance sheets of 183 companies, while in 1959 there were 155 companies revealing 173 reserves. Both 1959 and 1960 show a significant increase in the use of tax reserves as compared with the figures for 1955 or 1950. This increase was mainly due to the creation of new reserves for "future taxes" and/or deferral of tax benefit re: new depreciation methods recognized for tax purposes in the Internal Revenue Code of 1954. Bulletin 44 (Revised) *Declining-balance Depreciation,* issued by the committee on accounting procedure of the American Institute of Certified Public Accountants in 1958 discusses this subject. (See Section 3, "Depreciation").

Tax reserves were presented most frequently above the stockholders' equity section of the balance sheet (185 reserves in 1960). 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 reports surveyed:

Offsetting entry made to income account (*Co. Nos. 6, 59, 76, 85, 269, 369, 536)	90
Offsetting entry within retained earnings account (*Co. Nos. 351, 368, 372)	3
No dollar change from previous year	3
Change in the tax reserve account apparent, but the entry not disclosed	79
Other accounts	8
No tax reserve account	417
Total companies	600

*Refer to Company Appendix Section.

TABLE 38: TAX RESERVES

Balance Sheet Presentation*	1960	1959	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	1	—	—	—
Miscellaneous	3	2	1	—
B: Among: *Current Liabilities* for—				
Prior years taxes	5	4	7	3
Tax contingencies	2	—	—	3
Deferred tax:				
On installment sales	2	3	1	1
Re amortization of emergency facilities	—	—	2	—
New depreciatiton methods	3	—	—	—
Taxes	—	1	—	1
Future taxes	1	1	—	—
C: Above: *Stockholders' Equity* for—				
Prior years taxes	4	3	9	20
Tax contingencies	6	4	7	13
Future taxes (1954 Internal Revenue Code)	66	50	9	—
Taxes	4	4	1	5
Foreign taxes	6	5	—	—
Deferred tax:				
On installment sales	9	6	1	2
On mine development costs	4	3	2	—
Re amortization of emergency facilities	15	16	24	—
Re amortization under Certificates of Necessity and new depreciation methods	3	6	5	1
On undistributed earnings of consolidated foreign subsidiaries	6	5	—	—
New depreciation methods (1954 Internal Revenue Code)	62	57	7	—
D: Within: *Stockholders' Equity* for—				
Tax contingencies	2	1	1	1
Taxes	—	—	1	—
Total	206	173	80	52
Terminology Used				
Reserve	73	63	49	37
Provision	6	5	3	5
Various other terms	127	105	28	10
Total	206	173	80	52
Number of Companies with:				
Tax reserves	183	155	73	50
No tax reserves	417	445	527	550
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 54, 247, 263, 362, 437, 574; B: Co. Nos. 6, 76, 114, 161, 210, 260, 269; C: Co. Nos. 7, 47, 62, 85, 98, 119, 172, 181, 234, 301, 351, 369, 402; D: Co. No. 57.

The examples which follow illustrate the different types of reserves and their disclosure in the financial statements. (See also examples in Section 3, Table 11, "Adjustments for Prior Year Income Taxes").

Prior Years Taxes and Tax Contingencies

ADMIRAL CORPORATION
Current Liabilities:
Reserve for Federal, state and Foreign Income Taxes—(Note B) $911,582

Note B: Price Redetermination, Renegotiation, Excise Taxes and Federal Income Taxes—The Company is a party to Government contracts which are subject to price redetermination and renegotiation. It is the opinion of management, based upon settlements to date for price redetermination of certain contracts and renegotiation proceedings through the years ended December 31, 1959, that reasonable provision has been made in the accompanying consolidated financial statements for adjustments which may arise out of future negotiations relevant to such contracts.

The accompanying consolidated financial statements are subject to final determination of Federal, Foreign, state and local taxes.

As to Federal income taxes, substantial deficiencies for the years 1950 through 1957 have been proposed by the Internal Revenue Service against the Parent Company and certain subsidiaries; the Companies are contesting the major portion of such proposed additional taxes. As to excise taxes, the returns of the Parent Company for the years 1950 through 1958 are in the process of review by the Internal Revenue Service and no report has been received. In the opinion of management, reasonable provision has been made for additional liability for such taxes.

ANDERSON, CLAYTON & CO.
Above Stockholders' Equity:
Reserve for Contingencies (Note 4) .... $ 965,359
Within Stockholders' Equity:
Surplus—Earned:
Appropriated for contingent tax liability (Note 4) $10,307,259

Note 4: The company and its subsidiaries have made full provision as of July 31, 1960, for all known liabilities in respect of U.S. and 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, 1960, this appropriation for theoretical tax liability amounted to $10,307,259 as compared with $13,537,728 as of July 31, 1959, a decrease of $3,230,469 for the current year.

The reserve for contingencies includes as of July 31, 1960, reserves for tax claims, fire losses, lawsuits, etc. aggregating $965,359 provided by foreign subsidiaries.

BASIC INCORPORATED
Above Stockholders' Equity:
Reserve
For contingencies and possible additional federal income taxes—Note A $258,189

Note A: The Corporation's federal income tax returns for the years 1950 through 1957 have been examined by the Internal Revenue Service, and on January 15, 1960, the Company paid $206,576.43, including interest, to cover certain deficiencies asserted. No examination has been made for subsequent years. The Corporation considers that its reserve for contingencies includes a sufficient provision to cover any possible liability for additional federal taxes on income for all prior years.

PHOENIX STEEL CORPORATION
Above Stockholders' Equity:
Reserves:
Tax contingencies—prior years $7,506,633
Notes to Financial Statements

Reserve for Tax Contingencies: Prior Years—Consolidated tax returns of the affiliated tax group for the years 1945 to 1956, inclusive, and certain separate tax returns of subsidiaries have been examined and proceedings with the Internal Revenue Service relating to these years are in progress. In the opinion of management, the reserve adequately provides for tax deficiencies, if any, which may be ultimately determined. Subsequent returns are subject to review.

Deferred Tax on Installment Sales

BRUNSWICK CORPORATION
Above Stockholders' Equity:

Deferred Federal and Canadian income taxes (Note 4)	$86,000,000

Note 4: Deferred Federal and Canadian Income Taxes—The Company and subsidiaries have consistently followed, for book purposes, the practice of recording income from sales financed by long-term instalment notes receivable when customers take delivery and title to bowling lanes, automatic pinsetters and other products. This practice, which is known as the "accrual basis," is the income-reporting method followed by most business concerns. Accrued Federal and Canadian income taxes included in the accompanying financial statements have been provided for on the basis of book income. As permitted by Federal and Canadian income tax regulations, the Company and subsidiaries follow the instalment basis of reporting income from such sales for income tax purposes and as a result, accrued Federal and Canadian income taxes of $86,000,000 at December 31, 1960, will not be payable until future years.

LERNER STORES CORPORATION
Above Stockholders' Equity:

Deferred Federal Income Taxes—Note B	$2,140,000

Note B: In accordance with the consistent policies of the companies, accelerated depreciation on certain fixed assets and the installment method of reporting income from certain budget charge account sales are used for Federal income tax purposes. These policies have resulted in a deferral of a portion of Federal income taxes provided in the current and prior years.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

MOTOR PRODUCTS CORPORATION
Current Liabilities:

Other liabilities—deferred—Note C:	
Accrued commissions	$1,080,865.99
Canadian taxes on income of subsidiary	34,772.30

Note C: Accounting for installment contract sales and income taxes—Parking meters usually are sold under title-retaining contracts which extend for periods up to three years. In accordance with generally recognized trade practice all contracts, including those having balances due beyond one year (amounts not practical of determination) have been included in current assets. Commissions on such sales, which will not be payable until collections on the contracts have been received, have been included in current liabilities.

It is the policy of the Corporation to include profits on installment sales in earnings in the year in which the sales are made. For income-tax purposes profits on the sales are reported on the installment basis. Provision has been made for income taxes deferred by reason of such policies. Because the Corporation files its federal income tax return on a consolidated basis and because of the carry-forward of prior years' operating losses, the provision for United States taxes on income for the year ended June 30, 1960, was materially less than would otherwise have been required.

Deferral of Tax Benefits re Amortization of Emergency Facilities

PITTSBURGH PLATE GLASS COMPANY
Above Stockholders' Equity:

Deferred Credits:	
Deferred income tax	$21,000,000

Notes to Financial Statements

Deferred Income Taxes: Depreciation for income tax purposes on certain emergency facilities currently exceeds normal depreciation as recorded in the accounts. To offset the effect of this difference, deferred income taxes of $2,200,000 have been included in the 1960 tax provision. Such deferred income taxes aggregated $21,000,000 at December 31, 1960. In later years, when depreciation recorded in the accounts will exceed that deductible for tax purposes, the amounts so deferred will be credited to income.

REPUBLIC STEEL CORPORATION
Above Stockholders' Equity:

Reserves	
Operating and other reserves	$13,263,303
Deferred credit—Note C	21,804,453

Note C: Associated Companies—. . . The Corporation's share of such costs and charges and of amortization of emergency facilities in excess of normal depreciation has been taken as a deduction in the computation of its federal taxes on income. Since such excess of amortization, which has not been recorded on the books of the companies, reduced federal income taxes of the Corporation currently payable, an amount ($2,116,280) equivalent to the reduction in 1960 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, 1960, was $21,804,453. . . .

Amortization under Certificates of Necessity and New Depreciation Methods

REYNOLDS METALS COMPANY
Above Stockholders' Equity:

Reserves:	
Deferred taxes on income (net)—Note E	$64,054,000

Note E: Accounting Policies with Respect to Depreciation and Amortization—For financial accounting and reporting purposes it is the policy of the companies to provide for depreciation of properties by periodic income charges computed at annual rates (applied by the straight-line method) that will amortize the cost of the depreciable properties over their estimated useful lives.

For income tax purposes property costs of approximately $157,500,000 have been certified for amortization over periods of five years, which are shorter than the estimated useful lives of the properties. Substantially all of the certified amount has been amortized. Depreciation of other assets acquired since December 31, 1953, has been computed for tax purposes generally under the declining-balance method resulting in amounts initially greater than those resulting from the straight-line method. Provision is being made in the accounts for income taxes estimated to be payable in years when, as a result of these policies, book depreciation exceeds depreciation deductible for tax purposes.

THE YOUNGSTOWN SHEET AND TUBE COMPANY
Above Stockholders' Equity:

Reserve for Future Federal Income Taxes (Note 1)	$36,090,000

Note 1: Investment in Erie Mining Company—Pursuant to a closing agreement with the Treasury Department, the Company, as a shareholder in Erie, in computing taxable income currently is taking deductions (principally for necessity certificate amortization) which are greater than the charges for Erie's costs. Such deductions taken now will not be allowable to the shareholders for future federal income tax purposes and, thus, federal income taxes will then be increased accordingly. In 1960 the Company's share (35%) of such deductions resulted in a reduction in current federal income taxes of $6,390,000, which has been taken as a charge against current income and credited to a reserve which will be available to absorb the relative increase in future federal income taxes.

CUTLER-HAMMER, INC.
Above Stockholders' Equity:

Reserve for Deferred Federal Taxes on Income (Note 2)	$2,525,642

Note 2: Depreciation charges included in costs and expenses amounted to $3,159,190 in 1960 and $2,690,441 in 1959. A portion of these charges are not deductible for Federal income tax purposes as they represent depreciation computed at normal rates on the cost of certain facilities covered by a necessity certificate which was amortized for tax purposes in prior years. The additional income taxes resulting from the nondeductible portion of the depreciation, amounting to $136,610 in 1960 and $140,049 in 1959, have been charged to the reserve for deferred Federal taxes on income.

New Depreciation Methods

AMERICAN CAN COMPANY
Above Stockholders' Equity:

	In Thousands of Dollars
Reserve for deferred income taxes (Note 4)	$29,930

Note 4: For income tax purposes, the Company uses accelerated depreciation methods, but uses other appropriate methods for financial accounting purposes. The current reduction in income taxes

payable which results from the net excess of tax depreciation over book depreciation is charged to income and credited to reserve for deferred income taxes.

ARCHER-DANIELS-MIDLAND COMPANY
Above Stockholders' Equity:
Reserves
For deferred taxes on income—Note B .. $822,283

Note B: The Company is taking accelerated depreciation for income tax purposes on certain grain storage facilities and other properties as permitted under the provisions of the Internal Revenue Code. Normal depreciation on these facilities is being charged against income. The excess of the depreciation allowable for tax purposes resulted in temporary tax benefits of $822,283 in the current and prior years, which amount has been charged to operations ($207,483 the current year) and deferred, to be returned to income as a partial offset against the normal depreciation charges in future years.

PENN FRUIT CO. INC.
Above Stockholders' Equity:
Reserve for Possible Future Income Taxes, applicable to excess of accelerated depreciation deducted for tax purposes over straight-line depreciation reflected in the financial statements $926,700

Undistributed Earnings of Consolidated Foreign Subsidiaries

AMERICAN MOTORS CORPORATION
Above Stockholders' Equity:
Other Liabilities:
Executive compensation payable after one year, less applicable income taxes .. $1,912,200
Deferred income taxes on undistributed earnings of subsidiaries 1,530,000

KOPPERS COMPANY, INC.
Above Stockholders' Equity:
Deferred income taxes on foreign earnings (Note 1) $1,235,216

Note 1: Principles of consolidation and investments in affiliates—Effective January 1, 1960, the Company consolidated all wholly-owned subsidiaries. In prior years two wholly-owned South American subsidiaries were not consolidated. The statements for the year 1959 have been restated on the basis of the present consolidation practice. The effect of this change was to increase consolidated net income for 1960 and 1959 by $650,218 and $406,987, respectively, and to increase consolidated earnings prior to those years retained in the business by $713,221. These amounts are after providing for estimated income taxes payable upon eventual transfer of the earnings of these foreign subsidiaries to the parent company. . . .

PARKE, DAVIS & COMPANY
Above Stockholders' Equity:
Deferred Liabilities:
Awards under Bonus Plan, less related reduction in future income taxes .. $ 423,000
United States income taxes on undistributed earnings of subsidiaries in other countries 6,900,000

G. D. SEARLE & CO.
Above Stockholders' Equity:
Reserve for Possible Losses on Foreign Investments and Future Income Taxes on Undistributed Earnings of Foreign Subsidiaries $748,000

Other Tax Reserves

CHOCK FULL O'NUTS CORPORATION
Above Stockholders' Equity:
Deferred Federal Income Taxes (Note 4) .. $309,500

Note 4: The company has continued to determine depreciation deductions for federal income tax purposes by accelerated methods which exceed those provided on the books (Note 1). Further, certain other costs (Note 3) are deferred on the books but currently deducted for federal income tax purposes. The related tax benefit is deferred and will be utilized in subsequent periods when the related book charges to income exceed allowable federal income tax deductions.

Note 3: Deferred charges include accumulated advertising and other costs relating to marketing coffee in new areas (after deducting gross profit on sales during the development period) amounting to $416,000, of which $334,000 arose during the year ended July 31, 1960. It is the company's policy to amortize such costs by charges to income beginning not more than three years after the commencement of operations in each area.

MACK TRUCKS, INC.
Above Stockholders' Equity:
Deferred U.S. and Canadian income taxes (Note 6) $6,772,000

Note 6: Profits on instalment sales are included in income for financial accounting purposes at the time of sale but, for U.S. and Canadian income tax purposes, are deferred until the related customers' instalment obligations are collected. This has resulted in cumulative reductions in income taxes currently payable and amounts equivalent thereto have been provided from income for the income taxes deferred until subsequent years. Provision has also been made for deferred U.S. income tax resulting from the excess of depreciation allowed for income tax purposes on certain fixed assets over depreciation thereon provided in the financial statements and development costs allowed currently for income tax purposes but deferred in the financial statements.

McGRAW-HILL PUBLISHING COMPANY, INC.
Above Stockholders' Equity:
Reserve for Deferred Federal Income Taxes (Note 2) $3,896,585

Note 2: It has been the consistent policy of the company to reflect subscription income and the cost of securing subscriptions at the time the subscriptions are secured and the cost incurred. Federal income tax provisions in the income statement are based upon the income reported therein. Since subscription income is reported for Federal income taxes on a deferred basis over the life of the subscriptions, Federal income tax credits applicable to unexpired subscriptions are carried on the balance sheet as "Reserve for Deferred Federal Income Taxes."

FRUEHAUF TRAILER COMPANY
Above Stockholders' Equity:
Deferred Taxes on Income (Note C) $2,166,619

Note C: United States and Canadian Taxes on Income—. . . 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, having been both required and approved by the Internal Revenue Service in prior years, has resulted in a postponement in time of payment of income taxes that have been provided for in the financial statements. 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 Internal Revenue Service has asserted certain deficiencies in United States income taxes paid with respect to the practice of stating used trailers at $1.00 each for United States income tax purposes for the years subsequent to 1953. The Company has filed petitions with the Tax Court contesting such assertions. If the contentions of the Internal Revenue Service are sustained, the postponed taxes described in the preceding paragraph would become payable and interest would also become payable. The Company and its counsel are of the opinion that the ultimate liability for such taxes and interest will not exceed the amounts provided therefor in the financial statements. . . .

MISCELLANEOUS OTHER RESERVES

The assorted types of miscellaneous other reserves found in the reports of the survey companies for the years 1950, 1955, 1959, and 1960 and their balance sheet presentation are shown in Table 39. There were

TABLE 39: MISCELLANEOUS OTHER RESERVES

Balance Sheet Presentation*	1960	1959	1955	1950
A: With: *Related Assets* for—				
Loss on investments	28	26	2	—
Discounts	20	16	N/A	N/A
Returns and/or allowances	30	8	N/A	N/A
Other	7	5	—	1
B: Among: *Current Liabilities* for—				
Appraisal claims	4	2	1	—
Discontinued operations	3	3	—	—
Sales returns or allowances	2	2	2	2
Contract settlements and adjustments	2	4	—	—
Sugar-beet crop payments	2	2	1	1
Additional costs	1	—	1	—
"General" and "Sundry" purposes	5	1	1	3
Price redetermination refund	1	1	—	—
Other	2	—	—	2
C: Above: *Stockholders' Equity* for—				
Discontinued operations	3	1	2	—
Deposits refundable	1	1	2	1
Estimated claims payable	1	1	1	1
Litigation pending	1	2	3	1
Loss on receivables	—	—	1	2
Preferred stock retirement	—	—	1	2
Sales returns or allowances	3	1	2	1
"General" and "Sundry" purposes	33	29	31	28
"Operating" purposes	10	10	11	13
Unrealized profit on land contracts receivable	—	—	1	—
Other	1	4	2	2
D: Within: *Stockholders' Equity* for—				
Preferred stock retirement	3	2	5	3
Charter requirement	—	—	1	1
Sinking fund	2	2	1	2
Working capital	—	—	1	1
"General" and "Sundry" purposes	5	2	2	4
Total	170	125	75	71
Terminology Used				
Reserve	98	80	61	57
Provision	15	10	6	3
Various other terms	57	35	8	11
Total	170	125	75	71
Number of Companies with:				
Miscellaneous reserves	140	108	70	66
No miscellaneous reserves	460	492	530	534
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 69, 104, 108, 126, 147, 250, 274, 396, 477, 492, 496, 539;
B: Co. Nos. 6, 21, 179, 189, 196, 211, 214, 270, 294, 408, 529, 558, 559;
C: Co. Nos. 11, 59, 178, 183, 250, 291, 297, 332, 415, 428, 439, 446, 502, 515, 591;
D: Co. Nos. 284, 368, 385, 404, 536, 581.
N/A—Not available.

170 such reserves shown by 140 companies in their 1960 annual reports.

This fifteenth edition of *Accounting Trends and Techniques* is the second in which provision for sales returns and allowances or discounts on receivables have been included with miscellaneous other reserves, and in most cases they are combined with the amounts provided for uncollectible accounts. (See this section, Table 7).

In the few cases where debit or credit offsetting entries to miscellaneous other reserves were disclosed, they were generally made to the income account. Those entries affecting retained earnings are presented in Section 4 under Appropriation of Retained Earnings—Various Other Stated Purposes."

Examples presented below indicate the various types of "other reserves" disclosed by the companies and their balance sheet accounting treatment. Extensive references are also provided at the foot of the table.

Loss on Investments

ASSOCIATED DRY GOODS CORPORATION
Noncurrent Assets:
Miscellaneous investments, at cost less reserves of $552,105 .... $661,586

BATES MANUFACTURING COMPANY
Current Assets:
U.S. Government securities—at cost, less allowance for decline or market value .. $1,021,904

THE DOW CHEMICAL COMPANY
Investments and Non-Current Receivables:
Non-current notes and accounts receivable and sundry investments (less reserve for loss, $470,128) $7,278,563

J. I. CASE COMPANY
Noncurrent Assets:
Investment, advances and current accounts receivable—French subsidiaries, less provision for losses of $5,965,113 in 1960 (Note 4) $793,540

Note 4: Investment in and Advances to French Subsidiaries—The amounts invested in and advanced to the French subsidiaries to October 31, 1960 have been written off since their operating losses, principally in the 1960 fiscal year, have substantially eliminated any equity applicable to such amounts. Many of the costs contributing to these losses were the result of problems which in large part have been overcome and it is believed that future operations can be conducted without substantial loss. The company has made additional advances of $1,350,000 to these subsidiaries since October 31, 1960. During 1959 the company guaranteed $3,700,000 of the French subsidiaries' debt. At January 11, 1961, there was a remaining contingent liability under these guarantees of $2,470,000.

Sales Returns, Allowances, and Discounts

MUNSINGWEAR, INC.
Current Assets:
Accounts receivable:
Trade (less allowances for cash discounts, returns and doubtful accounts: 1960, $276,480; 1959, $235,856) $5,506,826

DEERE AND COMPANY

Current Assets:

Receivables:	
Accounts	$194,893,188
Notes, less unearned interest of $5,194,863 in 1960 and $10,402,349 in 1959	36,094,724
Total	230,987,912
Less reserves for returns and allowances and doubtful receivables	11,500,000
Receivables—net	$219,487,912

INLAND STEEL COMPANY

Current Assets:

Notes and accounts receivable, less provisions for allowances, claims and doubtful balances of $1,726,815 at December 31, 1960 and $1,832,170 at December 31, 1959 .... $46,187,757

SQUARE D COMPANY

Current Assets:

Accounts receivable from customers, less allowances for losses, adjustments, and discounts (1960—$200,000; 1959—$175,000) $12,462,362

Contract Settlements and Adjustments

BEECH AIRCRAFT CORPORATION

Current Liabilities:

Provision for contract settlements $924,665

Notes to Financial Statements

Note F: Renegotiation—A substantial portion of the sales for the years 1959 and 1960 is subject to renegotiation; however, in the opinion of Management, such renegotiation will have no significant effect upon the financial position and operating results of the Company. Necessary reports have been filed through September 30, 1959, and clearance obtained through September 30, 1958.

GENERAL ELECTRIC COMPANY

Current Liabilities:

Other costs and expenses accrued* (amounts to be paid employees, interest owed, etc.) $262,329,529

*Other Costs and Expenses Accrued:

Payrolls accrued	$ 24,348,084
Interest expense accrued	1,462,088
Other costs and expenses accrued—includes liabilities for replacements under guarantees, renegotiation, allowances to customers, employee benefit costs, etc.	236,519,357
	$262,329,529

Discontinued Operations

CLETRAC CORPORATION

Current Liabilities:

Provision for costs and expenses in connection with sale of farm equipment assets and business and other related matters $2,000,000

CONGOLEUM-NAIRN, INC.

Current Liabilities:

Provision for estimated expenses of consolidation of operations and changes in product lines (Note 2) $3,935,000

Note 2: The Board of Directors has approved a program for consolidation and realignment of facilities and operations. Plant and equipment no longer required as a result of this consolidation of operations have been written down to estimated realizable values, and provisions have been made for other estimated costs and expenses due to the proposed consolidation of operations and changes in product lines. Such write-downs and provisions, less reserves no longer required, amounted to $9,000,000 and were charged to earned surplus.

HOUDAILLE INDUSTRIES, INC.

Above Stockholders' Equity:

Reserve for Extraordinary Expenses of Terminated Operations—(Current portion included in current liabilities) $625,188

Litigation

SMITH-CORONA MARCHANT INC.

Current Liabilities:

United States income taxes and provision for renegotiation of United States Government contracts (Note 4) $309,103

Note 4: Income Taxes—The Internal Revenue Service is contending that for income tax purposes the advance payments received by Marchant Calculators, Inc. (now a division of Smith-Corona Marchant Inc.) in the calendar years 1951 through 1955 from customers under maintenance agreements are taxable in full in the year received rather than over contract periods on the accrual basis, which is the method used to reflect income for accounting purposes and is considered by counsel to be sound for tax purposes. In connection with this matter, a civil suit has been filed against the United States in the U.S. District Court in San Francisco. Should the position of the Internal Revenue Service be sustained, the additional income tax liability with respect to such advance payments received in the tax years 1951 through 1959 would be approximately $1,000,000, but this would not affect the accompanying income statement because such tax would be allocated over the remaining life of the maintenance agreements on the same basis that income therefrom is recognized in the accounts.

General and Sundry Purposes

THE GOODYEAR TIRE & RUBBER COMPANY

Above Stockholders' Equity:

Reserves:	
For sundry liabilities, foreign operations, etc.	$18,581,412
For foreign investments—general reserve	12,588,855
	$31,170,267

KENNECOTT COPPER CORPORATION

Above Stockholders' Equity:

Sundry reserves and deferred credits $5,459,398

LUKENS STEEL COMPANY

Above Stockholders' Equity:

Reserves $3,948,000

Supplementary Financial Information

Reserves:	
Deferred income taxes	$3,232,000
Other	716,000
	$3,948,000

OTIS ELEVATOR COMPANY

Above Stockholders' Equity:

General reserve $1,354,991

Operating Purposes

AMERICAN SMELTING AND REFINING COMPANY

Above Stockholders' Equity:

Reserves:

Operating $1,476,227

THE BENDIX CORPORATION
Above Stockholders' Equity:
Reserves:
Sundry operating reserves $1,601,144

NATIONAL STEEL CORPORATION
Above Stockholders' Equity:
Reserves
General operating purposes, including pensions $22,412,439

REPUBLIC STEEL CORPORATION
Above Stockholders' Equity:
Reserves
Operating and other reserves $13,263,303

Preferred Stock Retirement

MOORE DROP FORGING COMPANY
Within Stockholders' Equity:
Sinking fund for retirement of preferred stock $17,845

UNIVERSAL MATCH CORPORATION
Within Stockholders' Equity:
Retained earnings ($88,130 reserved for redemption of preferred stock) exclusive of $8,831,883 at December 31, 1960 and 1959 transferred to capital $6,591,604

CAPITAL STOCK

CLASSIFICATION OF CAPITAL STOCK

The various classes of capital stock and their presentation, as disclosed in the balance sheets of the 600 survey companies, are summarized in Table 40. Of the survey companies, 308 presented only one type of stock (common or "capital"), 248 companies presented common stock together with one type of preferred stock, while 40 companies presented common stock together with two or more types of preferred stock in their 1960 reports. Extensive references are given throughout the table to the various classes of stock summarized therein.

TABLE 40: CLASSIFICATION OF CAPITAL STOCK

Presentation of Stock Classes	1960	1959	1955	1950
Common Stock and one type of Preferred Stock (*Co. Nos. 27, 164, 224, 309, 315, 407)	248	245	254	269
Common Stock (*Co. Nos. 6, 108, 211, 324, 408, 523)	201	205	186	158
"Capital Stock" (*Co. Nos. 33, 146, 293, 354, 493, 600)	101	100	113	122
Common Stock and two types of Preferred Stock (*Co. Nos. 34, 129, 295, 381, 469, 506)	38	37	36	36
Common Stock (two types) (*Co. Nos. 88, 123, 243, 487, 522)	5	4	4	3
Common Stock (two types) and one type of Preferred Stock (*Co. Nos. 191, 345, 367)	3	3	3	6
"Capital Stock" (two types) (*Co. No. 422)	1	1	1	2
Common Stock and three or more types of Preferred Stock (*Co. Nos. 118, 233)	2	3	1	3
Common Stock (two types) and two or more types of Preferred Stock (*Co. No. 299)	1	2	2	1
Total	600	600	600	600
Number of Companies presenting:				
Only Common Stock	206	209	190	161
Both Common and Preferred Stock	292	290	296	315
Only "Capital Stock"	102	101	114	124
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples of Balance Sheet Presentation

The following examples illustrate the various methods of presentation of capital stock information in the balance sheet:

COLGATE-PALMOLIVE COMPANY
Capital stock
$3.50 preferred stock, without par value, cumulative dividend, authorized 250,000 shares, outstanding 125,000 shares $12,500,000
Common stock, $1.00 par value, authorized 12,000,000 shares, issued: 8,439,641 shares at stated value 35,165,170
$47,665,170

ART METAL, INC.
Stockholders' Equity:
Capital Stock, $1.00 par value, authorized 2,000,000 shares; issued and outstanding —894,009 shares at stated value of $12 a share $10,728,108

COMBUSTION ENGINEERING, INC.
Capital stock—
Authorized—7,500,000 shares of $1 par value
Issued—3,396,578 shares stated at $15,382,307
Notes to Financial Statements

Note 3: Common Stock—Of the capital stock authorized but unissued, 479,000 shares are reserved for the conversion of Convertible Subordinated Debentures and 36,299 shares are reserved for options outstanding under stock option plans. . . .

CORN PRODUCTS COMPANY
Shareholders' Equity:
Common stock, par value $1, authorized 15,000,000 shares, issued 1960, 10,953,723; 1959, 10,903,341—Notes 4 and 5 $10,953,723

Note 4: Not reproduced.

Note 5: Two For One Stock Split—A proposal will be presented at the annual meeting of stockholders April 25, 1961 to amend the Certificate of Incorporation of the company to increase the authorized capital stock of the company from fifteen million (15,000,000) shares of common stock, par value $1 per share, to thirty million (30,000,000) shares with a par value of 50¢ per share and thereupon to split each share of common stock, par value $1 per share, into two shares with a par value of 50¢ per share.

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.

Illustrations of the presentation of capital stock values for 1960 appear in the examples given as a part of this section.

STATUS OF CAPITAL STOCK

The extent of disclosure by the survey companies of the number of shares of capital stock authorized, issued, and outstanding, is summarized in Table 42.

TABLE 41: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1960	1959	1955	1950
Common Stock with Shares described as:				
Par value stock	419	418	395	319
Par value stock at—				
"Stated value" per share	6	6	3	3
"Stated value" per total	10	8	2	—
"Assigned value" per share	—	—	—	1
No par value stock at—				
"Stated value" per total	15	16	12	—
"Stated value" per share	12	13	16	28
"Assigned value" per share	1	—	—	1
"Declared value" per share	—	—	1	1
Not further described	43	42	65	134
Share value not mentioned	—	—	—	1
Total	506	503	494	488
"Capital Stock" with Shares described as:				
Par value stock	72	71	81	80
Par value stock at—				
"Stated value" per total	5	4	—	1
"Stated value" per share	1	—	—	—
No par value stock at—				
"Stated value" per total	5	6	3	—
"Stated value" per share	4	4	6	8
"Liquidating value" per share	—	—	—	1
Not further described	15	15	24	35
Total	102	100	114	125
Preferred Stock with Shares described as:				
Par value stock	233	231	230	272
Par value stock at—				
"Redemption value" per share	1	—	1	—
No par value stock at—				
"Stated value" per total	8	9	2	—
"Stated value" per share	13	16	21	25
"Liquidating value" per share	9	9	7	8
"Assigned value" per share	—	—	1	1
Not further described	29	27	40	54
Share value not mentioned	3	3	—	3
Total	296	295	302	363

TABLE 42: STATUS OF CAPITAL STOCK

Number of Shares Shown for—	1960	1959	1955	1950
Common Stock				
Authorized, issued, outstanding	167	159	175	192
Authorized, issued	191	198	183	159
Authorized, outstanding	135	129	117	111
Authorized, issued, outstanding, unissued	3	3	3	6
Authorized, outstanding, unissued	1	1	1	5
Authorized	4	3	3	3
Authorized, issued, unissued	1	1	—	—
Issued	—	—	3	2
Outstanding	1	1	4	2
Issued, outstanding	3	3	1	1
Status not set forth	1	4	4	7
Total	507	502	494	488
"Capital Stock"				
Authorized, issued	47	49	50	57
Authorized, issued, outstanding	32	31	42	49
Authorized, outstanding	18	16	15	10
Authorized, issued, outstanding, unissued	—	—	1	1
Issued	1	2	2	1
Issued, outstanding	—	1	2	3
Outstanding	1	1	—	1
Authorized	—	—	1	—
Status not set forth	1	1	1	3
Total	100	101	114	125
Preferred Stock				
Authorized, issued	78	87	94	115
Authorized, outstanding	85	80	87	96
Authorized, issued, outstanding	74	71	77	100
Authorized, outstanding, unissued	1	1	1	2
Authorized, issued, outstanding, unissued	5	1	—	1
Authorized	5	1	4	3
Outstanding	2	—	4	4
Issued	1	—	1	1
Issued, outstanding	—	3	—	—
Authorized—None issued to date	47	48	27	32
Status not set forth	4	6	6	8
Authorized, issued; undesignated and unissued	—	—	1	1
Total	302	298	302	363

HERSHEY CHOCOLATE CORPORATION

Common stock, without par value—
Authorized 3,000,000 shares (Note 2);
outstanding 2,406,298 shares $4,585,594

Note 2: Under the Officers and Key Employees Stock Option Plan approved in 1957 there were 92,953 authorized but unissued shares of common stock reserved at December 31, 1960. Of these shares 39,444 were for outstanding options (at $54.00 per share for 22,679 shares, $55.00 to $75.50 per share for 5,715 shares and $84.00 per share for 11,050 shares), and 53,509 shares were for future options. In 1960 options were granted for 11,050 shares. Options for 2,892 shares were exercised during the year, and the proceeds of $160,508 were credited to the common stock account.

INTERNATIONAL BUSINESS MACHINES CORPORATION

Capital Stock . . . Par Value $5.00 Per Share $651,019,372
Authorized: 19,875,000 shares
Issued and outstanding: 18,310,954 shares

THE FLINTKOTE COMPANY

Capital stock (Notes 4 and 8):

$4 cumulative preferred stock without par value:	
Authorized and issued: 1960, 55,745 shares; 1959, 57,995 shares	$ 5,912,454
4½% convertible second preferred stock, par value $100 per share:	
Authorized, issued and outstanding, 72,965 shares	7,296,500
$4.50 Series A convertible second preferred stock, par value $100 per share:	
Authorized: 1960, 120,263 shares; 1959, 128,926 shares; issued and outstanding, 1960, 120,225 shares; 1959, 120,269 shares	12,022,500
$2.25 Series B convertible second preferred stock, without par value, authorized 650,000 shares; issued and outstanding, 400,800 shares	2,959,072
Common stock, $5 par value:	
Authorized 10,000,000 shares; issued and outstanding: 1960, 5,533,262 shares; 1959, 5,437,461 shares, stated at	58,381,424
Issuable under stock option plan purchase contracts: 1960, 21,217 shares; 1959, 18,248 shares	610,220

Note 4: Not reproduced.

Note 8: Certain provisions of the preferred stocks follow:

Amounts to which each share is entitled in liquidation (in each case plus accrued dividends):	Involuntary	Voluntary (and Redemption)
$4 cumulative	$100.00	$107.00
4½ convertible second	100.00	105.00
$4.50 Series A convertible second	100.00	105.00
$2.25 Series B convertible second	50.00	52.50

At December 31, 1960, the aggregate stated value of the $2.25 preferred stock was less by $17,080,928 and $18,082,928 than the aggregate involuntary and voluntary liquidation amounts, respectively.

The $4 preferred stock has a sinking fund provision requiring the annual redemption of 2,000 shares. The 4½%, $4.50 and $2.25 preferred stocks are redeemable after September 15, 1962, December 1, 1963 and July 1, 1965, respectively.

Conversion features:	Shares of Common Stock for Each Share of Preferred Stock
4½% series	3.000 shares
$4.50 series	2.678 shares
$2.25 series	1.111 shares

At December 31, 1960, an aggregate of 986,253 shares of common stock were reserved for conversion of 4½%, $4.50 and $2.25 preferred stocks.

THE AMERICAN DISTILLING COMPANY

Stockholders' Equity:

Capital stock—common—Note 6:

Authorized:

2,000,000 shares $10.00 par value at September 30, 1960

1,000,000 shares $20.00 par value at September 30, 1959

Issued:

955,194 shares $10.00 par value at September 30, 1960

483,418 shares $20.00 par value at September 30, 1959 .... $9,551,940

Note 6: a. During the year the Company purchased in the open market shares of its common stock at an average price of $45.61 per share, all of which were $20.00 par value acquired prior to August 4, 1960. These were disposed of by sales to its employees and associates, and by distribution as additional compensation to employees in accordance with a company policy established in prior years. The sales and distribution prices approximated the Company's cost, and therefore, had no material effect on operations.

b. In accordance with a resolution of the Company's Board of Directors at a meeting held June 23, 1960, the Company's outstanding stock was reduced from 483,418 shares (par value $20.00 each) to 477,597 by the retirement of 5,821 shares which had been held in the Treasury. The Treasury stock had been carried on the books at its cost of $151,746. The Capital Stock account was reduced by $116,420, the par value of the Treasury stock, and the $35,326 excess of cost over par value was charged against Capital Surplus.

c. In accordance with a resolution of the stockholders of the Company, at a meeting held August 4, 1960, the Company's authorized capital stock was changed from 1,000,000 shares of $20.00 par value each to 2,000,000 shares of $10.00 each. The 477,597 shares then outstanding were increased to 955,194.

HOLLAND FURNACE COMPANY

Capital:

Common stock, $5 par value; authorized 1,000,000 shares, issued 900,884 shares $4,504,420

MINESOTA MINING AND MANUFACTURING COMPANY

Stockholders' Investment:

Preferred stock, without par value:

Authorized—150,000 shares; Issued—None

Common stock, without par value:

Authorized—1960 and 1959, 75,000,000 shares; Issued—1960, 51,569,737 shares, including 244,463 shares carried under investments; 1959, 51,163,062 shares, including 134,463 shares carried under investments $59,435,328

MONTGOMERY WARD & CO., INCORPORATED

Capital Stock and Earnings Reinvested:

Class "A" stock, no par value—

Authorized 205,000 shares noncallable, $7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value .... $ 20,155,400

Common stock, no par value—

Authorized 20,000,000 shares; issued 13,004,756 shares, at stated value .. $211,231,385

THE NATIONAL SUGAR REFINING COMPANY

Capital Stock—without par value: authorized, 1,000,000 shares; issued, 694,803 shares $26,721,730

ALLIED STORES CORPORATION

Stockholders' Equity:

Cumulative preferred stock (Note C), par value $100 per share:

Authorized—357,551 shares for 1960 and 363,697 shares for 1959

Issued:

4% Series—191,295 shares for 1960 and 196,441 shares for 1959, less 398 shares for 1960 and 3,924 shares for 1959 held in treasury	$19,089,700
4% Second Series—41,000 shares for 1960 and 42,000 shares for 1959	4,100,000
	$23,189,700

Common stock (Note D):

Amount of capital fixed by the Board of Directors at $1.00 per share:

Authorized—4,000,000 shares

Issued and outstanding—2,650,284 shares .... $ 2,650,284

Note C: Under the terms of the Certificate of Incorporation, the Corporation is obligated on or before December 31 of each year to acquire for retirement 5,146 shares of cumulative preferred stock, 4% Series and, until 1971, 1,000 shares of cumulative preferred stock, 4% Second Series, at the redemption price of $100 per share and accrued dividends, or by purchase not exceeding such redemption price. Commencing in 1971, the Corporation is obligated to retire 6,000 shares per annum of the Second Series until such series is fully retired. As of January 31, 1960, the Corporation has complied with the retirement provisions of both series and is holding in treasury 398 shares of the 4% Series for future requirements.

In the event of liquidation, whether voluntary or involuntary, the holders of such stock are similarly entitled to $100 per share and accrued dividends.

Note D: Not reproduced.

PARKE, DAVIS & COMPANY

Stockholders' Investment:	
Capital Stock, no-par value (Note C):	
Authorized 20,000,000 shares	
Issued 14,852,553 shares at December 31, 1960—at stated capital amount, including $125,358 added in 1960 from exercise of stock options	$14,929,561

Note C: Not reproduced.

PRATT & LAMBERT, INC.

Capital stock—authorized, 375,000 shares of no par value; issued, 202,500 shares	$3,450,000

STANDARD BRANDS INCORPORATED

Stockholders' Equity:	
Preferred stock without par value	
Authorized—350,000 shares issuable in series	
Issued—200,000 shares of $3.50 Cumulative Preferred stock at stated value of $100 a share—redeemable at $100 a share	$20,000,000
Common stock without par value	
Authorized—10,000,000 shares	
Issued—6,605,334 and 6,584,138 shares at December 31, 1960 and 1959, respectively, at stated value of $4 a share (Note 2)	26,421,336

Note 2: Not reproduced.

TEXAS GULF SULPHUR COMPANY

Stockholders' Equity:	
Capital stock:	
Authorized, issued and outstanding, 11,520,000 shares without nominal or par value, including 1,500,000 shares held in treasury	$26,175,000

UNITED STATES TOBACCO COMPANY

Stockholders' Equity:	
Preferred stock—7% non-cumulative—par value $25.00 per share:	
Authorized—93,200 shares	
Issued—93,200 shares—including in 1960, 500 shares in treasury	$ 2,330,000
Common stock—no par value:	
Authorized—2,400,000 shares	
Issued—1,831,400 shares—including in 1959, 63,200 shares in treasury	14,943,700

PULLMAN INCORPORATED

Stockholders' Equity (Notes B and C):		
Capital stock, no par value—		
Stated value per share	$20	
Shares authorized	7,750,000	
Shares issued	4,611,008	
Shares held in treasury	31,200	
Shares outstanding	4,579,808	$91,596,160

Note B: Capital Stock—On May 17, 1960 the stockholders authorized a two-for-one stock split which involved amendment of the Certificate of Incorporation to increase the total number of authorized shares from 3,875,000 to $7,750,000, to change each outstanding share into two shares, and to reduce the stated value from $40 to $20 per share. The split was accomplished by issuance of certificates representing one additional share for each share held of record at the close of business on June 1, 1960, the effective date of the amendment.

Note C: Not reproduced.

Carrying Value Greater than Par Value

Following are illustrations from the 1960 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 213, 251, 273, 382, 508, 523 show in the balance sheet that the stock is extended at "stated value" while *Company numbers 37, 112, 139, 158, 192, 224, 244, 248, 332, 413, 444, 467, 476, 566, 586, 588 make no reference to this fact. An example of each follows:

STANRAY CORPORATION

Stockholders' Investment:	
Common stock, $1.00 par value (Note A):	
Authorized 1,500,000 shares; issued 1,385,000 shares at stated value	$ 9,000,000
Accumulated earnings reinvested in the business (Note C)	7,943,480
	$16,943,480
Less cost of stock in Treasury—169,950 shares	2,216,286
	$14,727,194

Notes A and C: Not reproduced.

GENERAL CIGAR CO. INC.

Stockholders' Equity:	
Common stock, par value $1 (Note 4)	
Authorized 1,500,000 shares	
Outstanding, including shares in treasury —1,418,946 shares	$10,198,068
Retained earnings, per accompanying statement (Note 5)	22,064,274
	$32,262,342

Notes 4 and 5: Not reproduced.

TREASURY STOCK

Of the 600 survey companies, 318 referred to treasury stock in their 1960 reports as follows:

Two hundred and twenty-two companies referred only *to common* treasury stock; 37 companies showed only *preferred* stock in treasury; 59 companies showed both *common* and *preferred* treasury stock.

*Refer to Company Appendix Section.

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, as per details in 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 basis of valuation of treasury stock used by the survey companies for the years 1950, 1955, and 1960 is summarized in Table 43.

TABLE 43: TREASURY STOCK

	"Common" Treasury Stock			"Preferred" Treasury Stock		
Balance Sheet Presentation	1960	1955	1950	1960	1955	1950
Within Stockholders' Equity Section:						
Deducted from *total* of capital stock and surplus (*Co. Nos. 45, 95, 244, 391, 433, 590)	174	124	103	37	41	36
Deducted from *total* of capital stock and capital surplus (*Co. No. 421)	1	1	1	—	—	—
Deducted from *total* of capital surplus and earned surplus (*Co. No. 256)	1	2	1	—	—	—
Deducted from retained earnings (*Co. Nos. 545, 548)	2	5	11	—	1	4
Deducted from issued stock of the same class (*Co. Nos. 62, 129, 174, 325, 356, 409)	83	77	97	55	48	53
Set forth with issued stock of the same class	—	1	4	—	2	2
In Noncurrent Asset Section:						
Separately set forth therein (*Co. Nos. 120, 248, 376, 379, 457, 589)	12	10	10	1	1	1
Set forth therein as a part of various special funds (*Co. Nos. 3, 48, 75, 250, 269)	6	8	2	1	1	1
Set forth in Notes to Financial Statements (*Co. Nos. 36, 63, 118, 208, 517, 586)	8	10	6	5	8	3
Total Presentations	287	238	235	99	102	100
Basis of Valuation						
Per-share value shown at:						
Cost	189	133	113	36	44	36
Par value	67	49	56	51	38	38
Stated value	6	8	9	8	4	6
Cost or less than cost	1	2	2	—	—	—
Less than cost	1	1	2	—	—	—
Reduced value	—	1	1	—	—	—
Carrying value	—	—	—	—	1	—
Lower of cost or market	—	2	—	—	—	—
Liquidation value	—	—	—	—	1	1
Various other	8	—	4	1	—	1
Per-share value not shown	15	42	48	3	14	18
Total Valuations	287	238	235	99	102	100
Number of Companies presenting:						
Only "common" treasury stock	222	181	182	—	—	—
Both "common and preferred" treasury stock	59	49	48	59	49	48
Only "preferred" treasury stock	—	—	—	37	48	52
Total Treasury Stock	281	230	230	96	97	100
No treasury stock	319	370	370	197	199	204
No "preferred" stock class	—	—	—	307	304	296
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

"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:

JACOB RUPPERT

Capital Stock and Surplus:	
Capital stock:	
4½% cumulative preferred, $100 par value—authorized and issued, 18,456 shares	$1,845,600
Common, $5 par value—authorized and issued, 500,000 shares	2,500,000
Surplus:	
Capital surplus (from redemption of preferred stock)	250,287
Earned surplus	3,346,343
Total	7,942,230
Less stock held in treasury—at cost:	
Common: 4,185 shares	37,138
Preferred: 4,200 shares (pledged per above)	341,700
Total	378,838
Capital stock and surplus	$7,563,392

Notes to Financial Statements

Note 4: The Company is required to redeem or retire 1,050 shares of the outstanding $100 par value 4½% cumulative preferred stock on or before July 1 of each year. At December 31, 1960 the Company had acquired 4,994 shares in anticipation of future requirements and had retired 794 of these shares; the 4,200 shares remaining in the treasury were pledged as collateral to bank loans.

Note 6: The 4,185 shares of common stock held in the treasury are being held for future disposition under the Employee Stock Purchase Plan which was ratified by common stockholders at the annual meeting in 1959 but which has not been put into effect by the Board of Directors. Under the provisions of the Plan, a minimum of 4,075 shares and a maximum of 10,000 shares of common stock may be made available for purchase by eligible employees at 85% of the market price on the date the Company makes the Plan effective.

KELLOGG COMPANY

Capital and Retained Earnings:	
3½% Cumulative Preferred Stock of $100 Par Value—	
Authorized and issued—134,263 shares	$ 13,426,300
Common Stock of $.50 Par Value—Authorized 9,000,000 shares; issued 8,905,805 shares	4,452,902
Other Capital	3,353,994
Retained Earnings Used in the Business	81,550,586
	$102,783,782
Cost of Preferred Stock Held in Treasury—20,100 shares	1,695,029
	$101,088,753

Notes to Financial Statements

Note 3: Each year the Company must set apart sufficient cash to purchase 3,750 shares of the preferred stock at prices varying from $102 in 1960 to $100 a share after 1975, or apply shares purchased as the equivalent of cash. In 1960, 3,750 shares purchased in prior years were retired satisfying this requirement with $34,623 excess of par value over cost added to other capital. Preferred shares may be redeemed at prices varying from $102.50 in 1961 to $100 a share in 1985. As long as preferred stock is outstanding no cash dividends may be declared which would reduce other capital and retained earnings below $10,000,000.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

Capital Stock and Surplus:	
Preferred stock—7% cumulative; $100 par value, redemption price and preference on liquidation $175 per share; authorized and outstanding 43,864 shares	$ 4,386,400
Common stock—$5 par value; authorized 15,000,000 shares; issued 11,709,936 shares	58,549,680
Capital surplus	59,128,112
Earned surplus (Note 3)	160,267,688
	282,331,880
Common stock held in treasury, at cost (61,899 shares)	808,736
	281,523,144
	$374,604,602

Note 3: Not reproduced here.

BORG-WARNER CORPORATION

Stockholders' investment:		
Preferred stock, 3½% cumulative, par value $100 per share (Note 2). Authorized 192,757 shares; issued 142,757 shares		$ 14,275,700
Cumulative preferred stock, par value $100 per share. 250,000 shares authorized but unissued		None
Common stock, par value $5 per share. Authorized 12,000,000 shares; issued 9,021,865 shares		45,109,325
Capital in excess of par value		30,259,053
Retained earnings (Note 6)		256,755,975
		346,400,053
Less capital stock reacquired and held in treasury, at cost:		
Preferred 47,044 shares	$4,237,757	
Common 98,049 shares	3,600,137	7,837,894
		$338,562,159

Notes 2 and 6: Not reproduced here.

GENERAL ANILINE & FILM CORPORATION

Capital Stock and Surplus:	
Capital stock (Note)—	
Common A stock, 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, $1 par value, authorized and issued 3,000,000 shares	3,000,000
Capital surplus	12,902,432
Earned surplus (Under loan agreement $69,345,370 was restricted as to the payment of dividends at December 31, 1960)	107,170,570
	$137,942,652
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 (cost $1,900,000)	950,000
	$ 1,066,352
	$136,876,300

SUN CHEMICAL CORPORATION

Share Owners' Equity (Notes 1 and 2):	
Preferred stock, authorized 48,600 shares, cumulative, without par value—	
Issued 19,000 shares $4.50 Preferred, Series A, stated at	$ 1,900,000
Common stock, authorized 2,500,000 shares, $1.00 par value—	
Issued 1,421,283 shares	1,421,283
Capital in excess of par or stated values (including $14,151 net gain from sale and exchange of common stock from treasury in 1960)	6,735,537
Earnings retained in the business	10,192,802
	20,249,622
Less—Stock held in treasury, at cost (Preferred 680 shares—$56,638; Common 48,177 shares—$657,776)	714,414
Total share owners' equity	$19,535,208

Notes 1 and 2: Not reproduced.

SKELLY OIL COMPANY

Stockholders' Equity (Note 2):	
Common stock, par value $25 per share—	
Authorized 6,000,000 shares	
Issued 5,746,117.2 shares	$143,652,930
Earnings employed in the business (Note 1)	213,442,099
	357,095,029
Less: Treasury stock at cost, 92,300 shares	3,845,468
	$353,249,561

Notes 1 and 2: Not reproduced.

(b) From the stockholders' equity section of the balance sheet with "treasury" stock set forth with, or as a deduction from, issued shares of the same class of capital stock:

THE AMALGAMATED SUGAR COMPANY

Owners' Investment:	
Preferred five per cent cumulative capital stock—par value $10.00:	
Authorized 750,000 shares;	
Issued 689,146¾ shares, less 192,998¾ shares in treasury	$4,961,480

ERIE FORGE & STEEL CORPORATION

Capital stock:	
6% Cumulative First Preferred Stock, par value $10.00 a share:	
Authorized 148,173 shares; issued and outstanding 142,626 shares, after deducting 5,547 shares held for retirement	$1,426,260.00
5% Cumulative Sinking Fund Second Preferred Stock, par value $50.00 a share:	
Authorized 8,704 shares; issued and outstanding 7,028 shares, after deducting 1,676 shares held for retirement	351,400.00

Notes to Financial Statements

Note: . . . The Corporation is required to set aside annually on August 1st a sum sufficient to retire 6,000 shares of 6% Cumulative First Preferred Stock and an additional sum equal to 5% of net income (as defined) for the preceding fiscal year, after deducting from net income the amount of $500,000.00. Sinking fund requirements for August 1, 1960, have been partially satisfied by application of stock acquired by conversion. Prior to August 1, 1960, the Corporation must acquire either by redemption or through conversion, 5,858 shares of 6% Cumulative First Preferred Stock to fully satisfy the sinking fund requirement.

The Corporation is required, within 60 days after the close of each fiscal year, to set aside as a sinking fund for the redemption or purchase of Second Preferred Stock a sum equal to 10% of net income (as defined) for such fiscal year after deducting from net income sinking fund requirements of 6% Cumulative First Preferred Stock in such period. The sinking fund payment required June 29, 1960, after applying the cost of shares previously purchased and held for retirement, is $12,936.89.

HERCULES MOTORS CORPORATION

Common Stock without par value:	
Authorized 500,000 shares	
Outstanding 355,000 shares at July 31, 1960 (excluding shares in treasury: 20,000) —Note C	
Stated capital	$2,142,665

Note C: During the year ended July 31, 1960, the Corporation adopted a stock option plan under which 20,000 shares of Common Stock held in the treasury are reserved for issuance to executives and other key employees at not less than 95% of the fair market value of the shares at the time the option is granted. . . .

RAYBESTOS-MANHATTAN, INC.

Capital stock: Authorized, 1,000,000 shares without par value. In treasury, 45,412 shares. Outstanding, 630,600 shares with stated value of $25 per share	$15,765,000

TEXTRON INC.

Common:	
Outstanding 4,672,429 shares in 1960 and 4,783,009 shares in 1959 after deducting 313,200 shares and 200,000 shares held in treasury	$2,336,215

Notes to Financial Statements

Note: . . . At December 31, 1960, there were 10,000,000 shares of common stock, 50¢ par value, authorized of which 4,672,429 shares, after deducting 313,200 shares held in the treasury, were outstanding. Shares of common stock reserved were as follows:

For issuance on exercise of stock options	263,899
For conversion of $1.25 Convertible Preferred Stock	397,698
For conversion of 5% Convertible Subordinated Debentures due January 1, 1971	177,114
For issuance on exercise of warrants (exercisable at $25 per share until 1964 and at increasing prices thereafter)	600,000
	1,438,711

(c) From the noncurrent asset section of the balance sheet with "treasury stock" set forth therein, and its intended use where indicated:

GENERAL MOTORS CORPORATION

Common Stock in Treasury—Available for purposes of the Bonus Plan and Stock Option Plan—1,960,129 shares	$89,949,671

Notes to Financial Statements

Note: Common Stock in Treasury—Common stock in treasury at December 31, 1960 includes 599,753 shares, carried at $28,414,033, representing undelivered portions of bonus awards related to the years 1957 through 1959 and contingent credits applicable to terminated stock options, which are held for instalment delivery under provisions of the Bonus Plan and Stock Option Plan, and 276,750 shares, carried at $12,617,395, representing contingent credits related to outstanding stock options granted in March of 1958, 1959 and 1960. The balance of 1,083,626 shares, carried at $48,918,243 or an average of $45.14 per share, consists of stock available for bonus awards related to the year 1960 and for contingent credits to be established when stock options are granted in 1961.

The consolidated balance sheet at December 31, 1960 gives effect to the payment of $24,818,433 and the delivery of 543,890 shares of common stock on January 10, 1961, representing instalments of bonus awards related to the years 1956 through 1959 which were earned out during the year 1960 in accordance with provisions of the Bonus Plan, and instalments of contingent credits applicable to terminated stock options. Including the 543,890 shares so delivered and 220,096 shares representing primarily the stock portions of the first instalment of bonus awards related to the year 1959, which were delivered to bonus participants in March 1960, total deliveries to bonus participants of common stock held in the treasury aggregated 763,986 shares. These shares had been acquired prior to 1960 and were valued at $36,280,842 in accordance with the Bonus Plan. None of these shares was newly issued stock, so that the number of issued shares was not increased as a result of these deliveries.

During 1960, a total of 1,048,043 shares of common stock was acquired for the purposes of the Bonus Plan and Stock Option Plan at a cost of $47,154,885. Further, the carrying value of 12,339 shares of common stock held in the treasury, representing principally the stock portions of prior years' bonus awards to which bonus beneficiaries lost their rights during the year and stock applicable to contingent credits related to stock options exercised during the year, was increased by $27,190 in accordance with provisions of the Bonus Plan.

ALCO PRODUCTS, INCORPORATED

Common Stock in Treasury for Corporate Purposes—at or below cost—1960—26,512 shares; 1959—24,405 shares (Note 5)	$379,777

Note 5: On April 26, 1960, the Incentive Compensation Committee of the Board of Directors, acting in accordance with the provisions of the Plan, directed that $133,243 be credited to the Incentive Compensation Reserve with respect to the year 1959; that awards aggregating $112,350 be made, of which $32,739 was paid in cash; and that 4,683 shares of common stock of the Company, having a market value at the date of the awards of $79,611, be contingently awarded to be payable in installments following termination of participants' employment. The Incentive Compensation Committee also directed that the balance of $59,243 in the reserve be carried forward to be available for incentive compensation in future years.

AMERICAN SMELTING AND REFINING COMPANY

Miscellaneous Assets:	
Examinations in progress at new mining prospects	$1,714,695
Pension costs unamortized (Note 3)	1,888,019
Common stock of the Company acquired for corporate purposes (Note 4)	443,819
Other	4,112,801
Total Miscellaneous Assets	$8,159,334

Note 4: Common Stock of the Company Acquired for Corporate Purposes—Primarily for distribution under the Additional Compensation Plan (see Note 6), 8,697 shares were held at December 31, 1960 (1959—8,651 shares).

(d) From notes to financial statements:

THE MEAD CORPORATION
Notes to Financial Statements

Note C: Shareholders' Equity—

	Shares Authorized	Shares Outstanding	Amount
Cumulative Preferred Shares par value $100, callable at $102	79,000	45,594*	$ 4,559,400
Cumulative Second Preferred Shares, par value $50	295,540		
Common Shares, par value $5	12,000,000	5,254,829**	105,824,327
Retained earnings			56,839,788†
Total at December 25, 1960			$167,223,515

*Exclusive of 3,406 shares held in anticipation of sinking fund requirements.

**Not including 445,102 shares reserved for issuance under stock option and incentive compensation plans.

†Because of restrictions in the Articles of Incorporation and in agreements relating to long-term liabilities, the maximum amount available for payment of cash dividends at December 25, 1960 is $13,500,000.

THE HARSHAW CHEMICAL COMPANY
Notes to Financial Statements

Note C: The Company has a Profit Sharing Plan for the benefit of its key employees, including officers. The Plan provides that payment of portions of some of the allocations made under the Plan shall be deferred and that the funds so deferred shall be held in a Deferred Bonus Fund which is intended to be used primarily for the purchase of Common Stock of the Company in the open market. Distributions from the Fund are to be made to each participating employee in annual installments over periods of five or ten years, but only after his retirement, and then only if he shall have remained in the employ of the Company until that time and has complied with the other provisions of the Plan. The Deferred Bonus Fund at September 30, 1960, consisting of cash on deposit of $152,820 and 39,963 shares of Common Stock of the Company purchased at a cost of $952,592, is not included in the balance sheet. Allocations of Fund assets have been made to accounts with the contingent beneficiaries. The Plan may be terminated or changed at any time by the Company, but that portion of the Fund accumulated and held in a contingent beneficiary's individual account prior to the effective date of termination or change shall not be affected thereby.

MEREDITH PUBLISHING COMPANY

Common stock	
Total shares authorized	$1,400,000
Issued and outstanding	1,321,876
Treasury stock allocated for stock options	78,124

"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 of less than ten years.

The earliest date still shown in the balance sheets of the 1960 survey companies from which the earnings have been accumulated is the year 1935. One additional company (*Co. No. 21) was added during the year under review. The following summary discloses the decrease in the number of survey companies showing "dated" surplus in their reports since 1955:

Date from Which Earnings Accumulated	Balance Sheets for: 1960*	1959	1955
1925-1927	—	—	1
1928-1930	—	—	1
1931-1933	—	—	5
1934-1936	1	1	7
1937-1939	—	—	6
1940-1942	—	—	4
1943-1945	1	1	4
1946-1948	—	—	1
1949-1951	1	1	1
1952-1954	1	1	1
1955-1957	1	1	—
1959-1960	1	—	—
	6	5	31

*Refer to Company Appendix Section—Co. Nos. 15, 21, 180, 354, 443, 529.

STOCK OPTION AND STOCK PURCHASE PLANS

Accounting Research Bulletin No. 43 issued by the committee on accounting procedure of the American Institute of Certified Public Accountants (Chapter 13, Section B) discusses the compensation feature involved in stock option and stock purchase plans, and the accounting treatment which should be given thereto. The following brief quotation may be of interest in this connection:

> The practice of granting to officers and other employees options to purchase or rights to subscribe for shares of a corporation's capital stock has been followed by a considerable number of corporations over a period of many years. To the extent that such options and rights involve a measurable amount of compensation, this cost of services received should be accounted for as such. The amount of compensation involved may be substantial and omission of such costs from the corporation's accounting may result in overstatement of net income to a significant degree. . . .
>
> In connection with financial statements, disclosure should be made as to the status of the option or plan at the end of the period of report, including the number of shares under option, the option price, and the number of shares as to which options were exercisable. As to options exercised during the period, disclosure should be made of the number of shares involved and the option price thereof.

STOCK OPTION PLANS

Table 44 reveals a considerable increase in recent years in the number of companies having employee stock option plans. The 1960 annual survey reports disclosed 440 companies referring to such plans as compared with 251 companies for the year 1955.

During the year under review, stock option plans were initially established by 23 companies (*Co. Nos. 84, 124, 140, 170, 248, 254, 420, 577) and plans

TABLE 44: EMPLOYEE STOCK OPTION PLANS

Relationship of Option Price to Market Value at date of grant of option	1960	1955
Option Price shown as a percentage, which was:		
Not less than 95% of market value (*Co. Nos. 75, 233, 274, 289, 295)	157	72
Exactly 95% of market value (*Co. Nos. 87, 92, 427, 428, 467)	61	51
Between 94% and 86% of market value (*Co. Nos. 3, 166, 262)	3	—
Not less than 85% of market value (*Co. Nos. 6, 26, 82, 114, 257)	12	8
Exactly 85% of market value (*Co. Nos. 407, 408, 578)	10	3
More than one percentage used (*Co. Nos. 375, 379, 496)	6	—
	249	134
Option Price shown in dollar amount only, which was:		
Above market value (*Co. Nos. 541, 550)	2	5
Equal or approximately equal to market value (*Co. Nos. 77, 113, 150, 228, 298)	58	39
Below market value (*Co. Nos. 152, 382)	4	4
Market value not shown or referred to (*Co. Nos. 21, 28, 43, 474, 582)	102	65
	166	113
Option Price not shown in either per cent or dollars, but stated to be:		
Above market value (*Co. No. 73)	1	—
Equal to market value (*Co. Nos. 46, 515, 520)	14	4
Below market value	—	1
	15	5
Neither Option Price nor Market Value stated or indicated (*Co. Nos. 18, 54, 580)	25	19
Total number of plans	455	271
Date of Option Price Determination:		
Date of grant of option to employee	328	N/A
Time plan initially established	2	N/A
Time stock allotted to employee	1	N/A
No reference to time of determination of price per share to employee	124	N/A
Total	455	
Number of Companies:		
Referring to employee stock option plans	440	251
Not referring to employee stock option plans	160	349
Total	600	600

*Refer to Company Appendix Section.

N/A—Not available.

were amended or modified by 34 companies (*Co. Nos. 68, 145, 171, 192, 259, 425, 435, 561).

In the annual reports which included discussions of employee stock option plans the following information, generally in the notes to financial statements, was 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

One hundred and sixty-two companies referred to "restricted stock option plans," but the compensation feature received little or no comment.

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 1959 are presented extensively in Section 4 under "Employee Stock Plans.")

Initially Established During Year

CONSOLIDATED PAPER COMPANY
Notes to Financial Statements

Note B: Effective as of March 31, 1960, the Company, as a result of action taken by its shareholders at their annual meeting held on February 23, 1960, amended its Articles of Incorporation to increase the number of shares of its authorized common stock from 750,000 to 1,500,000. At said annual meeting the Company's shareholders also adopted a restricted stock option plan, in accordance with which 40,000 shares of such newly authorized common stock were released from preemptive rights and reserved for issuance pursuant to options to be granted under that plan to officers or key employees selected by a committee appointed thereunder to administer the plan. Subject to the express restrictions of the plan, which, among other things, forbid the granting of any option entitling the optionee to purchase shares of common stock at a price less than the next multiple of twenty-five cents above 85% of the fair market value thereof at the date of the granting of the option or exercisable more than ten years after such date, the committee has authority to determine the time or times at which and the consideration for which, any option may be granted and the number of shares covered thereby. However, under the plan, the total number of shares in respect of which options may be granted in any one fiscal year of the Company may not exceed 30,000 and the number of shares covered by any one or more options to any given officer or key employee may not exceed 20,000.

On September 1, 1960, restricted stock options covering an aggregate of 16,000 shares and expiring September 1, 1967, were granted, pursuant to the plan, to six optionees entitling each to purchase the shares of common stock covered thereby at a price of $12.12 per share, which is intended to be not less than 95% of the fair market value of such shares on September 1, 1960. Such options may not, in any event, be exercised unless and until the optionee named therein has continued in the Company's employ for not less than one year from September 1, 1960, and thereafter are exercisable, on a cumulative basis, each year with respect to not more than 25% of the shares covered thereby, except in case of retirement.

HAT CORPORATION OF AMERICA
Notes to Financial Statements

Note B: 70,000 shares of Common Stock are reserved for issuance under the Company's restricted stock option plan which was adopted on February 24, 1960 and which will terminate five years thereafter. No employee may be granted options thereunder for more than 14,000 shares in the aggregate. On May 12, 1960, options were granted for the purchase of 56,000 shares at $9.14 and $10.59 a share; such prices represented respectively 95% and 110% of the defined fair market value at the aforementioned date. The options are not exercisable prior to May 12, 1961.

HERCULES MOTOR CORPORATION
Notes to Financial Statements

Note C: During the year ended July 31, 1960, the Corporation adopted a stock option plan under which 20,000 shares of Common Stock held in the treasury are reserved for issuance to executives and other key employees at not less than 95% of the fair market value of the shares at the time the option is granted. Under this plan, options were granted on 16,000 shares at $17.575 a share, and on 4,000 shares at $16.63 a share. Options on 4,000 shares lapsed during the year due to retirements, and at July 31, 1960, the shares under option were comprised of 12,000 at $17.575 a share and 4,000 at $16.63 a share ($277,420 in aggregate), but no shares were issued. Options generally expire five years from the date of grant, and are exercisable for one-fifth of the shares covered thereby on and after each anniversary date of the option.

MANNING, MAXWELL & MOORE, INCORPORATED
Notes to Financial Statements

Note C: Stock Option Plan—A restricted stock option plan, approved by the stockholders in 1960, provides for the granting of incentive stock options to certain officers and key employees of the Company at prices of not less than 95% of the fair market value of the shares on the dates options are granted. 50,000 shares of the Company's stock are reserved for this purpose. Subject to certain conditions, the options are exercisable in instalments at any time subsequent to two years and up to ten years from the date the options are granted. In 1960, options were granted for 16,500 shares at a price of $25.06 per share and for 3,000 shares at a price of $19.83 per share.

SKELLY OIL COMPANY
Notes to Financial Statements

Note 2: During the year ended December 31, 1960, the Company, with the approval of the stockholders, adopted a restricted stock option plan for officers and other key employees. The plan provides that options may be granted for a total of 100,000 shares of common stock. Such shares may be authorized and unissued or reacquired shares. Each option granted must have the approval of the holders of a majority of the Company's common stock, and the option price shall not be less than the fair-market value of such shares on the date the option is granted. Options are not exercisable until two years after the date of grant and expire not later than ten years after that date. At December 31, 1960, restricted stock options were outstanding with respect to 24,000 shares at $43 per share.

WESTERN AUTO SUPPLY COMPANY
Notes to Financial Statements

Note 5: Stock Option Plan—On March 15, 1960, the stockholders of the company approved a five year restricted stock option plan covering 150,000 shares of the company's common stock. On the same day, options to purchase 70,000 shares were granted to certain officers and key employees exercisable to the extent of 25% one year after date option was granted, and an additional 25% each year thereafter. As of the date of this report, none of these options could be exercised. The options were granted at the market price at the date of grant, $31.125 per share.

Amended or Modified During Year

CERTAIN-TEED PRODUCTS CORPORATION
Notes to Financial Statements

Note 3: Pursuant to a stock option incentive plan for officers and key employees adopted in 1957, there were reserved as at December 31, 1959, 64,050 shares of the Company's Common Stock, including 53,600 shares covered by options previously

*Refer to Company Appendix Section.

granted. During the current year, options for 5,500 shares lapsed, options for 15,950 shares were granted and options for 28,600 shares were exercised, leaving options to purchase 35,450 shares (at option prices ranging from $8.08 to $12.35 a share) outstanding as at December 31, 1960. Of those outstanding as at December 31, 1960, options for 19,500 shares were exercisable at that date and options for 15,950 shares become exercisable in 1962. Shares issued in connection with options exercised during the year resulted in an increase of $210,497 in capital in excess of par value.

On November 18, 1960, the Board of Directors adopted another stock option incentive plan whereby 50,000 shares of the Company's Common Stock were reserved for options to be granted to officers and key employees at prices equal to 95% of the fair market value of the stock on the date granted. Options shall be exercisable not earlier than one year or later than five years from the date granted. Under this plan, options to purchase 20,000 shares at $12.35 a share were granted and remain outstanding as at December 31, 1960.

EMERSON ELECTRIC MANUFACTURING COMPANY
Notes to Financial Statements

Note 5: Common Stock Optioned to Officers and Employees—Under the company's Restricted Stock Option Plan 33,302 shares of unissued common stock were under option at the beginning of the year. These options (granted 1954 through 1958) expire ten years after grant dates and are exercisable in installments in the third to sixth year and in full thereafter. During the year, 12,904 shares were exercised at an average price of $9.24 per share.

Under the 1958 Supervisory, Administrative, and Professional Employees' Stock Option Plan, 17,486 shares of unissued common stock were under option at the beginning of the year. During the year 14,029 shares were exercised at an average price of $21.36 per share and options for 549 shares were cancelled. Remaining options are exercisable in installments in November 1960 and May 1961.

In 1959 a separate option for 2,500 shares was granted to a new employee at $58.50 per share. This option expires ten years after grant date and is exercisable in installments in the third to sixth year and in full thereafter.

During the year a Restricted Stock Option Plan for officers or other executive employees was adopted, providing for the allocation of 10,000 shares of $4.00 par value common stock (now 20,000 shares $2.00 par value stock). Under this plan, a five year option was granted for 800 shares exercisable to the extent of 50% in the second year and in full thereafter and ten year options for 9,250 shares exercisable in installments in the third to sixth year and in full thereafter.

At the end of the year, after adjustment for stock dividend and stock-split, 53,934 shares were under option pursuant to the Restricted Stock Option Plan at an average price of $8.83 per share; 15,763 shares under the 1958 plan at $16.125 per share; 5,356 shares under the separate agreement at $27.31 per share and 10,351 shares under the 1960 Restricted Stock Option Plan at $36.16 per share. All options were granted at prices representing at least 95% of market value at dates of granting.

THE HOBART MANUFACTURING COMPANY
Notes to Financial Statements

Note 3: The Company's 1956 and 1960 stock option plans authorize the granting of stock options for 70,000 and 50,000 common shares of the Company, respectively, at prices not less than 95% of the market price at the date of grant. These options are exercisable in installments over a period of five years beginning two years after the dates of grant. Options were granted under the 1956 plan as follows: 1956, 49,200 shares at $26.125 a share; 1957, 13,100 shares at $28.74 a share; 1959, 7,700 shares at $41.56 a share. No options have been granted under the 1960 plan.

During 1960, options for 9,980 shares at $26.125 and 2,409 shares at $28.74 were exercised, and options for 310 shares granted in 1957 expired. The excess ($206,072) of the proceeds over the par value of shares issued was credited to capital paid-in in excess of par value. At December 31, 1960, options for 36,264 shares were outstanding as follows: 20,603, 7,961, and 7,700 granted in 1956, 1957 and 1959, respectively.

P. R. MALLORY & CO., INC.
Notes to Financial Statements

Note 4: Stock Options—On April 27, 1960, the stockholders adopted a resolution reserving an additional 50,000 shares of the Company's common stock for the purpose of granting options pursuant to the restricted stock option plan approved by the stockholders in 1951. At December 31, 1960, there were 32,203 shares under option for purchase by certain officers and key employees during option periods not exceeding ten years from the various dates of grant. The plan provides that 20% of each option may be exercised one year after the date of grant and an additional 20% at the end of each of the next four years. Prices applicable to the outstanding options at December 31, 1960 (including those not then exercisable) averaged $33.19 per share (being equivalent to 95% of market value at dates of grant), an aggregate of $1,068,855; options for 15,144 shares were exercisable at option prices averaging $30.59 per share, an aggregate of $463,302; and there remained 55,472 shares available for future options. Options on 2,730 shares were exercised during 1960 at an average price of $33.97 per share, an aggregate of $92,741.

JOHN MORRELL & CO.
Notes to Financial Statements

Note 2: Stock Option Plans—Under the company's restricted stock option plans, options may be granted to key employees for the purchase of the company's common stock at prices not less than 95% of the fair market value on the date the option is granted. The changes during the 1960 fiscal year in the number of shares on outstanding options (at prices ranging from $10.64 to $35.02 per share) were as follows:

	Shares	Average Option Price Per Share
October 31, 1959	28,280	$26.40
Options Granted	10,600	34.64
Adjustment for 25% Stock Split-up and 2% Stock Dividend	7,522	—
Options Terminated	(500)	14.33
Options Exercised (including 1,002 shares acquired by the Company on the open market)	(6,239)	13.17
October 29, 1960	39,663	$25.83

Under the 1957 Plan 6,790 shares were available for additional options up to March 15, 1961, as compared with 13,962 shares at the beginning of the year. In addition, 50,000 shares were available for additional options up to March 15, 1970, under the 1960 Restricted Stock Option Plan approved by the stockholders on March 15, 1960.

PEPSI-COLA COMPANY
Notes to Financial Statements

Note 5: At January 1, 1960, under Stock Option Plans approved by the stockholders in 1956 and 1960, there were outstanding options to purchase 263,090 shares and 108,450 shares were reserved for the granting of additional options. During 1960 options for 13,500 shares were granted for an aggregate option price of $607,500, options for 111,540 shares were exercised for an aggregate option price of $2,403,152, and options for 11,700 shares were cancelled. At December 31, 1960 options were outstanding with respect to 153,350 shares having an aggregate option price of $4,752,492 and 106,650 shares were reserved for the granting of additional options.

Under the terms of the Plans, options must be granted at not less than 85% of the highest market price on the date of grant; all options granted in 1960 were at 100% of market. Options granted under the 1956 Plan are exercisable within five years from the respective dates of grants; options granted under the 1960 Plan are exercisable within eight years.

STOCK PURCHASE PLANS

There were 59 survey companies that indicated in their 1960 annual reports the existence of various employee stock purchase plans. The information contained in the annual reports of the survey companies for 1960 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 1960 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 1960 are presented extensively in Section 4 under "Employee Stock Plans"):

TABLE 45: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1960	1955
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Co. Nos. 295, 305, 307, 401, 483)	7	2
Subscription price shown in dollar amount only, and price set:		
At time stock offered for subscription (*Co. Nos. 7, 252)	2	5
Not determinable from annual report (*Co. Nos. 253, 427, 442)	10	3
Subscription price not shown, but stated to be equal to market:		
At time stock offered for subscription (*Co. Nos. 269, 377)	5	—
At time of purchase (*Co. No. 316)	1	1
On last business day preceding the offering	—	1
Neither subscription price nor market value stated or indicated (*Co. Nos. 126, 141, 456, 472, 589)	34	28
Total	59	40
Number of Companies with:		
Employee stock purchase plans	59	40
No employee stock purchase plans	541	560
Total	600	600

*Refer to Company Appendix Section.

CATERPILLAR TRACTOR COMPANY
Financial Review

Page 12: The first year of operation of the Employees' Investment Plan was completed November 30, 1960. This plan assists eligible employees to acquire ownership interest in the Company through purchases of its common stock. Eligible employees may contribute up to 6% of their salary and the Company contributes 50¢ for each $1 of employee contribution. 5,477 employees—about 85% of those eligible—are participating in the plan and their contributions, together with Company contributions, have purchased 116,665 shares of common stock. All of these shares were obtained by purchase on the open market.

THE DOW CHEMICAL COMPANY
Notes to Financial Statements

Note D: Sale of Common Stock to Employees—In October 1959, the Company made an offering of Common Stock to its employees and employees of its subsidiary and associated companies at a price of $68.00 a share, payable on an instalment basis generally through payroll deductions. At May 31, 1960 there were unfilled subscriptions under the offer for 96,184 shares. The subscriptions, which may be canceled at any time at the option of the employee but must be settled by August 1960, have not been recorded in the Company's books and are not reflected in these financial statements. However, partial payments on the subscriptions, aggregating $4,246,677, are included in current liabilities in the consolidated balance sheet at May 31, 1960.

GENERAL PLYWOOD CORPORATION
Notes to Financial Statements

Note 3: Of the presently remaining 979,208 shares of authorized but unissued common stock, 23,708 shares are reserved for issuance to officers and employees under stock purchase agreements:

Presently subscribed for under stock purchase agreements at prices ranging from $10.63 to $19.21 per share	23,233
Unsubscribed	475

INLAND STEEL COMPANY
Financial Review

Page 16: Employees Acquire Stock Under Purchase and Option Plans—Inland's Stock Purchase Plan, established in 1958, makes it possible for employees with at least two years' service to authorize payroll deductions varying from 2 per cent to 10 per cent of their salaries or wages, depending on their length of service, for the purchase of Inland stock. This stock may be purchased at 90 per cent of the fair market value at the end of six-month periods. At the end of the period terminating January 31, 1960, 7,888 employees exercised their rights to buy 53,858 shares at $38.25 per share. At the end of the period terminating July 31, 7,114 employees acquired 57,475 shares at $37.35 per share. At the end of the year, 1,300,302 shares were available for purchase under the plan, and 7,976 employees, 31.3 per cent of those eligible, were participating.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Financial Review

Page 24: Stock Purchase Plan for IBM Employees—The IBM Employees 1958 Stock Purchase Plan, adopted by share owners on April 29, 1958, was extended by the Board of Directors to be effective for the third plan year starting July 1, 1960.

All regular employees who have completed one year's continuous service, and are not participants in the Stock Option Plan, may purchase IBM stock through payroll deductions not exceeding 10% of their regular rate of pay. Employees can use these deductions to buy IBM shares at a price 15% below the market price on the day the stock is purchased.

During 1960, 34,445 shares were issued to employees, for which $14,183,802 was paid to the Corporation and credited to the capital stock account. At the end of the year, 421,953 shares of unissued capital stock were reserved for sale under this Plan.

MILLER MANUFACTURING CO.
Notes to Financial Statements

Note B: Common Stock Reserved—Under a stock purchase plan, 53,000 shares of the Company's unissued Common Stock were reserved at September 30, 1960, for sale to officers and employees on a deferred payment basis, at the market price on the subscription date.

59,100 shares were subscribed for at the beginning of the year at an aggregate price of $259,188. Additional subscriptions for 900 shares were received during the year, and 7,000 shares were issued at an aggregate price of $30,250 upon completion of payments. At the end of the year, subscriptions were outstanding for 53,000 shares at an aggregate price of $236,613. Participants have no rights with respect to the shares, pending full payment and issuance.

SCHENLEY INDUSTRIES, INC.
Notes to Financial Statements

Note 5: The Company's Employees' Share Purchase Plan, approved by the shareholders, provides for sale of shares of the Company's common stock to employees, including officers, at prices not less than 95% of fair market value at the date options to purchase such shares are granted. On September 1, 1959, the beginning of the fiscal year, a maximum of 226,118 shares were available for issue under the Plan, of which 176,065 shares were subject to options previously granted and 50,053 shares were available for additional grants. Options become exercisable in cumulative periodic installments. During the year ended August 31, 1960, no additional options were granted. Options for 11,547 shares of common stock were cancelled. Options became exercisable during the year with respect to 39,848 shares of common stock having an aggregate purchase price of $818,396. In accordance with the Plan, and to reflect the payment of preference stock dividends on common stock during the year, shares of authorized but unissued preference stock were reserved for issue in connection with common stock subject to outstanding options. Under options exercised during the year, 13,266 shares of common stock were issued together with 535 shares of preference stock. The proceeds of $203,941 were credited to the common stock, preference stock, and capital surplus accounts. As of August 31, 1960, after adjustment for stock dividends paid in common stock in prior years, 212,852 shares of common stock were available for issue under the Plan, of which 151,252 shares were subject to options at prices ranging from $13.78 to $38.71 (aggregate purchase price $3,377,049), and 61,600 shares of common stock were available for future grant. All options outstanding at August 31, 1960 terminate in or before 1969.

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 1960 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 264 survey companies referred to such contingencies in their 1960 annual reports. In most cases (251 companies) the disclosure was made either in the notes to the financial statements or in the president's letter to stockholders. The remainder (13 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	1960
Litigation:	
Non-government (*Co. Nos. 5, 20, 369, 395, 484)	76
Government (*Co. Nos. 84, 98, 161, 326, 552)	63
Not identified (*Co. Nos. 86, 92, 186, 436, 505)	17
Guarantees:	
Subsidiaries (*Co. Nos. 417, 515, 524, 577)	53
Affiliated and associated companies (*Co. Nos. 168, 545, 572)	26
Other (*Co. Nos. 104, 176, 200, 516)	29
Possible tax assessments (*Co. Nos. 8, 471, 522)	42
Accounts or notes receivable sold (*Co. Nos. 115, 131, 216, 249)	33
Purchase or repurchase commitments (*Co. Nos. 110, 122, 336)	21
Miscellaneous agreements and contracts (*Co. Nos. 28, 386, 500, 544)	39
Total	399
Number of Companies Referring to Contingent Liabilities:	
On the face of the balance sheet (*Co. Nos. 34, 60, 227, 396)	13
In notes to financial statements or in president's letter only	251
Total	264
Not referring to contingent liabilities	336
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 1960 reports:

Litigation

THE BORDEN COMPANY
Financial Review

Page 19: Litigation—Beyond normal litigation arising from day-to-day operations, two new Federal anti-trust proceedings, and two under Wisconsin statutes, were brought against the Company and other dairy concerns. The Company is vigorously defending these as well as anti-trust actions pending from prior years.

CONSOLIDATED FOODS CORPORATION
Notes to Financial Statements

Note 7: . . . The Corporation and its subsidiaries had various suits and claims pending against them, including the suit pertaining to the Gentry Division discussed on page 3 of this report. In the opinion of the management and its counsel, the ultimate liability in these matters will not be material.

Financial Review

Page 3: About two years ago the Federal Trade Commission instituted action against your company in connection with the acquisition of Gentry in 1951. The Federal Trade contends that this acquisition is in violation of Section 7 of the Clayton Act in that it could tend to create a monopoly or lessen competition. The company is opposing this contention and is now engaged in presenting its case to the Commission. The officers of the company believe the outcome of the case will be favorable to Consolidated Foods.

JOSLYN MFG. AND SUPPLY CO.
Notes to Financial Statements

Note: In 1960, federal grand jury indictments were returned in Philadelphia, Pennsylvania, charging the company and a number of other companies with violation of antitrust laws in connection with the sale of certain electrical equipment products. The company entered pleas of nolo contendere to the indictments and in February 1961, was fined $32,500 for which provision was made in the accounts at December 31, 1960. The question of whether the company might be liable in any action for civil damages is being reviewed by outside legal counsel; the company believes that the liability, if any, for civil damages would not have a material effect on the financial statements at December 31, 1960.

During January 1960, a federal grand jury in the Eastern District of Wisconsin began an investigation of possible violations of the antitrust laws occurring in the pole line hardware industry. In response to subpoenas, the company has submitted documents and records and certain officers and employees of the company gave testimony. Outside legal counsel advises that at this time, there appears to be no significant liability connected with this action.

METRO-GOLDWYN-MAYER INC.
Notes to Financial Statements

Note 6: Contingent Liability—For many years the Company, together with other major companies in the industry, has been subject to numerous anti-trust suits brought by various independent theatre owners for damages, many of which have been settled. It is not possible to determine the ultimate cost to the Company of suits now pending or possible future actions of a similar nature. However, in the opinion of the management, the liability of the Company under such actions is not material in relation to its financial position.

THE SEEBURG CORPORATION
Notes to Financial Statements

Note 9: Litigation and Claim—A suit has been filed against the Company for nonpayment of royalties under a patent agreement; payments were discontinued when the Company considered it was no longer utilizing these patents.

A claim has been asserted by N. Marshall Seeburg & Sons (formerly J. P. Seeburg Corporation) against the Company for reimbursement of additional Federal income taxes which may be assessed by the Internal Revenue Service in connection with the sale of its operating assets to the Company in 1956.

The Company considers that these claims, which could aggregate about $500,000, have no merit and, accordingly, has made no provision for them in the accompanying statements. In the opinion of counsel for the Company, it is unlikely that the Company would be held liable in these actions.

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, 1960, it is their opinion that the aggregate amount thereof will not be materially important in relation to the total assets of the companies.

VANDERBILT TIRE & RUBBER CORPORATION
Notes to Financial Statements

Note 8: At December 31, 1960, the company and its subsidiaries had various lawsuits incidental to their business pending against them. While it is not possible to forecast the outcome of these suits, it is the opinion of officials of the company, on the basis of information furnished by counsel, that any ultimate liability will not be material in relation to the total assets of the companies.

Guarantees

AMERICAN AIR FILTER COMPANY, INC.
Notes to Financial Statements

Note 6: The Company has guaranteed certain contingent liabilities of consolidated subsidiaries and certain obligations of foreign subsidiaries not consolidated amounting to approximately $10,300,000 at December 31, 1960.

BELL & HOWELL COMPANY
Notes to Financial Statements

Note 1: Contingent Liability—At December 31, 1960, the Company was contingently liable as guarantor in the amount of $2,000,000 in respect of loans made by a foreign supplier.

THE CLEVELAND-CLIFFS IRON COMPANY
Notes to Financial Statements

Note G: Guarantee of Indebtedness—The Company may guarantee indebtedness of so-called "partnership companies" in proportion to stock ownership and to aggregate not more than $25,000,000. At December 31, 1960, a guarantee in the amount of $5,000,000 had been executed.

FREEPORT SULPHUR COMPANY
Notes to Financial Statements

Note 7: Pending final completion of contract arrangements with independent transportation companies for the storage and transportation of liquid sulphur, the Company has guaranteed payment of loans up to an aggregate of $12,723,050 which may be incurred by such transportation companies during construction of their storage and transportation facilities. At December 31, 1960, loans outstanding under these guarantees aggregated $4,222,125.

CROWN CORK & SEAL COMPANY, INC.
Notes to Financial Statements

Note G: Other Matters—At December 31, 1960, the Company was contingently liable as guarantor of the obligations of third parties aggregating $985,000. Assets pledged by such parties as collateral for the obligations had a value considered by the Company to be in excess of the guaranteed indebtedness.

STANDARD BRANDS INCORPORATED
Notes to Financial Statements

Note 4: The Companies are contingently liable under guaranties relating to foreign subsidiaries, and under litigation wherein substantial amounts are claimed but on which no significant losses are expected.

Possible Tax Assessments

THE DRACKETT COMPANY
Notes to Financial Statements

Note 2: Federal Income Taxes—The Company's Federal income tax returns for the five years ended September 30, 1959, are presently being audited by the Internal Revenue Service. While no assessments have been made, proposed adjustments, which could result in additional tax liabilities of approximately $250,000, will be contested by the Company.

ALAN WOOD STEEL COMPANY
Notes to Financial Statements

Note 4: Federal Income Taxes—In February, 1960, the Internal Revenue Service submitted a report disallowing a portion of the depletion deductions claimed by the Company in its federal income tax returns for 1955, 1956 and 1957. As a result, the Internal Revenue Service has proposed assessments aggregating approximately $1,600,000 for the three years, and on the basis being proposed by the Internal Revenue Service there would be additional assessments aggregating approximately $1,600,000 for the years 1958, 1959 and 1960, a total of approximately $3,200,000 through December 31, 1960. The Company is contesting such assessments and believes that adequate provision has been made for possible additional income taxes that may ultimately be determined to be due for the years involved.

WALT DISNEY PRODUCTIONS
Notes to Financial Statements

Note 5: Estimated Federal Income Tax—Representatives of the Internal Revenue Service recently completed an examination of the Company's federal income tax returns for the three years ended September 1956 and have proposed assessments of substantial amounts of additional tax. The assessments result primarily from proposed changes in the Company's method of accounting for the cost of television films and its long established method of amortizing the cost of theatrical motion picture films. The methods followed by the Company are in accord with practices generally followed in the industry. The proposed assessments made on these bases are considered by the Company as being without merit and are being vigorously protested. Accordingly no provision therefore is considered necessary and none has been made in the accompanying statements. Provision has been made for possible additional taxes from all other adjustments proposed by the examining agent.

Federal income tax returns of Disneyland for the years 1955 through 1959 are currently being examined by representatives of the Internal Revenue Service who have questioned, among other things, the propriety of deferring unearned deposits and rentals for income tax purposes. Should the Company be unsuccessful in its intended protest to any assessment on these items the unearned deposits and rentals will be placed on a net of income tax basis by transferring the amount of applicable income tax from the deferred income account to liability for federal income taxes.

Accounts or Notes Receivable Sold

CORN PRODUCTS COMPANY
Notes to Financial Statements

Note 9: Contingent Liabilities—Certain international subsidiaries are contingently liable for notes receivable discounted and other items in the amount of $3,148,192.

LINK-BELT COMPANY
Notes to Financial Statements

Note: Contingent Liabilities—The company is contingently liable on notes receivable discounted in the amount of $5,050,000 at December 31, 1960.

PIPER AIRCRAFT COMPANY
Notes to Financial Statements

Note 4: Contingent liabilities arising from financing of customers' obligations aggregated approximately $1,671,000 at September 30, 1960. The Company has experienced no losses from such financing and does not anticipate these contingent liabilities will have any material effect on its financial position or earnings.

Purchase or Repurchase Commitments

ATLAS POWDER COMPANY
Notes to Financial Statements

Note 10: Commitment—Atlas and the other 50% owner of Solar Nitrogen Chemicals, Inc., are parties to a sale and purchase agreement with Solar. The agreement provides that, in certain circumstances, Atlas and the other owner may be required to purchase ammonia, or advance funds in lieu of such purchases, to enable Solar to meet its expenses and obligations. This requirement did not become operative at any time during 1960.

THE ELECTRIC STORAGE BATTERY COMPANY
Notes to Financial Statements

Note 4: Contingent Liabilities—It is the company's practice to sell to a bank certain receivables arising from the sale or lease sale of its products. The December 31, 1960 balances of these receivables aggregated $1,908,000. The arrangement with the bank requires that the company repurchase any receivable on which payments become more than 90 days past due. No substantial amounts have been repurchased by the company.

LERNER STORES CORPORATION
Notes to Financial Statements

Note E: As at January 31, 1960, the minimum annual rentals on property leased under 352 leases expiring after January 31, 1963, amounted to approximately $8,200,000 plus, in some instances, real estate taxes, insurance, etc. Included in the foregoing is a lease on certain real property previously carried on the books of a subsidiary company at approximately $136,000, which property was exchanged and leased back during the year. The leases referred to above include 7 leases under which the companies may be required to purchase the premises under lease for a total of $1,576,210 at the option of the landlords. Various companies are contingently liable on bonds and mortgages in the approximate amount of $340,000 on real estate which had been sold previously.

PARKERSBURG-AETNA CORPORATION
Notes to Financial Statements

Note F: At December 31, 1960, unfilled commitments for the purchase of machinery and equipment amounted to approximately $250,000; in addition, the Company has sold certain customers' notes to a financial institution which notes are subject to a repurchase agreement in the event of default. The aggregate amount of such notes subject to repurchase at December 31, 1960, is approximately $285,000.

Miscellaneous Agreements and Contracts

AMERICAN SMELTING AND REFINING COMPANY
Notes to Financial Statements

Note 9: Commitments and Contingent Liabilities—The known contingent liabilities not provided for on the balance sheet consist of contracts made in the ordinary course of business, from which no loss is expected.

BRIGGS MANUFACTURING COMPANY
Notes to Financial Statements

Note 4: Contingent Liability—Under employment agreements dated October 1, 1952, as amended, compensation is being paid to three former officers of the company for advisory services. The liability at December 31, 1960 for such compensation was provided for in prior years, net of future federal income tax savings, in the amount of $223,000. Accordingly, if in any year such compensation is paid without resulting in a reduction in federal income taxes, an amount equal to the anticipated tax savings not realized for that year will be charged against income.

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 implicatitons as to the likelihood of realization.

The comparatively few disclosures relating to contingent assets in the 1960 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 1960 reports.

Carry-forward Losses

ELGIN NATIONAL WATCH COMPANY
Statement of Earnings

Income Before Taxes	$825,628
Federal Income Taxes (Federal income taxes of $423,827 have been eliminated as a result of the carry forward of prior years losses. As of March 1, 1960, losses of $5,400,000 may be carried forward to 1963 and 1964)	—
Net Income for the Year	$825,628

THE SEEBURG CORPORATION
Notes to Financial Statements

Note 1: Federal Income Taxes—Net income includes elimination of Federal income taxes of approximately $500,000 in the year ended October 31, 1960, and $1,000,000 in the year ended October 31, 1959. Net income without benefit of the elimination of Federal income taxes would have been $415,262 in the year ended October 31, 1960, and $929,770 in the year ended October 31, 1959. As of October 31, 1960, loss carry forwards of approximately $1,900,000 are available as offsets against otherwise taxable income for fiscal years through October 31, 1963. Through October 31, 1960, approximately $2,050,000 of Federal income tax provisions has been eliminated by reason of deductions of operating loss carry forwards; the deduction of these carry forwards is subject to review by the Internal Revenue Service. In the opinion of special tax counsel for the Company, these loss carry forwards are allowable deductions in computing income subject to Federal income taxes.

SERVEL, INC.
President's Letter

Tax Loss Carry-Forward—At October 31, 1960 the Company had an estimated tax loss carry-forward of approximately $6,504,-000, resulting from losses incurred in prior fiscal years as shown below, against which future profits of the Company may be applied. The carry-forward may be used to offset any taxable profits earned up to the time of expiration of the carry-forward.

Year of Loss	*Carry-Forward*	*Year of Expiration*
1956	$4,002,000	1961
1957	209,000	1962
1958	2,293,000	1963
	$6,504,000	

The total estimated tax loss carry-forward was equivalent to $3.38 per share of Common Stock outstanding at October 31, 1960.

STUDEBAKER-PACKARD CORPORATION
Notes to Financial Statements

Note E: Federal Income Taxes—No provision for federal taxes on income for the year 1960 is required by reason of operating loss carry-forward credit provisions of the Internal Revenue Code. After application to 1960 net income, the following tax loss carry-forward credits remain available to be offset against future net earnings on the basis of losses shown in the Corporation's income tax returns:

Approximate Amount	*Date of Expiration of Credit*
$34,000,000	December 31, 1961
27,000,000	December 31, 1962
33,000,000	December 31, 1963

TEXTRON INC.
Notes to Financial Statements

Note J: Taxes—The Federal income tax liability of Textron and its subsidiaries is substantially settled for the years prior to 1955. The 1960 provision for Federal income taxes was reduced because of the availability of operating loss carryovers of Textron and certain subsidiaries. At December 31, 1960, subsidiaries of Textron Inc. had unused Federal income tax loss carryovers of approximately $8,000,000 which are available to offset taxable income in future years.

Claims for Refund of Taxes

PENNSALT CHEMICALS CORPORATION
Notes to Financial Statements

Note 10: . . . 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 1954. The amount, if any, which ultimately may be refunded cannot accurately be determined at this time and accordingly such claims have not been recorded in the Company's accounts.

RADIO CORPORATION OF AMERICA
Notes to Financial Statements

Note 4: . . . 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.

Other

KENNECOTT COPPER CORPORATION
Financial Review

Under the terms of the sales agreement, Kennecott will receive 3,500,000 South African pounds (U.S. $9,813,125) for its interest in Virginia Orange Free State Gold Mining Company, Limited and Merriespruit (Orange Free State) Gold Mining Company, Limited. This amount is to be paid in five equal annual installments, starting December 1, 1961. In addition, Kennecott has a 20% interest in the future income of the purchasing company, not to exceed 2,500,000 South African pounds (approximately U.S. $7,000,000). Under the agreement with the members of the syndicate, Kennecott will have the right, after receiving the 3,500,000 South African pounds, to acquire, if then deemed advisable, 20% of the outstanding stock of the purchasing company upon cancellation of the above interest in its future profits.

PARAMOUNT PICTURES CORPORATION
Notes to Financial Statements

Note A: Sale of Pre-1948 Feature Films—In 1958 the company sold its pre-1948 feature films for $50,000,000 of which $35,000,000 is guaranteed and $15,000,000 is contingent upon aggregate television and other rentals received by the purchaser from the films. Income is being recorded as payments become due under the contract. At December 31, 1960, such income had totaled, before taxes, $15,189,000 (including $5,189,000 in 1960) and on the basis of contracts written by the purchaser to that date, it is estimated that an additional $25,500,000 will be received as the rentals under those contracts are collected. This amount of $25,500,000 is reflected in the balance sheet at December 31, 1960 as deferred income and as an account receivable (of which $5,500,000 estimated to become due in 1961 is included in current assets).

PLYMOUTH OIL COMPANY
President's Letter

On April 15, 1960, Plymouth Oil Company terminated its 39 per cent interest in the West African operation conducted by Societe Africaine des Petroles. This was after two wells had been drilled in the area and both were dry and abandoned. The French company plans to continue its drilling program and under the provisions of the termination agreement, Plymouth and its associated interests, which include Benedum-Trees Oil Company and the Estate of M. L. Benedum, will carry an overriding interest in this operation to the extent of being reimbursed out of any future production for the amount of money expended by them in connection with this project. The major portion of the Company's investment in this project, however, has been charged off.

CONSOLIDATION OF SUBSIDIARIES

Accounting Research Bulletin No. 51 issued in 1959 by the committee on accounting procedure of the American Institute of Certified Public Accountants discusses the accounting treatment for *Consolidated Financial Statements*. The opening paragraph entitled "Purpose of Consolidated Statements" is as follows:

1. The purpose of consolidated statements is to present, primarily for the benefit of the shareholders and creditors of the parent company, the results of operations and the financial position of a parent company and its subsidiaries essentially as if the group were a single company with one or more branches or divisions. There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the companies in the group directly or indirectly has a controlling financial interest in the other companies.

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 summarized 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 536 companies having subsidiaries in 1960, 258 companies presented fully consolidated statements, 258 companies had some subsidiaries consolidated and some not consolidated, and only 20 reports disclosed all subsidiaries as unconsolidated.

The most significant factors in excluding certain subsidiaries from consolidation were: exclusion of all foreign subsidiaries (57 companies); geographic location of some foreign subsidiaries (58 companies); and nonhomogeneous operations of domestic subsidiaries (12 companies).

The nonhomogeneous operations of these excluded subsidiaries consist of the following: Real Estate 5; Finance 3; Insurance, Factoring, Railway, and Clothing one each.

Fully Consolidated Statements

GRUEN INDUSTRIES, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated statements include the accounts of the Company and its wholly-owned foreign subsidiaries.

With respect to the Company's consolidated Swiss and Canadian subsidiaries, the amounts of net noncurrent assets have been translated into United States currency generally at the approximate exchange rates in effect at the time of acquisition. Net current assets have been translated generally at appropriate rates of exchange.

TIMKEN ROLLER BEARING COMPANY
Notes to Financial Statements

Note A: The financial statements for the year 1960 include the accounts of the Company and all its subsidiaries. Consolidated net current assets in countries outside the U. S. amounted to $19,295,667 at December 31, 1960 and $16,972,258 at December 31, 1959, and all other assets outside the U. S. amounted to $36,752,883 and $32,469,837 at the respective dates, stated at appropriate year-end rates of exchange for all items except properties, which are stated at rates prevailing in the year of acquisition. Results of operations outside the U. S. in 1960 and 1959 and undistributed earnings included in the financial statements at the close of the respective years are not significant in relation to consolidated totals.

All Foreign Subsidiaries Excluded

CONTINENTAL OIL COMPANY
Balance Sheet

Investments, Advances and Other Assets:
Subsidiaries at cost less reserves of $32,409,378 in 1960 and $17,595,083 in 1959 (Note 1) $136,835,710

Note 1: It is the policy of the Company to consolidate the accounts of all 100%-owned subsidiaries operating in the United States.

The Company's equity in the net assets of unconsolidated subsidiaries at December 31, 1960 and in their 1960 earnings based upon their financial statements is summarized below:

	December 31, 1960		
	Investments and advances	Equity in net assets plus advances	Equity in 1960 earnings (losses)
Hudson's Bay Oil and Gas Company Limited (67.77%-owned)	$ 30,673,841	$ 46,303,175(a)	$ 860,001(a)
San Jacinto Petroleum Corp. (81.98%-owned) (b)	55,197,245	30,505,945(a)	(1,441,952)(a)
Companies operating abroad (100%-owned)	79,511,825	79,535,713(c)	(10,364)(c)
Other subsidiaries	3,862,177	7,627,329	1,162,493(d)
	169,245,088	$163,972,162	$ 570,178
Less reserves	32,409,378		
	$136,835,710		

(a) On the basis of capitalizing and amortizing intangible development costs applicable to producing wells.

(b) The equity in earnings is after giving effect to amortization of the excess of investment over equity in the net assets of this subsidiary at date of acquisition, such excess being attributable to the subsidiary's petroleum reserves. The amortization applicable to production and to reserves sold in 1960 was $1,960,000 and $12,940,000, respectively. The unamortized excess investment remaining at December 31, 1960 was $19,704,425. Dividends of $1,424,929 received during the year were credited to investment.

(c) These unconsolidated subsidiaries have followed the policy of capitalizing or deferring all costs incurred during the exploratory phase of their operations. The Company will include them in its 1960 consolidated federal income tax return and, as previously, the resulting reduction in income tax liability ($7,814,000) has been added to the reserve for loss on foreign investments. The Company has also increased this

TABLE 47: CONSOLIDATION OF SUBSIDIARY COMPANIES

Consolidation Policy	Location of Subsidiaries: Domestic Only	Domestic and Foreign	Foreign Only	Not Indicated	1960 Total Companies
Fully consolidated financial statements (a) (*Co. Nos. 4, 153, 271, 390, 411); (b) (*Co. Nos. 57, 451, 526, 531, 546); (c) (*Co. Nos. 25, 115, 272, 314, 358)	(a) 104	(b) 128	(c) 17	9	258
Partially consolidated financial statements**	28	223	7	—	258
Unconsolidated financial statements (d) (*Co. Nos. 227, 229, 231, 408); (e) (*Co. Nos. 304, 475; (f) (*Co. Nos. 258, 324, 394)	(d) 9	(e) 2	(f) 9	—	20
Total Companies having subsidiaries	141	353	33	9	536
Companies having no subsidiaries					64
Total					600

**Partially Consolidated Financial Statements—Consolidation Policy	1960 Total Companies
Companies having domestic subsidiaries only:	
Wholly-owned, active subsidiaries consolidated (*Co. Nos. 88, 333, 425, 533)	7
Significant, principal, and active subsidiaries included (*Co. Nos. 21, 175, 463, 528)	4
All subsidiaries consolidated except those with non-homogeneous operations (*Co. Nos. 144, 193, 363, 371, 525, 571)	12
Basis not indicated (*Co. Nos. 47, 84, 143, 147, 298)	5
Total companies having domestic subsidiaries only	28
Companies having domestic and foreign subsidiaries:	
All domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (83 companies):	
Exclusion of all (*Co. Nos. 64, 82, 137, 155, 208)	40
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 27, 449, 458, 548, 588)	39
Basis not indicated (*Co. Nos. 156, 539)	4
Wholly-owned, acttive domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (56 companies):	
Inclusion of all wholly-owned and active (*Co. Nos. 32, 87, 112, 139, 141, 437)	32
Exclusion of all (*Co. Nos. 92, 135, 168, 178)	11
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 409, 485, 536)	11
Other basis indicated (*Co. Nos. 265, 529)	2
Only subsidiaries with operations homogeneous to those of the parent company consolidated, with following treatment of foreign subsidiaries (32 companies):	
Inclusion of, based on homogeneous operations (*Co. Nos. 1, 6, 252, 308)	11
Inclusion of all (*Co. Nos. 128, 145, 598)	6
Exclusion of all (*Co. Nos. 39, 471, 489)	6
Exclusion based on location (*Co. Nos. 16, 72, 190, 250)	8
Not indicated (*Co. No. 279)	1
Other variations (52 companies):	
All subsidiaries based on voting control or fixed percentage of ownership (*Co. Nos. 46, 311, 370, 505)	7
All significant, principal, and active subsidiaries included (*Co. Nos. 54, 142, 166, 553)	8
Domestic, significant subsidiaries included with some foreign subsidiaries excluded on basis of geographic location (*Co. Nos. 62, 70, 136)	7
Other basis stated (*Co. Nos. 105, 306, 429)	6
Basis not indicated (*Co. Nos. 78, 126, 200, 401, 472, 482)	24
Total companies having domestic and foreign subsidiaries	223
Companies having foreign subsidiaries only:	
Exclusion based upon geographic location or geographic location plus other factor(s) (*Co. Nos. 42, 130, 255, 261, 324, 394, 524)	7
Total companies having foreign subsidiaries only	7
Total companies partially consolidating financial statements	258

*Refer to Company Appendix Section.

reserve by $7,000,000 through a charge to 1960 income. The aggregate reserve of $32,056,234 is not materially different from what the accumulated losses of these subsidiaries would have amounted to had they been determined in accordance with the Company's usual accounting practices.

(d) Dividends of $1,056,143 were received during 1960.

BAUSCH & LOMB INCORPORATED
Balance Sheet

Investments—at cost	
Marketable securities (Note 3)	$3,393,126
Foreign subsidiary companies—	
Investments (Note 4)	1,565,173
Advances	231,702
Other investments	251,696
	$5,441,697

Note 4: Subsidiaries—The accounts of all subsidiaries of the Company operating in the United States are included in the consolidated statements. The consolidated investment in foreign subsidiaries located in Canada, South America and England amounted to $1,565,173 at December 25, 1960. At the close of their fiscal years in 1960, the net assets of these subsidiary companies were $3,108,028, determined by converting property accounts at exchange rates in effect when they were acquired and all other assets and liabilities at year-end exchange rates. The net income of the foreign subsidiaries in the current year aggregated $167,207 as compared with $311,829 in the prior year. The decrease in 1960 was due to a reduction in the income of the Canadian company and to foreign exchange losses in Argentina and Brazil. Dividends from the foreign subsidiaries amounted to $66,000 in 1960 and $42,500 in 1959.

Exclusion of Foreign Subsidiaries Based on Geographic Location

DEERE & COMPANY
Balance Sheet

Investments in and advances to subsidiaries not consolidated (Note 1)	$80,095,588

Note 1: All wholly-owned United States and Canadian subsidiaries except John Deere Credit Company are consolidated herein. A balance sheet of John Deere Credit Company is shown separately on Page 25.

The investments in and advances to unconsolidated subsidiaries as of October 31, 1960 and 1959, carried at cost less reserves, are summarized as follows:

	1960
John Deere Credit Company	$40,521,734
John Deere Intercontinental, S. A. (Incorporated in Venezuela)	23,743,546
John Deere-Lanz A. G. (Incorporated in West Germany)	14,385,406
John Deere S. A. (Incorporated in Switzerland)	1,444,902
Total carrying value	$80,095,588
Approximate excess of the Company's equity in the net assets of the unconsolidated subsidiaries over its investment therein as shown above	$ 5,500,000

The Company follows the conservative practice of charging consolidated net income with the loss of any subsidiary not consolidated but does not include in consolidated net income any earnings of unconsolidated subsidiaries, other than income offsetting prior losses charged to income, until they are received as dividends; no dividends were received from any unconsolidated subsidiary during 1960. If net income of the unconsolidated subsidiaries was included in consolidated income, it would result in increasing the latter by approximately $2,000,000 in 1960.

NOPCO CHEMICAL COMPANY
Balance Sheet

Other Assets:	
Investments in and advances to foreign companies not consolidated (Note C)	$367,674

Notes to Financial Statements

Principles of Consolidation: Consistent with prior years, the accounts of the Company are consolidated with those of its United States and Canadian subsidiaries all of which are wholly owned.

Note C: Investments and Other Securities—Cost of investments in and advances to foreign companies (not consolidated) at December 31, 1960 aggregated $367,674 and the related underlying book equity, converted into United States dollars, approximated $377,000.

Subsidiaries with Nonhomogeneous Operations Excluded

CITY STORES COMPANY
Notes to Financial Statements

Note A: Principles of Consolidation—The accounts of all subsidiaries are included in the accompanying consolidated financial statements, except those of certain real estate subsidiaries, the investments in which are included in the accompanying statement of financial condition at amounts equal to the net assets of such subsidiaries.

THE MAY DEPARTMENT STORES COMPANY
Notes to Financial Statements

Note A: Principles of Consolidation—The consolidated statements include all subsidiaries except The May Stores Shopping Centers, Inc. (formerly May Building Company of Missouri) and The May Stores Realty Corporation (each wholly-owned), for which separate statements are submitted.

Inclusion of Wholly-Owned Subsidiaries

KOPPERS COMPANY, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation and Investments in Affiliates—Effective January 1, 1960, the Company consolidated all wholly-owned subsidiaries. In prior years two wholly-owned South American subsidiaries were not consolidated. The statements for the year 1959 have been restated on the basis of the present consolidation practice. The effect of this change was to increase consolidated net income for 1960 and 1959 by $650,218 and $406,987, respectively, and to increase consolidated earnings prior to those years retained in the business by $713,221. These amounts are after providing for estimated income taxes payable upon eventual transfer of the earnings of these foreign subsidiaries to the parent company.

The Companies' equity in the net assets of non-consolidated subsidiaries and fifty-percent owned companies at December 31, 1960, exceeds the carrying value of the Companies' investment therein by $826,400. The Companies' equity in the net income of these companies for 1960 amounted to $423,878, of which $258,342 was received as dividends during the year and taken into consolidated income.

PHILIP MORRIS INCORPORATED
Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of all wholly-owned active subsidiaries. Effective January 1, 1960, the Company changed its accounting practice (1) to include in the consolidated financial statements the accounts of all wholly-owned foreign subsidiaries, (2) to include in consolidated earnings the equity of the Company in net earnings of unconsolidated foreign subsidiaries more than 50% owned, less a reserve for federal taxes which may be payable on these earnings in the event of their remittance. For comparative purposes, 1959 earnings have been restated on the same basis.

The equity of the Company in net assets of unconsolidated foreign subsidiaries at December 31, 1960, exceeded the cost ($5,848,437) thereof by $1,709,640.

In 1960, the Company by an exchange of its stock acquired the net assets of A·S·R Products Corporation. For accounting purposes, this transaction was treated as a pooling of interests; consequently, the accompanying balance sheets and statements of earnings and surplus include the accounts of both companies for each period shown.

Inclusion Based on Voting Control or Fixed Percentage of Ownership

THE MEAD CORPORATION
Notes to Financial Statements

Note A: Basis of Consolidation—The accounts of all subsidiaries over 60% of whose voting shares are owned by the Corporation are consolidated in the accompanying financial statements.

All Significant, Principal, and Active Subsidiaries Included

THE ANACONDA COMPANY
Notes to Financial Statements

Note A: Basis of Consolidation—The consolidated financial statements include the accounts of all significant subsidiaries substantially all of whose stock is owned by the Company.

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 1960 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

Capital Stock:	1960
Changes in capital structure (*Co. Nos. 66, 106, 140, 360)	11
Treasury stock transactions (*Co. Nos. 37, 433, 485)	6
Stock conversion (*Co. Nos. 88, 529)	2
Extra distributions declared in cash or stock or dividends omitted (*Co. Nos. 48, 227, 314, 463)	20
	39
Employees:	
Welfare, pension, and stock option plans (*Co. Nos. 21, 190, 230, 266)	20
Union negotiations (*Co. Nos. 211, 223, 286)	10
	30
Fixed Assets:	
Purchased (*Co. Nos. 397, 558)	2
Constructed (*Co. Nos. 288, 409)	5
Sold (*Co. Nos. 101, 527, 550)	7
	14
Indebtedness:	
Incurred (*Co. Nos. 171, 312, 351)	23
Reduced (*Co. Nos. 117, 282, 439)	18
Refinanced (*Co. Nos. 78, 332, 477)	14
	55
Subsidiary or affiliated companies:	
Mergers pending, proposed, or effected (*Co. Nos. 71, 107, 515)	22
Acquired or holdings increased (*Co. Nos. 13, 34, 511)	35
Sold or holdings decreased (*Co. Nos. 40, 220, 599)	6
	63
Litigation (*Co. Nos. 63, 247, 446)	16
Contracts entered into or cancelled (*Co. Nos. 216, 408, 545)	12
Taxes—Refunds or assessments (*Co. Nos. 233, 430)	2
Various other (*Co. Nos. 31, 159, 335, 388, 487)	12
Total	243
Number of Companies:	
Referring to post balance sheet events	201
Not referring to post balance sheet events	399
Total	600

*Refer to Company Appendix Section.

Capital Stock

THE ARUNDEL CORPORATION
December 31, 1960
President's Letter

The Board of Directors at its meeting held on January 31, 1961, has recommended to the stockholders, for their approval at the Annual Meeting on March 23, 1961, that the total number of authorized shares of common stock be increased from 500,000 shares to 600,000 shares. There are no present plans for issuance of the additional shares, if authorized, but it is believed that this reserve of unissued shares is desirable to provide for possible future acquisitions of property or assets, or for other corporate purposes.

McCALL CORPORATION
December 31, 1960
Notes to Financial Statements

Note 5: Events Subsequent to December 31, 1960—On February 8, 1961 the Board of Directors recommended for stockholders' approval on April 25, 1961 an increase in authorized common stock, without par value, from 800,000 shares to 3,000,000 shares and a split, on a three for two basis, of the issued shares of common stock.

STUDEBAKER-PACKARD CORPORATION
December 31, 1960
Notes to Financial Statements

Note D: Conversion of Preferred Stock—During January, 1961, 146,127 shares of $5 Convertible Preferred Stock were converted into 4,870,814 shares of Common Stock.

WARNER BROS. PICTURES INC.
August 31, 1960
Notes to Financial Statements

Note H: The Board of Directors on December 15, 1960 authorized the purchase of up to 300,000 shares (with the right to purchase a greater number) of the Company's stock by inviting sealed tenders of such stock at prices not exceeding $55 per share and subject to the terms and conditions set forth in the Invitation to Tender Stock.

Extra Distributions Declared in Cash or Stock or Dividends Omitted

AMERICAN MOTORS CORPORATION
September 30, 1960
Financial Review

At a meeting on December 1 directors voted a 20% increase in the quarterly dividend, from 25¢ to 30¢ per share, payable December 30, 1960 to stockholders of record December 9, 1960. This brings total cash dividends for the calendar year to $1.05 per share which compares to the 5% stock dividend plus the cash dividends of $0.80 per share (adjusted for the split) paid in the preceding calendar year.

S. H. KRESS AND COMPANY
December 31, 1960
President's Letter

At a meeting held February 1, 1961, the Directors voted to omit the First Quarter dividend for 1961.

RELIANCE MANUFACTURING COMPANY
December 3, 1960
Notes to Financial Statements

Note K: Significant Events Subsequent to Date of Opinion of Independent Public Accountants—On March 7, 1961, Reliance Manufacturing Company distributed as a dividend in kind to holders of its common stock 345,918 shares (41.8%) of the common stock of Pioneer Aerodynamic Systems, Inc., a wholly owned subsidiary formed in 1960 to carry on or control existing parachute manufacturing operations and research. The portion of consolidated profit and loss before estimated federal and state income taxes for the forty-eight weeks ended December 3, 1960, and the portion of consolidated net assets at December 3, 1960 attributable to Pioneer Aerodynamics and its subsidiary, Pioneer Parachute Company, Inc., were $297,963 and $1,553,136, respectively.

Employees

MIRRO ALUMINUM COMPANY
December 31, 1960
Notes to Financial Statements

Note 2:... In February, 1961 the board of directors authorized a new Employees' Incentive Stock Option Plan, subject to approval by the stockholders. The new plan provides that 75,000 shares of common stock will be reserved for option to key employees at not less than 95% of the fair market value at date of grant. Options are to be exercisable after two years and within ten years of date of grant. After approval of the new plan it is anticipated the existing plan will be terminated; however, such termination will not affect outstanding options under the existing plan.

THE PARKER PEN COMPANY
February 29, 1960
Notes to Financial Statements

Pension Plans: Subsequent to February 29, 1960, the parent company negotiated a noncontributory funded pension plan for factory employees to replace the pay-as-you-go retirement plan which had been in effect since 1953.

Under a pay-as-you-go plan, the annual cost includes only the amounts paid during the year to retired employees. Payments totaling $87,000 were made during the year just ended.

Under the new plan, the company expects to contribute to a trust fund over the next five years at an average annual rate of $425,000. This consists of (1) the cost of prospective future pensions to which active employees become entitled because of services rendered during the year, (2) a portion of the estimated $5,500,000 liability resulting from services rendered by employees in prior years at a proposed rate of funding over a period of approximately thirty years, and (3) interest on the balance of this liability. Payments to factory employees who retired under the old plan or who will retire under the new plan will be made from this trust fund.

UNION OIL COMPANY OF CALIFORNIA
December 31, 1960
Notes to Financial Statements

Capital Shares: . . . Subsequent to December 31, 1960, options were granted for 82,000 shares at $43.25 per share to officers and key employees of the company and its subsidiaries. Option prices are determined on the basis of 100% of the closing market price on the day before each date of grant.

Fixed Assets

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
December 31, 1960
Financial Review

Additional Facilities Acquired: In January, 1961, Federal purchased the Whitewater, Wisconsin, plant of Wisconsin Farmco Service Cooperative. This is a modern and efficient plant near Madison which will enable Federal for the first time to supply distributors in Wisconsin with its products. The location of this plant is particularly advantageous to the whole Corporation since it more nearly centers Federal's production around the main U. S. I. production facilities in Illinois.

TWENTIETH CENTURY-FOX FILM CORPORATION
December 31, 1960
President's Letter

Sale of Studio Property and British Investment: We are happy to inform you that the sale of our studio property consisting of 260 acres for the all cash sum of $43,000,000 was completed on April 17, 1961. The sum of $5,000,000 was previously paid on account by the purchaser. The balance of $38,000,000 was paid at the time title passed to the new owners.

Title to the property was taken in the name of Aluminum Company of America, which Corporation is a party to a venture with Webb & Knapp, Inc. to develop Century City, a community to be built on the property. As an integral part of this transaction, your Corporation leased back 75 acres on which the Corporation's main studio facilities are located for a term of 99 years at a net rental of $1,500,000 per annum. Your Corporation has options to cancel the lease at the end of 50 years and 75 years respectively although we believe the long term is of great value.

Under the lease, your Corporation is permitted to sublet to others, all or portions of the property and may also develop any portion of the property for other than studio purposes as it may deem advisable.

Indebtedness

W. F. HALL PRINTING COMPANY
March 31, 1960
Notes to Financial Statements

Note: In April 1960 the company borrowed the remaining $3,000,000 provided for in agreements relating to the 5¼% promissory notes, increasing the outstanding notes to $16,500,000. Under the terms of the agreements, approximately $20,000,000 of the earnings retained and invested in the business at March 31, 1960 was restricted as to the payment of dividends, other than stock dividends. The agreements also provide that, after payment of dividends, consolidated net working capital shall be at least $8,000,000 and consolidated current assets shall be at least 200% of consolidated current liabilities.

BASIC INCORPORATED
December 31, 1960

Note B: Subsequent to December 31, 1960, the Corporation refunded the long-term debt outstanding December 31, 1960, with two unsecured loans. A 5⅛% note, due April 1, 1966, is payable in installments of $100,000 on July 1, 1962 and quarterly thereafter. A 5⅜% note, due April 1, 1977, is payable in installments of $100,000 on July 1, 1966 and quarterly thereafter. The terms of both notes provide, among other things, that consolidated net current assets of $4,500,000 be maintained at all times.

RADIO CORPORATION OF AMERICA
December 31, 1960
Notes to Financial Statements

Note 5: Long term Debt—On February 9, 1961, RCA entered into an agreement to issue for cash, in 1961 and 1962, $100,000,000 of 5⅜% promissory notes, due 1977 to 1986. The terms of these notes will include limitations on the payment of cash dividends and the purchase of the Corporation's stock; of reinvested earnings at December 31, 1960, $35,000,000 will be free of such limitations.

Subsidiary or Affiliated Companies

BRUNSWICK CORPORATION
December 31, 1960
Notes to Financial Statements

Note 11: Negotiations in Progress—Subsequent to December 31, 1960, the Company has been negotiating with Roehr Products Company, Inc. and Massey Surgical Supply, Inc. for the acquisition of the assets, liabilities and business of these companies.

COLGATE-PALMOLIVE COMPANY
December 31, 1960
Notes to Financial Statements

Acquisitions: . . . On February 28, 1961, the Company acquired the assets and business of the Consumer Products Division of the Unexcelled Chemical Corporation for approximately three million dollars in cash.

COOK PAINT AND VARNISH COMPANY
November 30, 1960
Notes to Financial Statements

Note E: Sale of Radio and Television Properties—During December, 1960, the subsidiary, Cook Broadcasting Company sold all of its assets (except cash and receivables) for $10,250,000.00. The sale is subject to the approval of the Federal Communications Commission.

It is estimated that, after the payment of federal and state incomes taxes, the subsidiary will realize in excess of $8,000,000.00 from the sale. Net income of the subsidiary included in consolidated net income for the year ended November 30, 1960, was $443,687.76.

EVERSHARP, INC.
December 31, 1960
Notes to Financial Statements

Note 1: Pro Forma Balance Sheet—On February 15, 1961, the Company disposed of its holdings in Durand Corporation, Northtown Shopping Centre, Ltd., and certain marketable securities to the Imperial Trust Company. A director and chairman of the Executive Committee (now resigned) is also executive director and a stockholder of the Imperial Trust Company. The Company received for these assets 83,000 shares of Eversharp common stock and a 5% note receivable, amounting to $3,948,412, due in equal annual instalments over the next three years. The pro forma column of the balance sheet has been prepared to show the effect that these transactions would have had on the balance sheet at December 31, 1960.

THE MEAD CORPORATION
December 25, 1960
Notes to Financial Statements

Note F: Acquisition in 1961—On February 17, 1961, the Corporation purchased the controlling interest in The Chatfield & Woods Company and its subsidiaries. In addition, offers are being made to other holders of stock in the companies to purchase their shares. If all offers are accepted, the aggregate investment by The Mead Corporation will not exceed $14,000,000. In 1960, net sales of The Chatfield & Woods Company and its subsidiaries were approximately $70,000,000. The companies are wholesale merchants of fine and industrial papers in several major midwestern markets.

The Corporation then had existing bank commitments permitting $15,000,000 of additional borrowings.

Litigation

HOOKER CHEMICAL CORPORATION
November 30, 1960
President's Letter

On December 27, 1960, a consent judgment was entered against the Company and eight other companies in the Supreme Court of The State of New York, New York County, in a proceeding brought by the Attorney General of the State of New York, to enjoin certain alleged violations of the anti-trust law of that State in the sale of liquid chlorine to the state, municipalities and other state agencies. The judgment specifically states that none of the defendants has admitted any of the charges made by the Attorney General and it is not a finding that the Company is guilty of any violation of law. The Company decided that it would be good policy to consent to the entry of the judgment and thereby avoid the substantial legal and other expenses which would have been involved in a lengthy trial of an anti-trust suit. The judgment will not have any material effect on the business of the Company.

REVERE COPPER AND BRASS INCORPORATED
December 31, 1960
President's Letter

Litigation: On January 19, 1961, the United States filed a civil antitrust suit in the Federal District Court for the Southern District of New York against American Smelting and Refining Company, General Cable Corporation and the Company. The relief sought by the Government includes divestiture by American Smelting and Refining Company of its stock interest in the Company. Counsel for the Company has advised that there are valid grounds for contest of the suit and denial of the relief sought, and the Company is preparing its defense. In the opinion of counsel, the Company is not subject to any contingent liability in connection with the suit.

WARD BAKING COMPANY
December 31, 1960
President's Letter

The United States Grand Jury at Jacksonville, Florida, on March 6, 1961 indicted several baking companies, including Ward Baking Company, under the Sherman Anti-Trust Act for alleged collusion with respect to government contracts and bread prices in Florida. The Company plans to enter a denial of these allegations.

Contracts Entered into or Cancelled

EMERSON RADIO & PHONOGRAPH CORPORATION
October 31, 1960
Notes to Financial Statements

Note 1: In the course of performance by the Company, of one of its Government contracts, disputes have arisen between the Government and the Company. This contract was cancelled by the Government on December 27, 1960 for alleged failure to meet contract specifications. An appeal therefrom is currently pending. At October 31, 1960, the Company had incurred contract costs of approximately $2,300,000. It is not presently determinable what loss, if any, the Company will incur on this contract. However, the Company and its counsel are of the opinion that the Government's basis for cancellation is without merit, and that the costs incurred will eventually be recovered.

TIME INCORPORATED
December 31, 1960

Note G: In January 1961, the Company was notified that the television network affiliation contract between American Broadcasting Company and the Company's Minneapolis television station will not be renewed when the contract expires in April 1961. While the immediate result of this action is to affect adversely the earning power and value of the Minneapolis station, it is the opinion of management that the aggregate value of intangible assets identified with broadcasting operations is more than the amount included in the consolidated balance sheet.

Taxes—Refunds or Assessments

PERMANENTE CEMENT COMPANY
December 31, 1960
Financial Review

Percentage Depletion: The percentage depletion issue finally was settled during the year. A United States Supreme Court decision retroactively affected income taxes for the years 1955 through 1959. Additional income taxes and net interest for these years amounting to $6,219,000 were paid by the Company early in 1961. This decision and Congressional legislation passed during the year apply to 1960 and to future years.

Other

THE COLORADO FUEL AND IRON CORP.
December 31, 1960
Notes to Financial Statements

Events Subsequent to December 31, 1960: Subsequent to December 31, 1960 the corporation decided to discontinue the production of electrical products at one of its Roebling plants and is negotiating the sale of its electrical manufacturing equipment. If the sale is consummated on the basis of current negotiations and the inventories of electrical products are sold on a liquidation basis, the corporation estimates that it will incur a loss of $1,300,000 after Federal income tax credit.

THE NATIONAL CASH REGISTER COMPANY

INVESTMENT IN FOREIGN SUBSIDIARIES AND BRANCHES

	Canada
Current assets:	
Cash and securities	$ 721,859
Receivables	5,770,605
Inventories	7,551,394
Prepaid expenses	124,219
	14,168,077
Current liabilities:	
Notes payable	—
Payables and accruals	2,242,553
Accrued taxes	718,097
Customers' deposits	200,898
	3,161,548
Working capital	11,006,529
Properties at cost, less depreciation	1,446,669
Other assets	—
	12,453,198
Less:	
Mortgages and other long term liabilities	—
Employees' indemnity and other reserves	545,000
	545,000
NET ASSETS	11,908,198
Less:	
Minority interests	—
Accumulated earnings retained for use in foreign operations	—
NET INVESTMENT	$11,908,198

Note:
Property accounts are stated at dollar cost less depreciation. All other items are at year end exchange rates, except for Canada which is stated at par. Intercompany profit has been eliminated from inventories which are stated generally at the lower of cost or market.

Great Britain and Commonwealth	Latin America	Continental Europe	Others	Total At December 31 1960	Total At December 31 1959
$ 5,021,359	$ 1,300,417	$ 1,455,763	$ 1,814,848	$ 10,314,246	$ 10,448,265
17,107,701	10,329,148	10,617,099	3,626,515	47,451,068	39,060,971
24,383,361	6,616,924	20,276,942	8,255,723	67,084,344	53,802,197
740,282	673,939	542,808	378,960	2,460,208	1,758,677
47,252,703	18,920,428	32,892,612	14,076,046	127,309,866	105,070,110
7,157,822	1,485,495	4,080,196	696,577	13,420,090	9,293,076
12,498,866	4,844,797	8,295,981	3,250,830	31,133,027	24,859,505
9,619,193	1,009,761	2,703,153	1,553,901	15,604,105	12,688,537
654,570	2,581,627	1,278,947	1,620,855	6,336,897	4,488,778
29,930,451	9,921,680	16,358,277	7,122,163	66,494,119	51,329,896
17,322,252	8,998,748	16,534,335	6,953,883	60,815,747	53,740,214
15,026,087	5,556,922	10,763,191	5,161,589	37,954,458	35,800,702
88,763	746,339	621,988	336,338	1,793,428	1,581,933
32,437,102	15,302,009	27,919,514	12,451,810	100,563,633	91,122,849
2,842,811	759,908	3,107,025	——	6,709,744	6,802,589
1,707,386	2,616,524	2,882,429	746,187	8,497,526	7,906,460
4,550,197	3,376,432	5,989,454	746,187	15,207,270	14,709,049
27,886,905	11,925,577	21,930,060	11,705,623	85,356,363	76,413,800
3,762	55,090	2,689,965	2,746,238	5,495,055	4,790,753
16,419,142	7,342,018	13,940,834	5,804,597	43,506,591	40,213,584
$11,464,001	$ 4,528,469	$ 5,299,261	$ 3,154,788	$ 36,354,717	$ 31,409,463

WHOLLY-OWNED REAL ESTATE SUBSIDIARIES OF ASSOCIATED DRY GOODS CORPORATION · · · COMBINED FINANCIAL STATEMENTS

COMBINED BALANCE SHEET, JANUARY 30, 1960

ASSETS

	Cost	Accumulated Depreciation and Amortization	
Cash			$ 612,497
Notes and accounts receivable			73,027
Prepaid expenses and other assets			309,563
Property and equipment (Note A):			
Land	$10,162,543	—	
Buildings and equipment on owned properties	23,992,694	$10,879,148	
Buildings and improvements on leased properties	3,985,461	1,218,783	
Leaseholds	216,127	92,729	
	$38,356,825	$12,190,660	26,166,165
			$27,161,252

LIABILITIES

Accounts payable and accrued expenses	$ 152,466
Federal income taxes	296,630
Mortgages payable (Notes A and B)	16,230,178

STOCKHOLDER'S EQUITY

Equity of Associated Dry Goods Corporation including $3,835,299 of accumulated earnings retained (represented by capital stock, income notes and advances)	10,481,978
	$27,161,252

COMBINED STATEMENT OF EARNINGS

FISCAL YEAR ENDED JANUARY 30, 1960

Rental income (including $1,976,250 from Associated Dry Goods Corporation)		$ 2,212,569
Deduct:		
Depreciation and amortization	$ 741,945	
Rent	51,500	
Interest	724,151	
Other expenses	116,497	1,634,093
		$ 578,476
Interest income		20,894
		$ 599,370
Net loss on disposals of properties		121,942
EARNINGS BEFORE FEDERAL INCOME TAXES		$ 477,428
Federal income taxes		197,700
NET EARNINGS FOR THE YEAR		$ 279,728
Accumulated earnings retained at the beginning of the year		3,555,571
Accumulated earnings retained at the end of the year		$ 3,835,299

NOTES TO FINANCIAL STATEMENTS

(A) *Property and equipment:*
Substantially all of the property and equipment is under long-term leases to Associated Dry Goods Corporation. Those leases pertaining to mortgaged property are pledged as collateral for the applicable indebtedness.

(B) *Mortgages payable:*
At January 30, 1960 the companies were obligated under five mortgages with interest rates from 4% to 5½%. Three of these mortgages with principal balances aggregating $6,817,626 mature in 1974, one with a principal balance of $5,252,404 matures in 1978, and one with a principal balance of $4,160,148 matures in 1984. Principal payments of $391,682 are due within one year.

(C) *Long-term lease commitments:*
On January 30, 1960 the real estate subsidiaries were lessees under 2 leases expiring in 1991 and 2002, with aggregate minimum annual rentals of $51,500 plus real estate taxes and other expenses.

JOY MANUFACTURING COMPANY

WHOLLY-OWNED UNCONSOLIDATED FOREIGN SUBSIDIARIES

september 30,	1960	1959
Net current assets	$ 7,936,721	$ 8,310,658
Property, less depreciation	4,227,536	3,312,743
Prepaid and deferred items	249,049	218,703
	12,413,306	11,842,104
Long-term debt	383,100	162,400
Net assets	12,030,206	11,679,704
Less—Parent's investments in and advances to unconsolidated foreign subsidiaries	4,713,179	5,125,660
EXCESS OF NET ASSETS	$ 7,317,027	$ 6,554,044

years ended september 30,	1960	1959
Net sales	$24,300,897	$18,918,971
Cost of sales and expenses	22,144,848	17,652,337
Engineering fees, commissions and interest paid to parent company	1,073,233	636,944
Provision for income taxes	319,833	336,704
	23,537,914	18,625,985
UNDISTRIBUTED INCOME	$ 762,983	$ 292,986

LEESONA CORPORATION ***and Subsidiary***

This is where we stand

Our Balance Sheet

We Owe	
Our Liabilities—What we owe to other people who have helped us develop our business and to acquire the assets shown below.	
To our suppliers for materials, parts and service	$ 1,922,906
To banks and others, for money loaned us	3,211,000
To federal, foreign, state and local governments for social security, local and income taxes	2,363,541
To our customers for advances on contracts to purchase our products	145,404
To others, such as accrued payrolls, commissions, etc.	1,460,293
To our stockholders	
(1) for their investments in our business . . $4,568,488	
(2) for income of previous years put back into the business $9,970,600	14,539,088
Total of What We Owe	$23,642,232
We Own	
Our Assets—What we own (in other words, the use that has been made of the funds that come from above sources).	
Materials (raw, in process, and finished) valued at	$ 8,313,514
Cash and Marketable Securities to meet payrolls, current and future expenses	644,470
Accounts Receivable—Machines and parts shipped for which we have not yet received payment	6,276,919
Construction in progress reimburseable under sale and lease-back agreement	765,577
Rental of machinery and other receivables	1,386,658
Machinery, tools, buildings, and equipment valued at cost less reserves for depreciation	5,744,427
Advances to employees, insurance companies, pension funds and other	510,667
Total of What We Own	$23,642,232

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 1960 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 was confusing and has therefore given definitions and recommendations for the use of such 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 employed by the 600 survey companies in their 1960 annual reports are summarized in Table 1. This comparative table discloses that *net sales* continues to be the term presented by the majority of the companies in their 1960 annual reports—379 companies—although several of these companies used *net sales and operating revenue* (*Co. Nos. 8, 57, 166, 282, 386, 536, 593). The term *sales* was used by 100 companies including some companies which used *sales and operating revenues* (*Co. Nos. 70, 103, 120, 153). The term *gross operating income* was employed mainly by oil companies in the 1960 reports.

Ten of the survey companies presented the initial item of income as either *gross profit* or *operating profit.* Two companies did not include an income statement with their annual reports.

TABLE 1: SALES

Income Statement shows	1960	1959	1955	1950
Net Sales:				
Net Sales	379	378	347	307
Net Sales after deducting discounts, returns, etc.	4	6	10	12
Sales less discounts, returns, etc.	46	41	43	50
Gross Sales less discounts, returns, etc.	16	19	28	46
Both Gross and Net Sales	8	10	12	17
Gross Sales	10	9	21	28
Sales	100	100	105	97
Revenue or Gross Operating Income (*Co. Nos. 37, 175, 354, 438, 535)	25	23	7	2
No "sales"—initial item is:				
Gross Profit (*Co. Nos. 95, 272, 415)	5	6	14	23
Operating Profit (*Co. Nos. 206, 318, 575)	5	6	11	15
No income statement (*Co. Nos. 264, 424)	2	2	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples of various methods and terminology used to present sales and revenues in the 1960 reports follow:

Net Sales

ARMSTRONG CORK COMPANY

Income:	
Net sales	$291,538,690
Dividends received from foreign subsidiaries	400,037
Other income	386,524
	$292,325,251

CHRYSLER CORPORATION

Net sales	$3,007,048,707
Interest and miscellaneous revenues	9,627,486
	$3,016,676,193

*Refer to Company Appendix Section.

CONTINENTAL CAN COMPANY, INC.

Income:	*(000 omitted)*
Net sales and operating revenues	$1,116,956
Gain on sales of property and securities	2,623
Other income (net)	2,690
	$1,122,269

COPPERWELD STEEL COMPANY

Net Sales	$114,795,018
Other Income	193,922
Total	$114,988,940

INTERNATIONAL SHOE COMPANY

Sales and other income:	
Net sales	$296,470,457
Income from rentals and services	429,122
Interest and other income	868,989
	$297,768,568

INTERSTATE BAKERIES CORPORATION

Net Sales	$140,456,520
Interest and Other Income	247,285
	$140,703,805

UNITED STATES GYPSUM COMPANY

Income:	
Net sales	$273,460,186
Interest income	2,436,074
Royalties and miscellaneous income (net)	164,784
Total income	$276,061,044

Net Sales After Deducting Discounts, Returns, etc.

BIGELOW-SANFORD, INC.

Net Sales (After Cash and Other Discounts)	$74,214,362

HAT CORPORATION OF AMERICA

Net sales, after deducting returns, discounts and allowances	$27,544,428

SPRAGUE ELECTRIC COMPANY

Net Sales after Deducting Cash Discounts of $621,820	$64,523,956
Other Income	339,785
Total Income	$64,863,741

Sales, Less Discounts, Returns, etc.

ANCHOR HOCKING GLASS CORPORATION

Sales, less discounts, returns, allowances and freight	$142,858,900

THE CHAMPION PAPER AND FIBRE COMPANY

Revenues:	
Sales, less discounts, etc.	$195,050,846
Other revenues	1,487,850
Total revenues	$196,538,696

CONTINENTAL STEEL CORPORATION

Sales, Revenues and Other Credits:	
Sales, after deducting cash discounts, returns and allowances	$46,420,427
Discounts on purchases, interest and other income	459,469
	$46,879,896

BROWN & SHARPE MANUFACTURING

Sales, less discounts, returns and allowances	$34,998,166
Other income	281,531
Total	$35,279,697

Gross Sales, Less Discounts, Returns, etc.

CHAIN BELT COMPANY

Income:	
Gross Sales, less discounts, returns and allowances	$64,786,306

UNION CARBIDE CORPORATION

Income:	
Gross Sales—Less Discounts, Returns, and Allowances	$1,548,168,000
Other Income (Net)	29,740,000

UNITED STATES PLYWOOD CORPORATION

Gross Sales, less discounts, returns and allowances	$276,244,288

THE YOUNGSTOWN SHEET AND TUBE COMPANY

Sales and Other Revenues:	
Gross sales, less discounts, returns and allowances	$574,245,070
Dividends, interest and other income	10,055,210
Total	$584,300,280

Gross and Net Sales

NATIONAL PRESTO INDUSTRIES, INC.

Gross sales	$31,591,440.35
Less Sales of facilities to the U.S. Government, at cost ($371,658.06), discounts, freight, returns and allowances	1,444,773.94
Net sales	$30,146,666.41

PITTSBURGH BREWING COMPANY

Sales	$25,369,456
Less: Federal and State excise taxes	9,625,267
Net Sales	$15,744,189

UNITED MERCHANTS AND MANUFACTURERS INC.

Total Sales—net	$500,085,355
Less: Intercompany sales	31,930,870
Sales Net	$468,154,485

Sales

EASTMAN KODAK COMPANY

Sales to: Domestic customers	$831,578,696
Foreign dealers	48,769,486
Foreign subsidiary companies	64,413,067
Total Sales	$944,761,249

KENNECOTT COPPER CORPORATION

Sales and other income:	
Sales of metals and metal products	$496,483,102
Dividends, interest and miscellaneous	6,857,556
	$503,340,658

Revenues or Gross Operating Income

METRO-GOLDWYN-MAYER INC.

Income:	
Film rentals, foreign theatre receipts and other film income	$100,203,443
Television income	14,127,538
Records and music income	12,551,790
Net receipts of foreign film rentals blocked in prior years	2,421,500
Interest and miscellaneous income	1,140,336
	$130,444,607

PHILLIPS PETROLEUM COMPANY

Income:	
Gross operating income	$1,200,171,532
Other income	28,464,517
	$1,228,636,049

PITNEY-BOWES, INC.

Income from:	
Products sold	$28,429,948
Rentals	31,438,626
Machine service	7,649,766
Total income	$67,518,340

Gross Profit as Initial Item

THE BILLINGS & SPENCER COMPANY

Gross profit from sales	$2,347,355
Selling, administrative and general expenses	1,562,727
Operating profit	$ 784,628

Operating Profit as Initial Item

THE EASTERN MALLEABLE IRON COMPANY

Income:	
Operating Profit Before Depreciation	$1,207,402
Depreciation	502,772
	$ 704,630
Miscellaneous Income	69,039
	$ 773,669

COST OF GOODS SOLD AND GROSS PROFIT—PRESENTATION

The trend toward the use of the single-step form of income statement (with all income items shown above one total and expense items grouped together as an offset) as referred to in Section 1, Table 6, results in the presentation of cost of goods sold as a separate caption and amount, though in many instances the various elements of cost are shown. Although 371 companies in the current survey of the 1960 annual reports disclosed a separate caption and amount for either cost of goods sold or cost of manufacturing, only 115 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 (187) 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, local taxes, 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 1960 annual reports.

Examples illustrating some of the methods used are as follows (including variation of terms employed such as "cost of sales," "cost of products sold," etc.):

Cost of Goods Sold Presented as a Separate Single Total Amount

CANNON MILLS COMPANY

Net Sales and Other Operating Income	$202,938,681
Costs and Expenses:	
Cost of products sold	$166,745,031
Selling, administrative and general expenses	9,836,759
Depreciation and obsolescence	3,382,515
Total	$179,964,305
Profit from Operations	$ 22,974,376
Other Income (income from securities, net, etc.)	3,502,915

INTERNATIONAL HARVESTER COMPANY

Net Sales	$1,683,349,685
Deduct:	
Cost of sales	$1,363,473,947
Selling and administrative expenses	191,351,009
Total	$1,554,824,956
Income from Operations	$ 128,524,729

JOHN MORRELL & CO.

Net sales and other operating revenues	$511,792,499
Costs and expenses:	
Cost of products, supplies and services	$471,454,211
Selling, general and administrative expenses	27,519,662
Depreciation	3,225,608
Pension costs, exclusive of special provision in 1959	2,000,000
Interest	982,166
	$505,181,647

Cost of Goods Sold and Gross Profit

ALLIED MILLS, INC.

Net Sales	$105,657,128.18
Cost of Sales	89,928,801.34
Gross Profit	$ 15,728,326.84

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold	1960	1959	1955	1950
Income Statement Presentation—				
Single total amount for:				
Cost of goods sold (*Co. Nos. 51, 210, 368, 499, 527)	357	346	318	354
Cost of goods sold together with other expenses (*Co. Nos. 7, 60, 169, 235, 344, 425)	187	190	226	175
Manufacturing cost of goods sold (*Co. Nos. 3, 112, 205, 389)	14	16	22	15
Cost of goods sold shown in:				
Separate elements of cost (*Co. Nos. 8, 62, 136, 278)	29	32	5	13
Detailed section therefor (*Co. No. 250)	1	2	2	2
	588	586	573	559
Not shown in statement—				
Initial item is:				
Gross profit (*Co. Nos. 95, 146, 275)	5	6	14	23
Operating profit (*Co. Nos. 206, 213, 318)	5	6	11	15
No income statement (*Co. Nos. 264, 424)	2	2	2	3
	12	14	27	41
Total	600	600	600	600

Gross Profit	1960	1959	1955	1950
Income Statement Presentation—				
As initial item of gross profit (*Co. Nos. 272, 415)	5	6	14	23
With single total amount:				
Designated "gross profit" (*Co. Nos. 41, 149, 216, 334, 400, 502)	88	88	110	123
Identifiable as "gross profit" (*Co. Nos. 46, 170, 200, 217, 347, 423)	27	31	26	25
	120	125	150	171
Not shown in statement (*Co. Nos. 39, 148, 236, 319, 433, 454)	473	467	437	411
Initial item is operating profit (*Co. Nos. 206, 213, 318)	5	6	11	15
No income statement (*Co. Nos. 264, 424)	2	2	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

GENERAL RAILWAY SIGNAL COMPANY

Net Sales and Operating Revenues	$35,853,245
Cost of Sales	25,694,010
Gross Profit	$10,159,235

MASONITE CORPORATION

Net Sales	$68,774,815
Cost of Sales	51,957,072
Gross profit on sales	$16,817,743

Cost of Goods Sold Included in Costs and Expenses

COLONIAL STORES INCORPORATED

Net sales	$445,434,110
Cost of sales, including certain occupancy and buying expenses	362,162,202
Selling, general and administrative expenses, exclusive of certain occupancy and buying expenses	70,779,266
Allowances for depreciation of property and equipment	4,579,162
	437,520,630
Operating profit	$ 7,913,480

CARRIER CORPORATION

Net Sales	$256,800,082
Costs and Expenses:	
Cost of sales and operating expenses, excluding depreciation	238,077,327
Depreciation	6,460,862
Interest	2,426,337
Other charges (credits)	(1,147,454)
Total	$245,817,072

PHELPS DODGE CORPORATION

Sales and other operating revenue	$286,692,723
Interest and dividends received	4,868,304
Miscellaneous earnings	367,640
	$291,928,667
Costs—including operating expense, development, maintenance, repairs, general exploration, administrative, selling and general expense and taxes, except taxes on income	224,199,503
Depreciation of plant and equipment—Note E	8,565,141
Miscellaneous charges	757,305
	$233,521,949
Balance, before taxes on income and deduction for depletion	$ 58,406,718

Cost of Goods Sold Shown in Separate Elements of Cost

BATES MANUFACTURING COMPANY

Sales and Other Income:	
Net sales	$35,818,507
Other income (including rents, interest and dividends)	321,968
Total	$36,140,475
Costs:	
Materials and services purchased	18,301,481
Payments to and for the benefit of employes:	
Wages and salaries	13,308,675
Unemployment and old age benefit taxes	634,166
Health and life insurance premiums	238,715
	14,181,556
Wear and exhaustion of buildings, machinery and equipment	698,201
State and local taxes	456,597
Provision for Federal taxes on income	902,224
Other costs	667,098
Total	$35,207,157
Income from Operations	$ 933,318

TECUMSEH PRODUCTS COMPANY

Net sales	$180,138,983
Other income (including engineering fees received from foreign licensees), less sundry income deductions	2,573,387
	$182,712,370
Less:	
Cost of sales and administrative expenses:	
Productive materials, supplies and other expenses	$128,371,921
Payrolls	30,823,488
Depreciation	1,354,917
Engineering, sales, research and development expenses	4,014,451
	$164,564,777
Income before federal taxes on income	$ 18,147,593

Cost of Goods Sold Shown in Detailed Section Therefor

GENERAL ELECTRIC COMPANY

Sales of products and services to customers	$4,197,535,440
Deduct operating costs:	
Inventories at January 1 (costs carried over from prior year)	626,203,743
Wages, salaries and employee benefits	1,848,151,233
Materials, supplies and all other costs not shown separately	1,970,258,713
Depreciation—cost of wear and obsolescence of plant and equipment	116,028,159
Taxes, except those on income	36,390,587
Less—Inventories at December 31 (costs carried over to next year)	655,161,191
—Wages, salaries and employee benefits directly reimbursed by Atomic Energy Commission	93,713,939
Total costs applicable to sales	$3,848,157,305
Earnings Resulting from Sales	$ 349,378,135

Gross Profit as Initial Item

THE BILLINGS & SPENCER COMPANY

Gross profit from sales	$2,347,355
Selling, administrative and general expenses	1,562,727
Operating profit	$ 784,628

THE CLEVELAND BUILDERS SUPPLY COMPANY

Gross profit after deducting cost of goods sold, including materials, labor, manufacturing, and delivery expenses	$1,050,089
Selling, administrative, and general expenses	1,161,279
	$ 111,190*

*Indicates red figures.

GRUEN INDUSTRIES, INC.

Gross profit on sales	$ 994,189
Selling, advertising, administrative and general expenses	2,568,595
Operating loss	$1,574,406

OTIS ELEVATOR COMPANY

Gross Profit from Operations	$69,598,061
Selling, general and administrative expense	32,309,518
Net Operating Profit	$37,288,543

Gross Profit Presented with a Single Total Amount Identifiable as "Gross Profit"

THE GARRETT CORPORATION

Sales of products, merchandise, and services	$223,824,326
Cost of goods and services sold	184,412,016
	39,412,310
Selling, administrative, and general expenses	26,146,306
	13,266,004
Other income	498,284
	13,764,288
Interest on long-term debt	603,710
Other interest expense	1,413,829
	11,746,749
Other deductions	84,859
Income Before Income Taxes	$ 11,661,890

H. K. PORTER COMPANY, INC.

Net Sales	$231,131,488
Cost of Sales	195,525,302
	35,606,186
Selling, General and Administrative Expenses	29,286,424
	$ 6,319,762

UNIVERSAL MATCH CORPORATION

Net Sales (Note 5)	$88,828,577
Cost of Goods Sold	63,291,967
	25,536,610
Operating Expenses:	
Selling and distribution	9,223,848
General and administrative	6,153,152
	15,377,000
Earnings From Operations	$10,159,610

COST OF MATERIALS—PRESENTATION

The trend over the past ten years indicates a decrease in the number of survey companies presenting cost of materials in their annual reports.

Of the 600 companies covered by this survey, 177 referred to the cost of materials in their 1960 reports. The methods of presentation used by the survey companies to show the cost of materials are summarized in Table 3. Only three of the companies referred to the inventory figures in their income statements. *Company numbers 128 and 250 presented the opening and closing inventory figures on the income statement, while *Company number 376 referred to the change in inventory for the year.

Examples

Examples illustrating the various methods of presentation of cost of materials in the income statement are shown below. These examples in addition to those shown under "Employment Costs" provide further illustrations of sales presentation, etc.

Presentation in Income Statement

JONES & LAUGHLIN STEEL CORPORATION

Revenues:		
Net sales and other operating revenues	$778,752,000	
Interest and other income	3,686,000	
	$782,438,000	
Costs and expenses:		
Employment costs:		
Wages and salaries	$262,230,000	
Pensions and other benefits (Note E)	25,469,000	
Social security taxes	10,383,000	
	298,082,000	
Materials, supplies, freight and other services	362,524,000	
Depreciation and depletion	46,130,000	
Interest and long-term debt expense	5,824,000	
State, local and miscellaneous taxes	13,661,000	
Federal income taxes (Note A)	23,064,000	
	$749,285,000	
Net income	$ 33,153,000	

Notes A and E: Not reproduced.

AMERICAN BAKERIES COMPANY

Net Sales	$162,243,014
Deduct:	
Materials, supplies, production labor and expenses	89,005,475
Maintenance and repairs	6,507,561
Depreciation and amortization	3,772,094
Selling, general and administrative expenses	53,877,446
Retirement Trust contribution (Note 2)	650,000
	$153,812,576
Operating profit	$ 8,430,438

*Refer to Company Appendix Section.

ALLEGHENY LUDLUM STEEL CORPORATION

Sales and revenues:	
Sales	$238,772,955
Interest, royalties and other	1,494,042
	240,266,997
Costs:	
Employee costs:	
Wages and salaries	87,854,034
Social security taxes	3,443,580
Pensions and other (Note 7)	10,585,218
	101,882,832
Materials, services and other costs	107,502,238
Depreciation, depletion, amortization and plant retirements, including amortization of emergency facilities of $979,679 (1959—$1,829,661)	8,325,831
Interest and amortization of debenture expense	1,746,929
Minority shareowners' share of earnings of subsidiary	6,449
State, local and miscellaneous taxes	2,510,509
Federal taxes on income	9,542,000
Total costs and income taxes	231,516,788
Earnings for the year	$ 8,750,209

ARMCO STEEL CORPORATION

Revenues:	
Sales, less discounts, returns, and allowances	$937,998,519
Dividends, royalties, interest, etc.	25,617,370
Total	$963,615,889
Costs and Expenses:	
Employment costs:	
Wages and salaries	$258,693,857
Payroll taxes	8,005,594
Pensions, group insurance and supplemental unemployment benefits (page 15)	26,172,273
Total	$292,871,724
Materials and services	475,801,039
Depreciation	40,162,979
Interest and expense on long-term debt	6,478,773
State, local, and miscellaneous taxes	11,870,501
Federal income taxes	64,872,212
Other charges	1,099,380
Total	$893,156,608
Net Income for the Year	$ 70,459,281

HERCULES POWDER COMPANY

Gross Sales and Operating Revenues	$348,857,600
(Net Sales and Operating Revenues: 1960—$336,905,380; 1959—$283,649,638)	
Other Income—Net	1,471,625
Total	$350,329,225
Costs:	
Purchased materials and services	$169,418,939
Wage and salary costs	102,534,235
Depreciation and amortization	19,211,525
U.S. and foreign taxes on income	28,022,919
Other taxes	3,976,608
Total	$323,164,226
Net Income	$ 27,164,999

TABLE 3: COST OF MATERIALS

Presentation in Income Statement	1960	1959	1955	1950
With single total amount for—				
Materials and services purchased (*Co. Nos. 8, 9, 136, 278, 319, 457, 569)	13	13	23	15
Materials purchased (*Co. Nos. 274, 412, 517)	5	5	6	6
Materials used (*Co. No. 236)	1	2	5	3
Materials, together with other costs (*Co. Nos. 11, 50, 103, 250, 310, 484)	35	33	22	22
	54	53	56	46
Disclosed Elsewhere in Report				
In notes to financial statements (*Co. No. 410)	1	—	1	2
In supplementary statements or schedules (*Co. Nos. 33, 105, 165, 230, 317, 330)	52	60	66	91
	53	60	67	93
In Graphic Presentation				
With dollar amount shown therein (*Co. Nos. 12, 137, 226, 320, 398, 512)	13	12	20	18
With dollar amount not shown therein (*Co. Nos. 7, 56, 130, 233, 306, 417, 509)	57	53	51	66
	70	65	71	84
Number of Companies				
Referring to material costs	177	178	194	223
Not referring to material costs	423	422	406	377
Total	600	600	600	600

*Refer to Company Appendix Section.

CATERPILLAR TRACTOR COMPANY

Sales	$716,038,220
Costs:	
Inventories brought forward from previous year	$206,372,118
Materials, supplies, services purchased, etc.	383,502,386
Wages, salaries and contributions for employee benefits	244,041,656
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation and amortization)	28,314,300
Interest on borrowed funds	7,454,938
United States and foreign taxes based on income	31,352,201
	901,037,599
Deduct: Inventories carried forward to following year	227,116,780
Costs allocated to year	673,920,819
	42,117,401
Profit of Caterpillar Credit Corporation	462,934
Profit for year—consolidated	$ 42,580,335

In Supplementary Statements or Schedules

THE AMERICAN TOBACCO COMPANY
1960 Operations at a Glance

The Company received for goods it sold and from interest and miscellaneous	$1,216,015,000
This is how it was used or set aside:	
Taxes (excise, income, social security, etc.)	648,301,000
Tobacco (including applicable expenses)	276,097,000
Wages, Goods, Services, etc.	222,628,000
Bond and Bank Interest	6,467,000
Dividends to Stockholders	38,660,000
Earnings Retained to Meet Future Needs	23,862,000

CHAIN BELT COMPANY
Simplified Statements for 1960

Results of Operations	Amount	Per Dollar of Sales
The Company Received from customers	$64,786,306	$1.00
This Money Was Used For:		
Wages, salaries and employee benefits	$27,412,977	$ .42
Materials, supplies and services, and depreciation	30,467,797	.47
	57,880,774	.89
Increase in inventory during the year	1,221,032	.02
Costs applicable to operations for the year	56,659,742	.87
Estimated federal and state income taxes	4,478,492	.07
Dividends paid to stockholders	2,233,389	.04
Retained for use in the business	1,414,683	.02
	$64,786,306	$1.00

MONSANTO CHEMICAL COMPANY
Summary of Income and Expenses (In Thousands of Dollars Except Per Share Figures)

Income:	
From sale of products	$890,114
From licenses, dividends, interest, etc.	10,411
	900,525
Deductions from Income:	
For raw materials, fuel, supplies, etc.	459,459
For wages and salaries to employes	209,683
For depreciatiton, obsolescence, depletion	76,088
For taxes	73,557
For interest, principally on long term debt	12,362
For minority interests in subsidiaries	1,569
	832,718
Which Left as Net Income	67,807
Distributed to Shareowners as Cash Dividends	25,659
Retained for Future Growth	$ 42,148
Per Common Share Parent Company:	
Net income	$ 2.49
Cash dividends paid	1.00
Book value	22.06
Common Shares Outstanding	27,195,189

EMPLOYMENT COSTS—PRESENTATION

Salaries and wages, or employment costs, were presented in the income statements by only 50 of the 600 survey companies in their 1960 annual reports. Eighteen companies which indicated such costs in their income statements also included pension or retirement costs (*Co. Nos. 93, 199, 278, 296, 319, 416).

Employment costs were presented by 219 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. Seven companies (*Co. Nos. 8, 62, 153, 171, 305, 353, 569) referred to supplemental unemployment benefit plans.

The various methods of presentation of employment costs used by the survey companies in their 1960 annual reports are summarized in Table 4.

Examples

The following examples illustrate the various presentations of employment costs found in the annual reports for 1960. Additional examples will be found in this section, above, under the caption "Cost of Materials—Presentation."

Income Statement Presentation

BATES MANUFACTURING COMPANY

Sales and Other Income:	
Net sales	$35,818,507
Other income (including rents, interest and dividends)	321,968
Total	$36,140,475
Costs:	
Materials and services purchased	$18,301,481
Payments to and for the benefit of employes:	
Wages and salaries	13,308,675
Unemployment and old age benefit taxes	634,166
Health and life insurance premiums	238,715
	14,181,556
Wear and exhaustion of buildings, machinery and equipment	698,201
State and local taxes	456,597
Provision for Federal taxes on income	902,224
Other costs	667,098
Total	$35,207,157
Income from Operations	$ 933,318

THE CHAMPION PAPER AND FIBRE COMPANY

Costs and Expenses:	
Payrolls and employee benefits:	
Wages and salaries	$ 71,778,335
Social security taxes and workmen's compensation	1,927,946
Champion Benefit Program	3,227,378
Subsidiary companies' benefit programs	271,561
Total payrolls and employee benefits	77,205,220
Materials and services	86,688,225
Depreciation and depletion	9,777,163
Interest and debt expense	2,218,922
Taxes, other than taxes based on income	1,808,872
Other	171,283
Total costs and expenses	$177,869,685

DAYSTROM, INCORPORATED

Revenues:	
Sales of products	$90,609,129
Interest, discounts and other revenues	1,035,227
Total Revenues	$91,644,356
Costs*:	
Employment costs:	
Wages and salaries	39,457,981
Pensions, social security taxes, insurance and other employee benefits	3,838,605
Materials, supplies, services purchased, etc.	41,776,495
Wear and exhaustion of property, plant and equipment	1,654,158
Interest on borrowed funds	645,839
Federal and foreign taxes on income	2,000,000
Total Costs	89,373,078
Net profit for year	$ 2,271,278

*Research and development included in costs (of these amounts $3,420,833 in 1960 and $2,782,719 in 1959 were billed to customers)

*Refer to Company Appendix Section.

TABLE 4: EMPLOYMENT COSTS

Presentation in Income Statement	1960	1959	1955	1950
With single total amount for—				
Wages and salaries (*Co. Nos. 11, 136, 188, 287, 416, 457)	10	11	10	13
Wages, salaries, and employee benefits (*Co. Nos. 9, 103, 128, 148, 168, 250)	18	16	16	13
Wages and salaries together with certain unrelated costs (*Co. Nos. 86, 146, 199, 236, 310, 425)	14	14	15	10
In separate section detailing employee costs (*Co. Nos. 8, 62, 80, 93, 153, 296, 319, 353)	8	8	11	6
	50	49	52	42
Disclosed Elsewhere in Report				
In notes to financial statements	—	—	3	3
In supplementary statements or schedules (*Co. Nos. 92, 100, 147, 274, 374, 472)	154	153	154	151
In letter to stockholders (*Co. Nos. 126, 261, 311, 342, 415, 526)	25	21	17	25
	179	174	174	179
In Graphic Presentation				
With dollar amount shown (*Co. Nos. 12, 137, 180, 347, 417, 512, 551, 593)	8	10	23	17
With dollar amount not shown (*Co. Nos. 162, 183, 273, 437, 532, 583)	32	29	30	54
	40	39	53	71
Number of Companies				
Showing employment costs	269	262	279	292
Not showing employment costs	331	338	321	308
Total	600	600	600	600

*Refer to Company Appendix Section.

TOBIN PACKING CO., INC.

Net Sales		$78,674,789
Other income		156,719
		$78,831,508
Less:		
Manufacturing Costs, Packing, Shipping, Delivery, Selling and Administrative Expense		
Livestock, meats, ingredients and other merchandise		51,236,344
Salaries, wages, other compensation and social security taxes (Note 4)		14,376,327
Provision for depreciation		576,716
Other supplies and expenses		8,031,572
		74,220,959
Interest expense		137,262
Loss on sale of idle plant facility		319,811
Other deductions		29,400
		74,707,432
		4,124,076
Provision for Federal income taxes		2,100,000
Net Earnings for the Year		$ 2,024,076

Note 4: The Company charged $375,000 to operations during the fiscal year ended October 29, 1960 for contributions to its employee pension fund. The unfunded actuarial reserve, after deducting amounts charged to operations, was estimated at approximately $1,920,000 at October 29, 1960. Under the plan, all contributions are voluntary but irrevocable when paid; however, it is the Company's intention to pay such voluntary contributions over a period of years to fund the entire cost of the pension plan.

ALAN WOOD STEEL COMPANY

Revenues:	
Net sales and operating revenues	$62,805,176
Other	154,938
	$62,960,114
Costs and Expenses:	
Employment costs:	
Wages and salaries	$23,811,745
Pensions, group insurance and supplemental unemployment benefits (Note 6)	2,149,583
Social security taxes	908,688
	26,870,016
Materials and services (Note 1)	30,174,692
Depreciation and depletion (Note 2)	2,811,177
Gain on property sold or retired	(6,999)
Miscellaneous taxes	523,994
Interest and debt expense	611,126
	$60,984,006
Income Before Income Taxes	$ 1,976,108

Note 6: Pension Plans—The amounts charged to income for the Company's noncontributory plan for hourly-rated employees were $700,000 in 1960 and $757,433 in 1959, of which $303,911 and $466,883 respectively were for past service benefits. The aggregate of the funds held by a trustee and an insurance company and the amounts accrued by the Company under this plan at December 31, 1960 and 1959 exceeded the present worth, actuarially calculated at the current investment yield of the funds, of expected future pension payments to all entitled to receive them at those dates. The remaining cost of funding past service benefits under this plan on a single premium basis is estimated at

$6,877,000 at December 31, 1960, including $1,700,000 resulting from changes in the plan effective January 1, 1960.

The amounts charged to income for the Company's contributory pension plan for salaried employees were $246,443 in 1960 and $209,829 in 1959. The remaining cost of funding past service benefits under this plan on a single premium basis is estimated at $581,000 at December 31, 1960, including $485,000 resulting from changes in the plan effective January 1, 1960.

Notes 1 and 2: Not reproduced.

AMERICAN VISCOSE CORPORATION

Sales and Other Income:	
Net sales	$206,650,000
Interest and other income	1,728,000
	$208,378,000
Costs and Expenses:	
Materials, labor and other costs	$165,849,000
Depreciation	15,544,000
Selling, general and administrative expenses	17,718,000
	$199,111,000
Operating Income	$ 9,267,000

LUKENS STEEL COMPANY

Revenues:	
Net sales	$102,921,047
Other	231,020
	$103,152,067
Costs:	
Employment—	
Wages and salaries	$ 29,981,522
Vacation, holiday and shift pay	3,208,661
Pensions and other benefits	3,443,286
Social security taxes	1,151,024
	$ 37,784,493
Materials, services and other	50,019,074
Depreciation	3,767,850
Rentals on U.S. Government facilities	487,908
Interest expense	1,228,341
State, local and miscellaneous taxes	724,226
Provision for income taxes	4,192,000
	$ 98,203,892
Net income	$ 4,948,175

A. E. STALEY MANUFACTURING COMPANY

Income:	
Net sales	$155,697,017
Other income	330,533
	$156,027,550
Costs:	
Corn, soybeans, supplies, and services used in production and sale of products	$117,905,448
Employees' wages, salaries, retirement, and other benefits	22,334,507
Portion of cost of buildings, machinery, and equipment allocated to operations (provision for depreciation)	4,914,640
Taxes—federal, state, and local (including estimated federal income taxes: 1960—$4,714,000; 1959—$6,033,000)	6,352,121
	$151,506,716
Net Profit for the Year	$ 4,520,834

GRAND UNION COMPANY

Net Sales	$603,468,099
Cost of sales	484,515,372
Gross profit	$118,952,727
Operating and general expenses:	
Salaries and bonuses to employees in the sales department	$ 47,362,375
Other selling and administrative and general expenses	55,641,809
	$103,004,184
	$ 15,948,543
Other deductions, principally interest expense, net	794,498
Income before provision for income taxes	15,154,045
Provision for United States and Canadian income taxes	7,800,000
Net Income	$ 7,354,045

PENN FRUIT CO., INC.

Sales	$166,990,259
Cost of Sales and Operating Expenses:	
Cost of merchandise sold, including warehousing, processing and transportation expenses	$133,536,610
Wages, rents, advertising, administrative and other operating expenses	28,281,052
Depreciation and amortization	1,629,212
	$163,446,874
	$ 3,543,385
Other Income (Cash discounts, interest received and sundry earnings)	1,629,773
	$ 5,173,158
Interest Paid	249,208
Earnings from Operations Before Taxes on Income	$ 4,923,950

Disclosed Elsewhere

CALIFORNIA PACKING COMPANY
Review of the Year in Brief

Sales and Operating Revenues	$352,534,506
Earnings for Year	14,530,177
Special Credit to Unappropriated Earnings —not included in earnings for year	1,482,806
Payrolls—including Employee Benefits	84,509,379
Cash Dividends Paid	5,576,478
Taxes—including Income, Property and Excise	18,921,377
Additions to Plant and Equipment, net	5,633,955
Depreciation Charged to Operations	6,814,773
Long-Term Debt	47,830,587
Shareholders' Equity	144,839,746

W. F. HALL PRINTING COMPANY
President's Report

Total wage and salary payments were $32,296,000, as compared with $29,414,000 in the preceding year, and are now at the highest levels in the history of the Company. Workers in our branch of the graphic arts industry are among the highest paid wage earners in the United States. The Company and its subsidiaries employ approximately 5,000 persons.

MERCK & CO., INC.
Notes on Operations

Personnel Relations: Salaries and wages paid to the company's employees were $60,676,000 in 1960, and the cost to the company of employee benefits amounted to an additional $16,580,000. This compares with $60,979,000 for salaries and wages and $14,894,000 for benefits in 1959. The number of employees at the end of 1960 was 11,300, compared with 11,600 at the end of the preceding year.

AMERICAN METAL PRODUCTS COMPANY
Facts in Brief, 1960

Received from customers (and other income)		$58,768,880
Paid for material, supplies, and outside services		33,085,070
Added by our manufacturing efforts		$25,683,810
The amount was distributed as follows:		
Salaries and wages	$18,546,047	
Taxes	3,507,338	
Dividends	1,599,357	
Set aside for wear and tear and future growth	2,031,068	
		$25,683,810

JOSLYN MFG. AND SUPPLY CO.
President's Letter

Payroll and Employee Benefits Were 25.7% of Net Sales: Payroll and other employee benefits totalled $21,741,000, as compared with $23,615,000 for 1959. Such benefits as a percentage of sales remained about the same as last year, 25.7% in 1960 and 25.8% in 1959. Benefits other than wages and salary were $4,517,000 in 1960 and $4,526,000 in the prior year.

Largely as a result of the discontinuance of the operations which we mentioned previously, the number of employees decreased from 3151 at December 31, 1959 to 2788 at the end of 1960. Of this latter number, about 1889 employees participated as senior members in our Profit Sharing Fund and shared in a 1960 company contribution to the Fund in the amount of $1,405,000.

WEYERHAEUSER COMPANY
Highlights

Sales	$457,916,208
Net income	$ 47,751,310
Per share	1.59
Ratio of net income to shareholders' interest	8.93%
Dividends paid	$ 36,167,420
Per share	1.20
Income retained in the business	$ 11,583,890
Depreciation and depletion	$ 39,550,528
Additions to plants, equipment and roads	$ 53,341,612
Purchases of timber and timberlands	$ 4,300,660
Taxes	$ 43,906,698
Wages and salaries, including vacations and holiday pay	$139,393,592
Pensions, employee insurance and social security taxes	$ 15,702,703
Number of employees at December 31	26,733
Number of shareholders at December 31	13,100

PENSION AND RETIREMENT PLANS

In 1956 the committee on accounting procedure of the American Institute of Certified Public Accountants issued Bulletin No. 47—*Accounting for Costs of Pension Plans* in which the following discussion appears:

> 5. In the view of many, the accrual of costs under a pension plan should not necessarily be dependent on the funding arrangements provided for in the plan or governed by a strict legal interpretation of the obligations under the plan. They feel that because of the widespread adoption of pension plans and their importance as part of compensation structures, a provision for cancellation or the existence of a terminal date for a plan should not be the controlling factor in accounting for pension costs, and that for accounting purposes it is reasonable to assume in most cases that a plan, though modified or renewed (because of terminal dates) from time to time, will continue for an indefinite period. According to this view, costs based on current and future services should be systematically accrued during the expected period of active service of the covered employees, generally upon the basis of actuarial calculations. Such calculations may be made as to each employee, or as to categories of employees (by age, length of service, or rate of pay, for example), or they may be based upon an average of the expected service lives of all covered employees. These calculations, although made primarily for funding purposes, may be used also for accounting purposes. They should, of course, be revised at intervals. Also according to this view, costs based on past services should be charged off over some reasonable period, provided the allocattion is made on a systematic and rational basis and does not cause distortion of the operating results in any one year.

The 600 survey companies included 397 which indicated that there were pension or retirement plans in operations during 1960. The remaining 203 companies made no reference to the existence of such plans. Six of the survey companies stated in their 1960 reports that they had adopted new pension plans during the year (*Co. Nos. 49, 171, 227, 277, 283, 534), and 38 companies stated that they had amended existing plans (*Co. Nos. 5, 14, 94, 181, 319, 412).

Twenty-six of the companies that had referred to pension plans in their 1959 reports made no reference to such plans in their 1960 reports. Approximately 66 per cent of the plans mentioned in the 1960 reports were described as being funded or partially funded. Approximately 4 per cent of the plans were stated to be unfunded; the remaining 30 per cent gave no descriptive information.

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 1960 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 1960 reports. Extensive references are given at the foot of the table to companies disclosing various pension plans.

*Refer to Company Appendix Section.

TABLE 5: PENSION AND RETIREMENT PLANS

Funded or Partially Funded Plans*	Charge to Income Set Forth for†: Current and Past Service Costs: Shown Combined	Shown** Separately	Current Service Costs	Pension Costs	Pension Costs With Other Expenses	Charges Not Set Forth	Total 1960 Plans
A. Current funding of current service costs with installment funding of past service costs	92	37	2	—	5	12	148
B. Current funding of current service costs with funding completed for past service costs	1	1	8	—	—	5	15
C. Current funding of current service costs with past service costs not to be funded	7	1	16	—	4	3	31
D. Basis of funding not disclosed	9	2	1	42	7	19	80
	109	41	27	42	16	39	274
E. *Unfunded plans* with related costs to be absorbed at time of retirements or as benefits are paid	3	4	3	2	1	4	17
Unidentified plans with no reference made to funding or nonfunding of related costs	2	1	—	56	17	46	122
Total	114	46	30	100	34	89	413
†Charge to Income Set Forth in:							
F. Statement of Income	25	10	6	37	17	—	95
G. Notes to financial statements	79	31	22	39	3	—	174
H: Supplementary schedules	1	1	—	9	6	—	17
I. Letter to stockholders or financial review	9	4	2	15	8	—	38
Charges Not Set Forth for:							
Funded pension or retirement plans	—	—	—	—	—	39	39
Unfunded pension or retirement plans	—	—	—	—	—	4	4
Unidentified pension or retirement plans	—	—	—	—	—	46	46
Total	114	46	30	100	34	89	413

Number of Companies	1960
Referring to pension or retirement plans:	
Disclosing related costs	313
Not disclosing related costs	84
	397
Not referring to pension or retirement plans	203
Total	600

Number of Pension or Retirement Plans	1960
Adopted during year	6
Amended during year	38
Continued as adopted in prior year	369
Total	413

*Refer to Company Appendix Section—A: Co. Nos. 92, 360, 482, 584; B: Co. Nos. 109, 178, 541; C: Co. Nos. 72, 79, 384; D: Co. Nos. 18, 152, 302; E: Co. Nos. 69, 312, 422; F: Co. Nos. 24, 115, 281; G: Co. Nos. 37, 94, 478; H: Co. Nos. 310, 356, 417; I: Co. Nos. 16, 171, 393.

**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.

Examples

The following examples illustrate the various presentations and data supplied by the survey companies in their 1960 annual reports concerning pension and retirement plans.

Current Service Costs Funding With Installment Funding of Past Service Costs

ALPHA PORTLAND CEMENT COMPANY
Notes to Financial Statements

Note E: At December 31, 1960 the unfunded past service cost of the Company's retirement plans amounted to approximately

$1,615,000. At the present time, it is the Company's intention to fund this amount over a period of approximately ten years. The cost of the plans charged to income in 1960 and 1959 was $807,155 and $798,170, respectively.

ARMCO STEEL CORPORATION
Financial Review—Page 15

Pension Fund Asset Increase: Armco paid $12,277,412 into pension funds for current service costs and for the partial funding of past service costs during 1960. At December 31, 1960, the total assets of the company's pension funds had a book value of approximately $125,000,000. The aggregate market value of these assets at that date was well in excess of the book value. At December 31, 1960, the remaining unfunded past service liability was actuarially determined to be $90,100,000.

THE MARTIN COMPANY
Notes to Financial Statements

Note F: The cost for the year 1960 of the Company's non-contributory pension plans aggregated $5,209,984. Unfunded past service costs estimated to be $5,179,000 at December 31, 1960 are being funded over a period not to exceed thirty years.

NATIONAL GYPSUM COMPANY
Notes to Financial Statements

Note D: Retirement Plans—Unfunded past service costs under the companies' various employee retirement plans amounted to $7,275,000 at December 31, 1960. The current annual cost of such plans, including provision for funding past service costs, approximates $1,825,000.

THE PILLSBURY COMPANY
Notes to Financial Statements

Note 7: Retirement Plans—The company has had in prior years an insured pension plan available to all its employees to provide retirement income. There was no past service liability under this plan. Basic annuities were paid for by the company and supplemental annuities were purchased jointly by employees and the company. During the year, this plan was amended, resulting in a revised contributory plan for salaried employees and various retirement and supplementary retirement plans for union employees. These revised plans provide for past service benefits.

The unfunded past service liability at May 31, 1960 of all the company's retirement plans is estimated to be $13,000,000. Costs and expenses include pension costs of $1,640,000 for the year ended May 31, 1959, and $1,840,000 for the year ended May 31, 1960. The company intends to fund the past service liability over a period not to exceed thirty years.

RITTER COMPANY, INC.
Notes to Financial Statements

Note 10: Employees Retirement Annuity and Pension Plans—The Company has in effect pension plans covering hourly-rated and salaried employees, the cost of which for the year ended December 31, 1960 was $445,575. In 1960, credits of $127,525 resulting from employee terminations in 1956 under a prior plan were transferred directly to the Trustee under the pension plan for salaried employees to be applied against unfunded past service costs. It is estimated that the future costs of the plans will be approximately $450,000 per annum subject to actual determination upon completion of the actuary's review of the plans each year.

Unfunded past service costs under these plans at December 31, 1960 are estimated at $1,806,500.

With Funding of Past Service Costs Completed

MELVILLE SHOE CORPORATION
Notes to Financial Statements

Note 5: The Company has an unfunded pension plan for its factory employees. This plan is part of two union agreements effective until March 31, 1961 and thereafter subject to automatic renewal annually unless notice is given by either party. The Company is making annual provision sufficient during the period ending December 31, 1961 to cover pensions for life to factory employees expected to retire during the period. Based on a recent actuarial report the liability for such pensions as of December 31, 1961 is estimated at $1,100,000 (net of Federal income taxes), of which $967,350 has been provided in the accounts.

The Employees' Retirement Plan effective January 1, 1943 is a contributory plan for certain employees which became fully funded in 1954 under an amended method of computing the actuarial liability adopted at that time. On the basis of actuarial reports no employer contributions have been required since that time.

There are two non-contributory pension plans for the non-union employees in the Miles Division. With respect to the 1955 plan for store employees, reserves (net of Federal income taxes) sufficient to cover pensions for life at the time of retirement of each employee will be provided. To date, one employee has retired under this plan. With respect to the plan for non-store employees, which became effective January 1, 1957, $35,500 (net of Federal income taxes) will be provided by December 31, 1962, to cover pensions for life for seven employees expected to retire during the five-year period.

REPUBLIC STEEL CORPORATION
Notes to Financial Statements

Note F: Pensions—Payments into pension trusts in prior years and aggregate payments of $18,127,275 for the year 1960, all of which were charged against income, have been sufficient to fund fully the cost of pensions granted to December 31, 1960, and to provide additional sums for funding pensions which may be subsequently granted. Assuming the continuance of pension plans as now constituted it is the present intention that similar payments will be made in future years.

R. J. REYNOLDS TOBACCO COMPANY
Financial Review

During 1960 the Company paid $5,681,013 to the trustee under the Employees' Retirement Plan. This included $2,430,429 for prior service benefits, resulting in such benefits becoming fully funded. Under the Company's Profit Sharing Plan, established in 1956, the amount payable for 1960 to the trustee thereunder for credit to the accounts of the 11,057 officers and employees entitled to participate for the year was $8,328,121.

SWIFT & COMPANY
Notes to Financial Statements

Note 5: Pensions—Swift & Company established a noncontributory pension plan in 1916 which was embodied in an irrevocable pension trust in 1925. Over the years the contributions made to the trust have accumulated a fund which is now substantially in excess of the amount needed (determined actuarially) to meet future pension payments to present pensioners. During the current and previous two fiscal years, the directors of the Company have authorized contributions in amounts which, while substantially lower than the amounts determined actuarially for current service costs, are considered reasonable and adequate in the light of the trust's current financial status.

With Past Services Not Funded

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
Notes to Consolidated Financial Statements

Note 1: Under the Retirement Benefit Plan, the companies made retirement payments during the year ended June 30, 1960, directly to retired employees for services rendered prior to July 1, 1956. The consolidated statement of income for the current fiscal year includes a charge of $198,677, representing the payments made less the amount of $150,000 transferred from the reserve for retirement payments which was established by charges to income in prior years. It is anticipated that the reserve will be completely restored to income over a period of years. The estimated cost of fully funding the past service liability under this Plan is approximately $8,900,000, but the companies do not have any present intention to provide for the funding of this liability.

Under the Pension Plan applicable to services performed after July 1, 1956, the companies' actuarially computed contributions for the year amounted to $495,922, all of which was charged to operations.

ATLAS POWDER COMPANY
Notes to Financial Statements

Note 9: Funded Pension Plan—Earnings for 1960 have been charged with provision for contributions to the pension trust in the amount of $768,000 compared with $700,000 in the preceding year. These provisions approximate the annual normal cost of the plan with respect to current service and interest on the unfunded portion of the past service liability as determined by consulting actuaries.

At December 31, 1960, the pension trust held assets having a cost value of $8,729,000; the unfunded past service liability amounted to approximately $5,740,000, including the estimated liability for certain pension payments not covered by the funded plan.

DAYCO CORPORATION
Notes to Financial Statements

Note 3: The Company and certain of its subsidiaries maintain pension plans for eligible employes. At October 31, 1960, the aggregate unfunded past service cost of all plans was approximately $2,566,000. Contributions and expenses during the current year for all plans aggregated $216,334.

A. O. SMITH CORPORATION
Notes to Financial Statements

Note 2: Retirement Plans—Contributions by the Company under its non-contributory retirement plans were $3,589,342 in the 1960 fiscal year and $3,600,000 in 1959, which amounts approximated the estimated cost of current service plus interest on the unfunded past service cost.

Unfunded Plans

CALUMET & HECLA, INC.
Notes to Financial Statements

Note 9: Retirement and Pension Plans—The Company has in effect three retirement and pension plans, two of which are being funded. Unfunded past service benefits under these plans, approximating $2,200,000 at December 31, 1960, are being funded over periods of ten and thirty years, respectively. A reserve amounting to $94,244 at December 31, 1960 has been established to cover the estimated liability to retired employees under the unfunded plan. The 1960 cost of retirement and pension plans included $151,690 applicable to past service benefits.

COLLINS & AIKMAN CORPORATION
Notes to Financial Statements

Note 3: Pension Plan—The Company has notified its employees that they may apply for retirement on pension after reaching a certain age and after having had a specified period of service with the Company. The notice to the employees sets forth a formula for the determination of the amount of each pension. The Company reserves the right to discontinue granting pensions at any time without notice and also reserves the right, by amendment of the plan effective November 19, 1952, to reduce pensions granted after such date, but pensions granted before that date may not be reduced.

Upon amendment of the plan on November 19, 1952 the Company discontinued its former practice of providing a reserve on an actuarial basis for pensions as granted. Payments of pensions amounting to $31,894 in the current year, granted prior to November 19, 1952, were charged to the reserve for pensions. Payments of pensions granted after November 19, 1952 are charged to income as made; these payments aggregated $119,561 in the current year.

GIMBEL BROTHERS, INC.
Notes to Financial Statements

Note 7: The Company has a non-contributory pension plan. The financial statements reflect accruals equal to the present worth, net of taxes, of its existing pension commitments. The total charge for the year ended January 31, 1960 was $290,000 after giving effect to applicable tax credits. The Company is not making any provision for insuring or funding the plan or any benefits thereunder but it may at its option make such arrangements in the future. The total amount which would have been necessary to fund the plan as of February 1, 1960 with respect to past services is estimated at $9,400,000 and the estimated cost for current services for the year ended January 31, 1960 would have been, on an actuarial basis, $220,000, net of taxes. The Company reserves the right to amend, modify or terminate the plan.

SERVEL, INC.
Notes to Financial Statements

Note 8: The Company's Burgess Battery Divisions have contributory retirement plans for employees. The unfunded past service costs, not provided for in the accounts, amount to approximately $595,000. The current service costs amounted to approximately $90,000 in 1960.

DEPLETION

Annual Charge

An annual charge for depletion was disclosed by 124 of the survey companies in their 1960 reports. An additional five companies presented accumulated depletion accounts in their balance sheets but made no reference to an annual depletion charge in the income statements (*Co. Nos. 245, 261, 418, 427, 451). 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, this section.

Method

Of the companies which disclosed either an annual charge for depletion or accumulated depletion, 110 companies made no reference to the method or basis used in the determination of the amount provided. Twenty-two companies disclosed both basis and method used for computing depletion, of which seven companies indicated use of the unit-of-production method (*Co. Nos. 58, 61, 121, 434, 453, 519, 535), while five companies indicated use of the cost method (*Co. Nos. 20, 54, 338, 351, 531), and ten companies indicated use of the percentage method for tax purposes (*Co. Nos. 8, 18, 235, 309, 351, 371, 399, 430, 434, 446).

Two companies (*Co. Nos. 54, 326) 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 25 per cent of the survey companies which referred to depletion in their reports.

Examples

Examples selected from the 1960 annual reports illustrating the methods used to disclose depletion in the accounts are as follows:

Presentation in Income Statement

THE GREAT WESTERN SUGAR COMPANY

Costs and other expenses:	
Cost of sales, sugar excise tax, marketing and other expenses	$ 92,653,653
Depreciation and quarry depletion	2,026,769
Interest	97,284
Provision for income taxes	6,544,415
Total	$101,322,121

*Refer to Company Appendix Section.

TABLE 6: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement	1960	1959	1955	1950
Listed among other costs with single total amount for—				
Depletion (*Co. Nos. 46, 54, 121, 168, 175, 192, 219, 255, 309, 434, 520)	11	10	16	24
Depletion and depreciation (*Co. Nos. 13, 18, 37, 183, 270, 278, 310, 351, 430)	42	42	32	35
Depletion, amortization, and depreciation (*Co. Nos. 29, 68, 93, 143, 158, 205, 234, 399, 446, 516)	37	34	30	12
Depletion and amortization	—	1	4	4
Combined with other costs or expenses (*Co. Nos. 20, 142)	2	3	1	—
Disclosed within income statement in note or schedule (*Co. Nos. 21, 164, 294, 361, 398, 449, 566)	7	6	6	2
Disclosed at foot of income statement in note or schedule (*Co. Nos. 78, 146, 177, 233, 253, 343, 370, 435, 461, 469, 482, 484)	13	11	13	14
	112	107	102	91
Disclosed Elsewhere in Annual Report				
In notes to financial statements (*Co. Nos. 26, 66, 79, 249, 299, 316, 383, 417)	10	11	5	12
In letter to stockholders	—	—	1	1
Depletion not deducted from net income (*Co. Nos. 235, 326)	2	4	2	2
	12	15	8	15
Number of Companies Referring to				
Annual depletion charge	124	122	110	106
Accumulated depletion but not referring to annual depletion charge	5	7	7	8
Not referring to depletion	471	471	483	486
Total	600	600	600	600

*Refer to Company Appendix Section.

HOWE SOUND COMPANY

Costs and expenses:	
Production and operating costs	$73,405,420
Depreciation, depletion, and amortization	3,125,860
Selling, administrative, and general	11,797,096
Royalties	180,228
Interest	839,532
Other	145,784
	$89,493,920

MASONITE CORPORATION

Other Income and (Expense):	
Profit from sale of timber	$1,317,439
Income from oil operations, net of expense	501,435
Interest income	211,254
Interest expense	(492,049)
Miscellaneous, net	338,511
	$1,876,590

PHILADELPHIA AND READING CORPORATION

Costs and Expenses:	
Cost of sales	$120,447,645
Selling, administrative and general expenses	13,998,463
	$134,446,108
Income Before Income Taxes	$ 14,535,397
Federal and State Income Taxes	7,150,000
Net Income	$ 7,385,397

Depreciation and depletion charged to costs and expenses amounted to $2,032,289 in 1960 and $1,456,235 in 1959.

CONTINENTAL OIL COMPANY

Costs, Expenses and Taxes:	
Crude oil, products, materials and services purchased	$443,557,925
Federal, state and other taxes (Note 5)	123,454,623
Salaries, wages and employee benefits	83,720,324
Intangible development costs (Note 6)	32,823,297
Depreciation and retirements	31,665,674
Surrendered leases	7,950,085
Depletion	2,360,400
Interest and debt expense	5,380,465
Provision for loss on foreign investments and advances (Note 1)	7,000,000
	$737,912,793

Notes not reproduced here.

Set Forth In Notes to Financial Statements

HUDSON PULP & PAPER CORP.

Fixed Assets, at cost:	
Land, buildings, equipment, woodlands and timber and water rights	$77,494,804
Less: Reserves for depreciation, amortization and depletion	31,712,881
	$45,781,923

Notes to Financial Statements

Note B: Depreciation, amortization and depletion charged to income for the year ended August 31, 1960, amounted to $3,763,155.

MONSANTO CHEMICAL COMPANY

Property, Plant and Equipment, at Cost	$1,092,323
Less accumulated depreciation and depletion	476,621
Net property	$ 615,702

Financial Review

Charges against income for depreciation, obsolescence and depletion totaled $76,088,000, of which $73,218,000 was depreciation and obsolescence, and $2,870,000 depletion of mines and wells. In 1959, such charges were $68,732,000 and $3,073,000.

Accumulated depreciation and depletion at year end:

	1960	1959
	(In Thousands)	
Depreciation	$449,383	$391,341
Depletion	27,238	25,590
Total	$476,621	$416,931

Depletion Not Deducted from Net Income

THE ANACONDA COMPANY
Notes to Financial Statements

Note b: As required by the United States Treasury Department, valuations as of March 1, 1913 of mining properties then owned, determined for depletion purposes in connection with Federal income taxes, have been recorded on the books but these values have not been reflected in the published accounts of the Company.

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

Depletion based on cost of timber lands and phosphate and sulphur deposits has been deducted from income in these financial statements and also from the cost basis shown in the Consolidated Balance Sheet.

DEPRECIATION

Annual Charge

Depreciation was disclosed by all 600 survey companies. However, 13 companies made this disclosure only to the extent that the report showed accumulated depreciation in the balance sheet or in a supplementary schedule. Of the remaining 587 companies, 490 presented the annual charge for depreciation in the income statement, and 97 companies indicated the annual charge for depreciation either in the notes to financial statements or the letter to the stockholders.

Table 7 summarizes the manner in which the annual charge for depreciation is treated by the survey companies in their published reports for 1960.

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 55 referred to the method of depreciation used, while 43 made only partial disclosure of their methods. 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 1960 annual reports, 16 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. 210, 276, 320, 554, 591)	
(**111)	6
Sum-of-the-years-digits method	
(*Co. Nos. 82, 128, 171, 199, 557)	5

*Refer to Company Appendix Section.
**Companies using alternative methods for tax purposes only.

TABLE 7: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement	1960	1959	1955	1950
Listed among other costs with single total amount for—				
Depreciation (*Co. Nos. 50, 119, 266, 296, 324, 436)	140	142	159	237
Depreciation and amortization (*Co. Nos. 24, 92, 113, 265, 318, 374, 426, 511)	102	106	124	68
Depreciation, amortization, and depletion (*Co. Nos. 61, 143, 178, 222, 412, 516)	37	34	30	12
Depreciation and depletion (*Co. Nos. 17, 130, 136, 270, 319, 456)	42	42	32	35
Depreciation and unrelated costs (*Co. Nos. 20, 43, 142, 168, 322, 326, 368)	7	9	3	2
Segregated within income statement in note or schedule (*Co. Nos. 19, 98, 127, 154, 214, 279, 304, 422)	57	52	38	18
Presented at foot of income statement in note or schedule (*Co. Nos. 25, 117, 133, 262, 292, 375, 421, 507)	105	105	92	114
	490	490	478	486
Disclosed Elsewhere in Annual Report				
In notes to financial statements or in supplementary schedules (*Co. Nos. 48, 122, 150, 217, 367, 561)	88	81	82	66
In letter to stockholders (*Co. Nos. 56, 244, 291, 333, 405, 423)	9	10	15	17
	97	91	97	83
Number of Companies Referring to				
Annual depreciation charge	587	581	575	569
Accumulated depreciation but not referring to annual depreciation charge	13	19	25	31
Total	600	600	600	600

*Refer to Company Appendix Section.

Accelerated depreciation method
(*Co. Nos. 305, 475)
(**521) 3
Sum-of-the-years-digits and accelerated depreciation methods
(*Co. Nos. 231, 489) 2

An additional 37 companies did not reveal the method of depreciation used on assets prior to January 1, 1954, but disclosed the new methods adopted for subsequent additions as follows:

Sum-of-the-years-digits method
(*Co. Nos. 107, 383, 543, 558)
(**50, 122, 166) 7
Accelerated depreciation method
(*Co. Nos. 1, 147, 180, 342, 430, 514)
(**3, 144, 242, 247, 268, 407) 25
Declining-balance method
(*Co. Nos. 74, 190, 197)
(**500) 4
Straight-line and declining-balance
(*Co. No. 94) 1

In the 1960 reports of 35 survey companies, the method of depreciation was given simply as follows:

Straight-line method
(*Co. Nos. 83, 129, 140, 182, 188, 232, 233, 374, 397, 403, 451, 544) 24
Straight-line and production methods
(*Co. Nos. 54, 58, 121, 305, 434, 535) 6
Accelerated depreciation method
(*Co. No. 316) 1
Production method (unit of production)
(*Co. Nos. 20, 434, 453) 3
Estimated remaining useful life
(*Co. No. 473) 1

Examples

Examples of the various methods used have been selected from the 1960 annual reports and are as follows:

(Refer also to the discussion which follows in this section under the caption "Amortization of Emergency Facilities under Certificates of Necessity," and to the comments under the caption "Allocation of Income Taxes.")

Straight-Line and Declining-Balance

WHEELING STEEL CORPORATION
Balance Sheet
Property, plant and equipment, at cost, less depreciation and amortization (Page 16) $147,070,507

*Refer to Company Appendix Section.
**Companies using alternative methods for tax purposes only.

Page 16: Property, Plant and Equipment—

Land and mineral properties	$ 11,751,351
Buildings, machinery and equipment	287,472,760
Construction in progress	8,163,439
	$307,387,550
Accumulated depreciation and amortization	160,317,043
Net properties	$147,070,507

Financial Review

Depreciation: The provision for depreciation approximated $14 million in 1960. The major part of this amount was attributable to certain assets placed in service subsequent to December 31, 1955, for which the Corporation elected to adopt the declining balance method of determining depreciation.

Depreciation on other facilities is determined on the straight-line basis. A downward adjustment of the depreciation rate applicable to steel plant assets in this category, due to the level of operations during 1960, accounted for the decrease in total depreciation between 1959 and 1960. The 1959 provision was $14.7 million.

ELASTIC STOP NUT CORPORATION OF AMERICA

Balance Sheet

Fixed Assets—At Cost

Property, plant and equipment	$13,853,207.52
Less—Amounts charged to operations as depreciation and amortization	8,621,972.53
	$ 5,231,234.99

Notes to Financial Statements

Note 4: Depreciation and Amortization Policies—Depreciation and amortization charges to operations conform to the following basic rates:

Machinery	5 to 25%
Furniture and fixtures	6-2/3 to 10%
Automotive equipment, etc.	25 to 50%
Land improvements	10 to 25%
Buildings	1-1/2 to 5%
Building equipment	5 to 10%
Patents	5-15/17%

To the extent allowed under provisions of the Internal Revenue Code, depreciation of facilities acquired after December 31, 1953, was provided for under the declining balance method at double the basic rate applicable. In addition, permissible allowances have been made for amortization of equipment covered by certificates of necessity.

Expenditures for maintenance, repairs, renewals and betterments are charged generally to operating expenses, except that major projects in these categories are capitalized.

The accumulated charges for depreciation and amortization are applied against the cost of properties retired or sold, and any resulting gain or loss is taken into income for the year of retirement or sale.

HALOID XEROX INC.

Balance Sheet

Property, Plant and Equipment (Note 3):

At cost	$38,519,597.83
Less: Reserves for depreciation and amortization	9,240,868.53
Net property, plant and equipment	$29,278,729.30

Note 3: Land purchased in 1960 at a cost of $277,668.34 is subject to mortgages totaling $98,500.00 at December 31, 1960. It is the policy of the Company to provide for depreciation of depreciable properties (except in the case of amortization of emergency facilities as referred to below) at rates which are designed to extinguish the cost of the properties less salvage values through charges to income and credits to reserves over the estimated service lives of the properties. Prior to 1955 a straight line basis was used and effective January 1, 1955, the Company adopted the declining balance method of depreciation for most capital additions including new xerographic equipment on lease to customers.

Included in property, plant and equipment are emergency facilities in the amount of $439,679.82, acquired under Certificates of Necessity in 1951 and which have been completely amortized, and of $562,305.68 acquired under Certificate of Necessity in 1956 which are being amortized over a sixty-month period. Amortization charged to profit and loss exceeded the depreciation which would have been charged had the Company's regular depreciation rates been applied by $57,223.30 in 1960.

UNION TANK CAR COMPANY

Balance Sheet

Property, At Cost:

Tank Cars	$275,343,625
Land, Buildings and Equipment	55,164,713
Less Accumulated Depreciation	145,043,652
	$185,464,686

Notes to Financial Statements

Depreciation: Depreciation included in the accompanying financial statements is based on the declining balance method for substantially all additions of new property in 1954 and subsequent years and on the straight line method for other property. Additional depreciation was reported for tax purposes under Certificates of Necessity which resulted in deferring Federal income taxes of $3,075,000 in 1960 and $3,738,000 in 1959. The deferred taxes shown in the accompanying balance sheet are payable in amounts now undeterminable over the years beginning five years after additions are made.

Straight-Line and Sum-of-the-Years-Digits

BAUSCH & LOMB INCORPORATED

Balance Sheet

Properties—at cost

Land	$ 1,034,598
Buildings, machinery and equipment	31,207,684
	32,242,282
Less—Accumulated depreciation (Note 3)	14,143,986
	$18,098,296

Note 3: Properties—In June 1960, the Company issued $7,038,600 of 4¾% Convertible Subordinated Debentures due 1980. The proceeds were used in part to increase working capital and for property additions. The balance of $3,393,126 was held in marketable securities and at December 25, 1960 they had an aggregate quoted market value of $3,400,000. It is the intention of management to use these securities to provide funds in 1961 to complete new facilities now in construction.

The 1960 provision for depreciation increased about $335,000 over that for 1959. During 1960, the Company and its subsidiaries changed from the practice of providing depreciation on the straight-line method to the sum of the years-digits method for certain of their property additions and also changed from the practice of providing depreciation commencing with the year following acquisition to providing depreciation in the year of acquisition. These two changes accounted, about equally, for somewhat more than the net increase and had the effect of decreasing net income for the year by approximately $125,000.

UNITED ELASTIC CORPORATION

Balance Sheet

Property, Plant and Equipment:

After deducting depreciation $8,813,812 (1960) $7,847,303 (1959)	$12,142,345

Letter to the Stockholders

Depreciation: Depreciation charges to operations in 1960 amounted to $1,429,785 compared with $1,335,404 in 1959. The charges represent 5% of our sales dollar in 1960 and 4% in 1959. During the ten year period from 1951 through 1960 the depreciation charged to operations was $9,015,001. Your company computes its depreciation charges on the sum-of-the-years digits method for additions to property made since January 1, 1955, and on the straight line basis for acquisitions prior thereto, both for statement and federal income tax purposes.

Straight-Line and Accelerated Methods

JOHNS-MANVILLE CORPORATION

Balance Sheet

Properties and Plants, less estimated depreciation and depletion (Note 3)	$161,302,000

Note 3: Properties and plants are stated at cost less the following amounts of estimated depreciation and depletion: $158,340,000.

Note 8: Manufacturing, costs, selling and administrative expenses include provisions for depreciation and depletion as follows:

Depreciation	$16,432,000
Depletion	358,000
	$16,790,000

Depreciation on U. S. properties has been provided by the straight line method plus an amount equal to the tax savings realized by using accelerated methods permitted for tax purposes. Depreciation on Canadian properties has been provided by the diminishing balance method.

ROHM & HAAS COMPANY
Balance Sheet

Property:	
Land, buildings and equipment, at cost	$200,010,237
Less accumulated depreciation and amortization	101,646,200
	$ 98,364,037

President's Letter

Depreciation: Total depreciation and amortization in 1960 amounted to $16,951,000 compared with $15,802,000 in 1959. Accelerated depreciation as permitted by the Internal Revenue Code of 1954 exceeded straight-line depreciation by $4,120,000 in 1960; the excess for 1959 was $4,130,000. Amortization in excess of straight-line depreciation on facilities constructed under certificates of necessity totaled $281,000 in 1960 as compared with $535,000 in 1959.

STANDARD PACKAGING CORPORATION
Balance Sheet

Fixed Assets—At cost:	
Property, plant and equipment:	
Land and water rights	$ 2,400,806
Buildings	15,408,762
Machinery and equipment	57,203,254
Other	2,283,113
Total	77,295,935
Less accumulated depreciation	31,109,899
Property, plant and equipment—net	$46,186,036

Notes to Financial Statements

Note 3: Deferred Federal Income Taxes—In computing Federal income taxes, an accelerated depreciation basis has been used in recent years for certain properties on which depreciation has been provided in the accompanying financial statements on the straight-line basis. The tax effect of this difference, together with the tax effect of treating certain other items in the accounts on a different basis than for income tax purposes, is included in the liability for deferred Federal income taxes.

Straight-Line, Accelerated Depreciation, and Sum-of-the-Years-Digits

FIRST NATIONAL STORES INC.
Balance Sheet

Fixed Assets, at cost (excluding full depreciated assets):	
Land	$ 8,180,891
Buildings owned	36,609,485
Store fixtures, leased property improvements, machinery and equipment	57,040,436
Automotive equipment	3,501,411
	$105,332,223
Less—Depreciation	48,160,541
	$ 57,171,682

Notes to Financial Statements

Note 1: In addition to depreciation provided on the straight-line method for depreciable fixed assets acquired prior to March 28, 1954 and on the sum of the years-digits method for assets acquired thereafter, as permitted and used for federal income tax purposes, the company has continued to provide and charge earnings with additional accelerated depreciation on store buildings, computed on a basis which is related to estimated fair rental values. Such additional accelerated depreciation amounted to $548,792 in 1960 and $623,577 in 1959 and is not currently deductible for federal income tax purposes.

EXTRAORDINARY DEPRECIATION

The 1960 annual reports of only four of the survey companies indicated that they followed the policy of recording extraordinary depreciation or obsolescence charges in addition to the normal or accelerated amount of annual depreciation (*Co. Nos. 159, 231, 303, 342). Several companies had previously indicated a policy of recording extraordinary depreciation; however, their 1960 annual reports did not contain any such information. Substitution may be found in the liberalized depreciation methods permitted by the Internal Revenue Code of 1954.

Examples

Examples illustrating the presentations of providing for extraordinary depreciation are as follows:

AYRSHIRE COLLIERIES CORPORATION
Statement of Income

Net Income	$3,719,322
Provision for price-level depreciation (see note)	195,585
Net Income, after deducting provision for price-level depreciation	$3,523,737

Note: The provision for price-level depreciation represents the excess of depreciation cost measured by the current purchasing power of the dollar over depreciation cost measured by the purchasing power of the dollar at the dates of acquisition or construction of the companies' depreciable property. Reference is made to the opinion of Arthur Andersen & Co. for approval of this accounting.

CONGOLEUM-NAIRN INC.
Earned Surplus

Provision for estimated write-downs and expenses due to consolidation of facilities and changes in product lines (Note 2):	
Plant and equipment	$5,330,000
Expenses of consolidation and changes in product lines	3,670,000
	$9,000,000

Balance Sheet

Plant and Equipment:	
Land, at cost	$ 806,389
Buildings and equipment, at cost	43,504,238
	44,310,627
Less—Accumulated depreciation and obsolescence	20,701,724
	$23,608,903
Provision for disposal of plant and equipment (Note 2)	5,550,000
	$18,058,903

Note 2: The Board of Directors has approved a program for consolidation and realignment of facilities and operations. Plant and equipment no longer required as a result of this consolidation of operations have been written down to estimated realizable values, and provisions have been made for other estimated costs and expenses due to the proposed consolidation of operations and changes in product lines. Such write-downs and provisions, less reserves no longer required, amounted to $9,000,000 and were charged to earned surplus.

*Refer to Company Appendix Section.

FIRST NATIONAL STORES INC.
Statement of Earnings

Costs and expenses:	
Cost of sales, expenses, etc., exclusive of depreciation	$499,073,164
Provision for depreciation of fixed assets (Note 1)	9,410,714
Interest expense	298,693
Net loss (gain) on disposal of fixed assets	67,112
Provision for federal income taxes	8,450,000
	$517,299,683

Note 1: In addition to depreciation provided on the straight-line method for depreciable fixed assets acquired prior to March 28, 1954 and on the sum of the years-digits method for assets acquired thereafter, as permitted and used for federal income tax purposes, the company has continued to provide and charge earnings with additional accelerated depreciation on store buildings, computed on a basis which is related to estimated fair rental values. Such additional accelerated depreciation amounted to $548,792 in 1960 and $623,577 in 1959 and is not currently deductible for federal income tax purposes.

AMORTIZATION OF EMERGENCY FACILITIES UNDER CERTIFICATES OF NECESSITY

There are undoubtedly several companies which still 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).

Table 8 shows that 41 of the survey companies referred to the amortization of emergency facilities under certificates of necessity in their 1960 annual reports. Of these companies, 26 deducted accelerated amortization for both tax and accounting purposes. An additional 8 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 did not provide for the resulting deferred tax benefit in the accounts. Six 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.

Examples

Examples illustrating the various presentations of the amortization of emergency facilities are as follows:

Amortization of Emergency Facilities Deducted for Tax Purposes Only

BEAUNIT MILLS, INC.
Statement of Income

Depreciation (Note 4)	$6,079,981
Balance Sheet	
Federal income taxes relating to accelerated amortization of facilities under certificate of necessity (Note 4)	$2,402,500

TABLE 8: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1960	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. 7, 11, 147, 599)	4	20	25
Notes to financial statements (*Co. Nos. 8, 276, 305, 466)	4	37	28
Letter to stockholders or financial review (*Co. Nos. 93, 97, 250, 475, 555)	5	20	16
Schedule of fixed assets (*Co. No. 62)	1	3	4
Combined with normal depreciation on regular facilities set forth in:			
Statement of income (*Co. Nos. 13, 29, 86, 92, 235, 281, 552)	7	7	7
Notes to financial statements (*Co. Nos. 81, 402, 444)	3	14	21
Letter to stockholders or financial review (*Co. No. 41)	1	1	15
Schedule of fixed assets (*Co. No. 569)	1	1	6
	26	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. 532)	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. 85, 268, 309, 439)	4	19	7
Notes to financial statements (*Co. Nos. 223, 255, 500, 554)	4	14	5
Letter to stockholders or financial review	—	3	—
	8	36	12
Number of Companies Referring to:			
Certificates of necessity and amortization of emergency facilities	35	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. 210, 234, 362, 411, 441, 591)	6	2	—
Emergency facilities not completed or application pending	—	—	33
Not referring to certificates of necessity	559	453	432
Total	600	600	600

*Refer to Company Appendix Section.

Note 4: For federal income tax purposes, the Company elected to amortize the certified portion of the cost of its Coosa Pines Plant No. 2 under a certificate of necessity over the five fiscal years ended March 31, 1958. In its accounts, the Company records depreciation on these assets on the basis of estimated service lives. During the five year amortization period, the reduction in income taxes payable resulting from the excess of such tax amortization over book depreciation ($592,500 per year) was charged to income and credited to deferred income. For the year ended March 31, 1960, $280,000 was restored to income as the amount applicable to book depreciation for the year which had been deducted in prior years for federal income tax purposes.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

Statement of Earnings

Special credit—Federal income tax benefits resulting from losses incurred by Du Mont prior to merger (Note 3)	$ 345,000
Balance Sheet	
Deferred Federal income taxes (Note 3)	$1,094,000

Note 3: Federal Taxes on Income—The Federal income tax returns of the company for the years 1957 and 1958 are presently being examined. An examination of the returns of Du Mont (which was merged into Fairchild on July 5, 1960) for the years 1952 to 1958 is also in process. Certain deficiencies have been alleged against Du Mont, but the ultimate liability, if any, has not been finally determined. The company is of the opinion that the liability for Federal taxes on income has been adequately provided for in the accompanying financial statements.

It was estimated that as of December 31, 1960 the loss carry-over and certain assets written off for book purposes but not for tax purposes by Du Mont prior to the merger aggregated approximately $8,200,000 which amount may be available as a deduction against taxable income of the company in future years. The maximum Federal income tax benefit which could arise from these losses approximates $4,264,000 in addition to the amount of $994,581 presently shown on the balance sheet.

The company has claimed accelerated amortization for income tax purposes on approximately $3,600,000 of facilities acquired in 1952 and 1953 under certificates of necessity, but provisions for depreciation and Federal income taxes in the statement of consolidated earnings were based on the normal useful life of the facilities. The estimated tax on the difference between book and tax depreciation has been provided in prior years and is now being restored to income as the book depreciation now exceeds tax depreciation.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Statement of Earnings

Provision for Income Taxes (after credits of $375,000 in 1960 and $255,000 in 1959 for deferred taxes provided in prior years)	$1,950,000
Balance Sheet	
Deferred Federal Income Taxes (Resulting from accelerated tax amortization of specific facilities)	$4,020,000

PHOENIX STEEL CORPORATION

Statement of Earnings

Federal Taxes on Income:	
Federal income taxes refundable relating to carry-back of operating loss	$2,570,000
Less:	
Estimated income tax applicable to amortization of emergency facilities and accelerated depreciation of facilities to be applied against income tax expense in future years	309,000
	$2,261,000
Balance Sheet	
Income Tax Savings to be Applied Against Income Tax Expense in Future Years	$2,416,300

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

ALAN WOOD STEEL COMPANY

Costs and Expenses:	
Employment costs:	
Wages and salaries	$23,811,745
Pensions, group insurance and supplemental unemployment benefits	2,149,583
Social security taxes	908,688
	26,870,016
Materials and services	30,174,692
Depreciation and depletion (Note 2)	2,811,177
Gain on property sold or retired	(6,999)
Miscellaneous taxes	523,994
Interest and debt expense	611,126
	$60,984,006

Note 2: Property, Plant and Equipment—The certified portion of properties acquired under certificates of necessity since 1951, amounting to $10,018,096 at December 31, 1960 and fully depreciated at that date, has been depreciated for financial accounting and for income tax purposes at the rate of 20% per year. Depreciation of $73,242 was provided in 1960 and $1,112,157 in 1959.

Property, plant and equipment includes construction in progress aggregating $16,619,789 at December 31, 1960 substantially all of which is applicable to construction of a new blooming mill and rolling mill. The unexpended balance of appropriations for plant improvements and replacements authorized by the Board of Directors aggregated $15,885,064 at December 31, 1960, including $14,827,023 for the new mills.

INLAND STEEL COMPANY

Cost of Goods Sold, Expenses and Other Deductions:	
Cost of goods sold	$563,503,713
Depreciation, amortization and depletion	41,010,000
Selling, general and administrative expenses	51,640,317
Interest and expenses on long-term debt	8,266,598
	$664,420,628

The Year in Review

Amortization of defense facilities under Certficates of Necessity declined to $1,574,792 in 1960 from $2,313,354 in 1959. In 1961 this figure is expected to approximate $100,000.

The company and its subsidiaries are applying accelerated depreciation methods to property additions made since January 1, 1954, as permitted by the 1954 Revenue Code. For additions made before 1954, depreciation charges are calculated on a straight-line basis or on a sliding scale based on the rate of production. Both the books of the companies and their tax returns reflect depreciation calculated by these methods.

THE YOUNGSTOWN SHEET AND TUBE COMPANY

Costs, Expenses and Other Deductions:	
Cost of products sold, including maintenance and repairs of plants and provisions for taxes of operating properties	$460,514,549
Pension plan payments	10,570,320
Provision for:	
Depletion and depreciation	25,941,371
Amortization of emergency facilities	1,023,439
Selling, general and administrative expenses	31,598,961
Interest and discount on long-term debt	4,682,474
Total	$534,331,114

The Year in Review

Total provision for depreciation, depletion and amortization of emergency facilities in 1960 was $26,964,810 as compared with $25,505,695 in 1959, an increase of $1,459,115. Amortization of emergency facilities included in these figures declined from $2,342,-572 in 1959 to $1,023,439 in 1960. The increase in the depreciation provision was the result of capital additions completed during the year.

THE CLEVELAND-CLIFFS IRON COMPANY

Costs and expenses:	
Cost of goods sold and operating expenses	$71,758,079
Administrative, selling, and general expenses	3,101,942
Depreciation and depletion—Note E	4,558,805
Amortization of defense facilities—Note E	1,028,475
Interest on long-term debt	537,375
Other deductions	675,980
	$81,660,656

Note E: Depreciation and Amortization—Includes the Company's portion of depreciation and amortization of defense facilities applicable to ore acquired from certain associated companies.

HIGHER PLANT REPLACEMENT COSTS

During the year under review only two of the 600 companies covered by this survey increased their reserve for higher plant replacement costs (*Co. Nos. 110, 374). These increases were effected by appropriations of retained earnings.

As shown in Table 9 there were just five companies which disclosed reserves for higher plant replacement costs in their annual reports for 1960, which indicates that such reserves are gradually being eliminated. The reason for this has been attributed to the liberalized depreciation methods allowed for tax purposes under the Internal Revenue Code of 1954.

Companies showing higher plant replacement costs reserves are also classified by balance sheet presentation in Section 2, Table 37—"Property Reserves." An example of a higher plant replacement cost reserve is also presented with that table.

TABLE 9: HIGHER PLANT REPLACEMENT COSTS

Presentation in Report	1960	1955	1952
Income statement, separate last section	—	—	1
Transfer from other reserves	—	—	1
Charge to Retained Earnings	2	2	4
	2	2	6
Credit to Retained Earnings	—	—	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	—	—	(4)
At end of year*	5	9	19
No reserves for higher plant replacement costs	595	591	581
Total	600	600	600

*Refer to Company Appendix Section—Co. Nos. 110, 265, 374, 526, 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. In addition, several companies mentioned significant grants made for charitable, educational, or scientific purposes, but did not define the medium through which the grants were given.

Twelve companies which referred to charitable foundations in 1959 made no mention of such foundations in their 1960 reports but did not indicate whether such foundations had been dissolved.

Of the 600 survey companies, there were 20 companies that disclosed the existence of such foundations in their 1960 reports. Two companies (*Co. Nos. 299, 425) made the disclosure in the notes to financial statements; and the remaining 18 companies (*Co. Nos. 125, 155, 250, 394, 417, 519) in the president's letter or the financial review section.

Examples

Examples from the 1960 annual reports illustrating the nature of the disclosures given with regard to charitable foundations follow:

In President's Letter or Financial Review

HUNT FOODS AND INDUSTRIES, INC.

Programs of the Hunt Foods & Industries Foundation: The major programs of the Foundation were further developed during this period. The Foundation's scholarship program, open to sons and daughters of Hunt employees, was extended to sons and daughters of Wesson people. To maintain the ratio of scholarships to number of potential candidates, two college scholarships and one merit award were added. Arrangements were completed for the gift to the City of Fullerton, California of funds for construction of a branch library and cultural center, and ground-breaking for the building is scheduled for later this year. As in prior years, contributions were made by the Foundation to the organized charities of the various areas in which Company plants are located.

THE PILLSBURY COMPANY

Depreciation accruals and disposals exceeded the same items in fiscal 1959 by $990,000. Of this increase $750,000 resulted from the gift of the Pillsbury Building in Minneapolis to the Renown Foundation, a nonprofit corporation established by the company a few years ago, and to which it regularly makes contributions for distribution to charitable and educational organizations. This transfer will facilitate the complete renovation and expansion of our headquarters office. No other major disposals or abandonments occurred during the period, although small feed manufacturing facilities at our Sacramento and Atchison flour mills were closed. For the year our net investment in plant increased $4,254,000 to a total of $49,718,000.

SCHENLEY INDUSTRIES, INC.

Wholesalers Foundation: Forty-nine deserving students have been awarded college and university scholarships by the Schenley Wholesalers Foundation for the 1960-61 school year.

*Refer to Company Appendix Section.

The awards mark the third year of the Foundation's educational support program. A non-profit organization, the Schenley Wholesalers Foundation was established in 1957 "to ensure a permanent means through which Schenley wholesalers, as a group, can provide educational opportunities for deserving students and encourage progress and development in the arts and sciences." It now has 139 wholesaler members, and was honored by "Ed Gibbs Newsletter" for the Best Wholesaler Public Service Program in the alcoholic beverage industry in 1959. Its funds are principally contributed by the wholesalers.

In addition to the scholarships, grants-in-aid are awarded to privately endowed colleges in which scholarship winners enroll. Total educational awards of the Foundation for the 1960-61 school year approximate $35,000.

The Schenley Foundation, established by the Company in 1937 to provide emergency financial assistance for employees in times of unusual personal need, continued to meet such needs. During the year, 956 loans totaling $141,436 were granted, bringing noninterest-bearing loans granted by the Foundation over the years to some 12,326 totaling $1,662,662.

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 27, 1960 the total of the investments in and advances to Market Center Realty Co. is $2,949,172.

HUDSON PULP & PAPER CORP.

Note F: The Company contributes for eleemosynary purposes approximately 5% of its net taxable income. During the year, contributions amounted to $36,580, of which $23,387 was made to The Abraham Mazer Family Fund, Inc., a non-profit philanthropic corporation.

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 1960 survey reports. Of the 600 survey companies, 535 presented estimated federal income taxes. Of these, 148 included the estimates among other costs, while 387 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 297 of the 600 survey companies as per details in the table.

Examples—Federal Income Tax—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

THE MEAD CORPORATION

Costs and Expenses:	
Cost of products sold	$277,740,268
Selling, administrative and general	33,834,507
Interest and debt expenses	2,043,798
Taxes on income	14,280,000
	$327,898,573

TABLE 10: CURRENT ESTIMATE FOR FEDERAL AND OTHER INCOME TAXES

Income Statement Designation	Listed among other costs	Set forth in last section	1960 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	67	207	274
"Federal income" and various other income taxes	61	136	197
"Income taxes" not further designated	20	44	64
Total	148	387	535
Not shown or not required:			
No provision for income taxes although income statement shows profit			15
Operating loss carry-forward or carry-back eliminates estimate			36
Operating loss shown in statement			12
No income statement presented			2
			65
Total			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	5	37	42
"State income" and other income taxes	31	30	61
"State and foreign income taxes"	3	19	22
"Foreign income taxes"	8	17	25
Various other	42	105	147
Total	89	208	297

GOLDBLATT BROS., INC.

Net Sales		$107,925,425
Deduct:		
Merchandise, supplies and services purchased	$ 77,181,574	
Salaries, wages and employee benefits	24,764,395	
Provision for depreciation	1,032,835	
Rental expense (principally on long-term leases)	1,747,694	
Taxes, other than income and social security taxes	1,269,976	
Federal income taxes	867,400	
	$106,863,874	
Net Income	$ 1,061,551	

SUNRAY MID-CONTINENT OIL COMPANY

Costs and Expenses:	
Purchased crude oil, petroleum products and other merchandise	$253,392,611
Operating, selling and administrative expenses	95,892,479
Depreciation and depletion	31,078,888
Non-productive wells, exploration expenses and surrendered leases	17,748,258
Income and general taxes	26,029,227
Interest and financing expenses	1,955,346
	$426,096,809

CHEMETRON CORPORATION

Net sales	$133,493,718
Other operating and sundry income	2,414,837
Total	$135,908,555
Cost of products sold and delivery expenses	98,494,538
Selling and administrative expenses	22,289,247
Depreciation and depletion	6,203,698
Loss on performance guaranty of Canadian subsidiary	100,400
Interest and sundry charges	2,290,694
Provision for United States income taxes	3,240,000
Total	$132,618,577
Net earnings of consolidated domestic companies	3,289,978
Equity in undistributed earnings of unconsolidated subsidiary and affiliated companies (Note 1)	1,152,995
Net earnings	$ 4,442,973

Note 1: Not reproduced.

CONTINENTAL STEEL CORPORATION

Cost of Sales, Expenses and Other Deductions:	
Cost of sales, administrative and selling expenses	$36,035,673
Provision for depreciation and amortization	1,475,046
Interest on 3¾% Promissory Note	65,750
Provision for federal taxes on income	4,975,000
	$42,551,469

LIBBY, McNEIL & LIBBY

Net Sales, including service revenues	$294,707,470
Gain on disposal of fixed property	201,160
Dividends and other income from affiliated company	332,069
Miscellaneous income (net)	268,424
	$295,509,123
Less:	
Cost of sales and services	234,393,348
Selling and administrative expenses	43,213,898
Depreciation	4,308,529
Pension contributions	1,421,868
Interest on long term debt	1,672,939
Interest on notes payable	1,593,621
Income taxes	4,044,082
Minority interest in net income of subsidiary company	656,909
	$291,305,194
Net Income for the year	$ 4,203,929

PITTSBURGH PLATE GLASS COMPANY

Net Sales	$627,964,507
Dividends and Interest from Subsidiaries Not Consolidated	2,192,513
Other Earnings	5,203,620
Total	$635,360,640
Deduct:	
Cost of sales	$402,516,844
Selling, general and administrative expenses	90,262,883
Depreciation and depletion	35,765,522
Domestic and Canadian taxes on income	44,400,000
Other taxes	13,410,930
Interest	1,621,463
Other charges—net	(248,160)
Total	$587,729,482
Net Earnings	$ 47,631,158

PARAMOUNT PICTURES CORPORATION

Costs and Expenses:	
Cost of theatrical and television film, including share of film rentals and royalties to others	$ 57,005,000
Film distribution and cost of records and music	28,293,000
Other operating expenses, including operation of theatres and television station	30,328,000
Depreciation of buildings, equipment and leaseholds (excluding studio depreciation of $469,000 in 1960 and $591,000 in 1959 charged to cost of productions)	1,824,000
Amortization of development costs (see Note D)	944,000
Interest	1,114,000
Foreign exchange adjustments	576,000
Income applicable to minority holders of stocks of affiliated companies	862,000
United States, Canadian and foreign taxes on income	3,353,000
	$124,299,000

Note D: Not reproduced.

Set Forth in Last Section

THE BLACK AND DECKER MANUFACTURING COMPANY

Earnings Before Taxes		$11,151,516
Taxes on income—estimated:		
Federal		$ 4,217,000
State and foreign		1,446,477
		5,663,477
Net Earnings		$ 5,488,039

COPPERWELD STEEL COMPANY

Costs and Expenses:	
Cost of products sold	$ 98,457,879
Selling, general, and administrative expenses	7,204,976
Provision for depreciation and amortization	3,297,965
Interest and note expense	986,339
Total	$109,947,159
Income Before Provision for Taxes on Income	$ 5,041,781
Provision for Taxes on Income	2,600,000
Net Income	$ 2,441,781

GARLOCK, INC.

Net Sales	$32,693,195
Operating Costs and Expenses (including depreciation and amortization: $1,165,297)	30,657,812
Income from Operations	2,035,383
Sundry Income—Net	78,653
Income Before Taxes on Income	2,114,036
Taxes on Income	1,011,500
Net Income	$ 1,102,536

THE WHITE MOTOR COMPANY

Income Before Income Taxes	$17,175,813
Provision for Federal and Canadian income taxes for the year	$ 8,300,000
Net Income for the Year	$ 8,875,813

GENERAL ANILINE & FILM CORPORATION

Net Sales	$159,791,187
Income on Securities—Net	1,475,433
	$161,266,620
Costs and Expenses:	
Cost of products sold	$103,816,051
Distribution and selling expenses	27,935,903
Research and development expenses	6,890,197
Administrative and general expenses	6,701,612
Interest on borrowed capital	957,452
Other deductions—net	125,951
	$146,427,166
Earnings before Federal Income Taxes	$ 14,839,454
Federal Income Taxes	7,660,000
Net Earnings	$ 7,179,454

ELI LILLY AND COMPANY

Deductions from Income:	
Manufacturing costs; research and development expenses; selling, administrative, and general expenses	$141,701,341
Other deductions, including minority interest in net income of domestic subsidiary	819,258
	$142,520,599
Income Before Taxes Thereon	$ 39,763,147
Taxes on income—estimated	21,011,571
Consolidated Net Income—Note A	$ 18,751,576

Note A: Not reproduced.

NEPTUNE METER COMPANY

Income before taxes on income	$2,856,914
Provision for Taxes on Income:	
Current year	1,255,640
Deferred	97,392
	1,353,032
Net Income	$1,503,882

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

One hundred and fourteen of the 600 survey companies presented a total of 130 income tax adjustment items in their 1960 annual reports. Table 11 summarizes the various methods of presentation of the tax

TABLE 11: INCOME TAX ADJUSTMENTS AND ALLOCATION—1960

Nature of Income Tax Adjustments	Presentation in Reports**: A: Income: Income Statement: Among Other Costs: With tax estimate	Special item	In Last Section: With tax estimate	Special item	Shown Elsewhere: In Foot-notes	In Letter to Stock-holders	Total	B: Retained Earnings	1960 Total Items
Prior year tax accrual adjustment	2	—	2	6	7	2	19	2	21
Additional tax assessment or payment	—	—	—	—	8	2	10	—	10
Carry-back: Operating loss	2	3	9	15	1	—	30	1	31
Carry-forward: Operating loss	1	—	4	2	10	4	21	—	21
Interest expense on assessments	—	1	—	—	6	1	8	2	10
Interest received on tax refund	—	—	1	—	—	—	1	—	1
Tax adjustments not identified	1	1	4	16	7	—	29	3	32
Tax adjustment—other items	1	—	2	1	—	—	4	—	4
Adjustments—Total	7	5	22	40	39	9	122	8	130
Allocation of Current Income Taxes, with:									
Extraordinary items shown net of related tax	1	12	5	42	23	3	86	29	115
Extraordinary items shown in full amount	—	16	—	10	2	—	28	6	34
Only tax effect of extraordinary items shown	1	1	1	3	—	—	6	—	6
Deferment of income tax benefit	3	1	8	17	12	—	41	2	43
Reduction of deferred income tax benefit	—	—	2	4	5	1	12	—	12
Allocation—Total	5	30	16	76	42	4	173	37	210
Total	12	35	38	116	81	13	295	45	340

Number of Companies Presenting Special:	1960
Income tax adjustment items only (*Co. Nos. 21, 205, 318, 387, 416, 470, 513)	62
Income tax allocation items only (*Co. Nos. 25, 80, 149, 166, 185, 328)	128
Both adjustments and allocation items (*Co. Nos. 6, 35, 43, 233, 355, 439)	52
	242
Number of Companies not presenting special items	358
Total	600

*Refer to Company Appendix Section.
**See Table 12 for Percentage of Materiality.
See Tables 13 and 14 for Extraordinary Items.

adjustments as shown by the survey companies. Of the 130 income tax adjustments, 74 items were set forth in the income statement; 48 were disclosed either in the footnotes, president's letter to the stockholders, or parenthetically in the balance sheet; the remaining 8 items were shown in the retained earnings statement. The income account was utilized for 122 income tax adjustments by 109 companies, and the retained earnings account for 8 items by 5 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 1960 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 114 of the 600 survey companies in their 1960 reports, the percentages 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

TABLE 12: INCOME TAX ADJUSTMENTS AND ALLOCATION—1960

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1960
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	4	3	3	3	4	2	19	—	1	—	1	—	—	2	21
Additional tax assessment or payment	2	—	—	1	3	4	10	—	—	—	—	—	—	—	10
Carry-back: Operating loss	3	1	2	11	12	1	30	—	—	—	—	1	—	1	31
Carry-forward: Operating loss	3	1	2	1	6	8	21	—	—	—	—	—	—	—	21
Interest expense on assessments	4	2	—	—	—	2	8	1	—	—	—	—	1	2	10
Interest received on tax refund	1	—	—	—	—	—	1	—	—	—	—	—	—	—	1
Tax adjustments not identified	11	5	3	3	2	5	29	1	—	—	—	2	—	3	32
Tax adjustment—other items	—	1	1	—	—	2	4	—	—	—	—	—	—	—	4
Adjustments—Total	28	13	11	19	27	24	122	2	1	—	1	3	1	8	130
Allocation of Current Income Taxes, with:															
Extraordinary items shown net of related tax	23	13	14	16	12	8	86	4	3	3	5	9	5	29	115
Extraordinary items shown in full amount															
Only tax effect of extraordinary items	11	7	5	4	1	—	28	—	1	1	2	1	1	6	34
shown	2	—	1	2	1	—	6	—	—	—	—	—	—	—	6
Deferment of income tax benefit	15	3	5	6	2	10	41	1	—	—	1	—	—	2	43
Reduction of deferred tax benefit	9	3	—	—	—	—	12	—	—	—	—	—	—	—	12
Allocation—Total	60	26	25	28	16	18	173	5	4	4	8	10	6	37	210
Total	88	39	36	47	43	42	295	7	5	4	9	13	7	45	340

	Accounts Adjusted for Special Items:		
Number of income tax adjustments	Income	Retained Earnings	1960 Total
For prior year accruals, etc.	122	8	130
For allocations arising from special items	173	37	210
Total	295	45	340

*See Table 11 for Presentation of Income Tax Adjustments. See Tables 13 and 14 for Extraordinary Items.
N—Percentage of materiality not determinable.

1960 net income, computed without regard for either income tax adjustments or extraordinary items. Table 12 shows that 44 of such adjustments did not exceed a materiality percentage of 10 per cent; 11 items were within 11—20 per cent range of materiality; 20 items varied from 21—50 per cent; and 30 items exceeded 50 per cent of materiality. In the case of 25 of the 130 adjustments for prior year income taxes, the reports did not contain sufficient information for determination of the materiality.

Examples

The following examples, taken from the 1960 reports, illustrate the presentation and treatment of adjustments in connection with prior year income taxes:

Adjustments for Prior Year Income Taxes

ALLIED STORES CORPORATION

Earnings Before Federal Income Taxes	$28,087,080
Provision for federal income taxes (after deducting in 1960 $1,400,000 of provisions in prior years no longer required)	13,450,000
Consolidated Net Earnings for Year	$14,637,080

ATLANTIC REFINING COMPANY

Income before U.S. income tax credit	$45,816,294
U.S. income tax credit net overaccrual	750,217
Net Income	$46,566,511

CONSOLIDATED PAPER COMPANY

Loss before refund of federal income taxes	$ 773,796
Refund of federal income taxes (net, in 1960, of additional taxes of $8,189 for prior years) (Note A)	398,463
Net loss for year	375,333
Retained earnings at beginning of year	9,983,583
Retained earnings at end of year	$9,608,250

Note A: During the year, federal income tax returns were examined for the years 1955 to 1959, inclusive, and provision has been made in the accompanying financial statements for the additional taxes resulting therefrom.

McCORMICK & COMPANY, INCORPORATED

Net Income Before Special Items	$1,061,526
Special Items:	
Charge to adjust book basis of accumulated depreciation accounts to income tax basis as of November 30, 1959	225,561
Net credit resulting from Federal income tax examination of years ended November 30, 1958 and 1959 adjusting property accounts, etc.	176,824
Special Items—net charge	48,737
Net Income After Special Items	$1,012,789

THE MARTIN COMPANY

Earnings Before Federal Taxes on Income ..	$34,654,540
Provision for Federal Taxes on Income	17,800,000
Net Earnings for the Year	$16,854,540
Special Items—renegotiation refunds (Note B):	
For year 1956 less applicable Federal income taxes of $1,241,703	1,146,188
Balance Transferred to Earnings Reinvested	$15,708,352

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 for the years 1953 to 1956. The effect of the Board's actions is summarized below:

	Excessive Profits Determined by Board	Requested Refund, Net of Federal and State Tax Credits	Liability in Accounts as of Dec. 31, 1960
1953	$3,500,000	$1,526,192	$ (1)
1954	6,250,000	2,816,793	2,816,793
1955	3,500,000	1,430,279	1,430,279
1956	4,796,101	2,008,316	1,146,188(2)
			$5,393,260

(1) Year 1953 paid under protest—Company has a claim for Federal income tax refundable in the amount of $1,636,567.
(2) Amount provided for 1956 is net of a claim now before the Armed Services Board of Contract Appeals to recover certain contract costs previously disallowed. If the claim is not successful the requested refund will be correspondingly reduced.

The Company believes that no excessive profits were realized for the years 1953 to 1956 and has appealed to the Tax Court for a redetermination of the Board's findings for these years. Sales and profits for 1957 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 1957 or subsequent years.

UNITED WHELAN CORPORATION

Net income before Federal income taxes ...	$1,955,188
Estimated Federal income taxes applicable to above income	850,000
Net income before Federal income tax reduction	$1,105,188
Federal income tax reduction resulting from filing a consolidated Federal income tax return which includes deductible losses of Crawford Clothes, Inc. and its subsidiaries and, in 1960, a consolidated net operating loss carryover from 1959—Note D	850,000
Net income	$1,955,188

Note D: Not reproduced.

Tax Assessments, Refunds and Refundable Taxes

CURTISS-WRIGHT CORPORATION
Notes to Financial Statements

Note 1: As a result of examinations completed by the Internal Revenue Service in 1960 additional federal income taxes plus interest were paid for the years 1948 to 1953. Portions of such additional assessments and interest thereon are recoverable upon completion of the examination now in progress for the years 1954 to 1956.

BASIC INCORPORATED

Reserve:	
For contingencies and possible additional federal income taxes—Note A	$258,189

Note A: The Corporation's federal income tax returns for the years 1950 through 1957 have been examined by the Internal Revenue Service, and on January 15, 1960, the Company paid $206,576.43, including interest, to cover certain deficiencies asserted. No examination has been made for subsequent years. The Corporation considers that its reserve for contingencies includes a sufficient provision to cover any possible liability for additional federal taxes on income for all prior years.

WALT DISNEY PRODUCTIONS

Costs and Expenses:	
Amortization of film and television production costs (Note 3)	$15,354,701
Distribution costs—prints, advertising, etc.	5,336,224
Operating costs of amusement park, other than depreciation	9,745,546
Depreciation of amusement park (Note 6)	2,264,073
Costs applicable to other income	3,701,914
General, administrative and selling expenses	9,774,791
Interest	1,496,605
Stories and pre-production costs abandoned	1,242,539
Estimated taxes (tax credit) on income (Notes 5 and 6)	(1,300,000)
Total costs and expenses	47,616,393
Profit (loss) before minority interest	($ 1,206,821)

Note 5: Estimated Federal Income Tax—Representatives of the Internal Revenue Service recently completed an examination of the Company's federal income tax returns for the three years ended September 1956 and have proposed assessments of substantial amounts of additional tax. The assessments result primarily from proposed changes in the Company's method of accounting for the cost of television films and its long established method of amortizing the cost of theatrical motion picture films. The methods followed by the Company are in accord with practices generally followed in the industry. The proposed assessments made on these bases are considered by the Company as being without merit and are being vigorously protested. Accordingly no provision therefore is considered necessary and none has been made in the accompanying statements. Provision has been made for possible additional taxes from all other adjustments proposed by the examining agent.

Federal income tax returns of Disneyland for the years 1955 through 1959 are currently being examined by representatives of the Internal Revenue Service who have questioned, among other things, the propriety of deferring unearned deposits and rentals for income tax purposes. Should the Company be unsuccessful in its intended protest to any assessment on these items the unearned deposits and rentals will be placed on a net of income tax basis by transferring the amount of applicable income tax from the deferred income account to liability for federal income taxes.

Note 6: Estimated Future Federal Income Tax—As a result of a survey completed during the year ended October 1, 1960 of the estimated economic life of Disneyland Park assets, depreciation was provided for the 1960 fiscal year at a straight line rate based upon a composite life of ten years from the date the assets were placed in use. Depreciation for prior years was provided at a straight line rate based upon a composite life of seven years.

For federal income tax purposes, depreciation expense of Disneyland has been computed on the declining balance method using twice the rate used for book purposes. However, since inception Disneyland has followed the policy of providing currently for federal income taxes at the rate of approximately 52% of the net income shown in its financial statements. The excess of the aggregate provisions for federal income taxes over the liabilities shown or estimated to be shown on its tax returns for years through October 1, 1960 is included under the caption Estimated Future Federal Income Tax in the accompanying balance sheet.

ELASTIC STOP NUT CORPORATION OF AMERICA
Notes to Financial Statements

Note 2: Federal Income Tax and Renegotiation—Federal income tax returns of the parent company to November 30, 1959 have been examined by the Internal Revenue Service. Some of the Company's sales are subject to review under the Renegotiation Act of 1951; howver, it is believed that a provision for possible refunds is not necessary. The examinations under the Act have been completed through the year 1956.

Federal income tax returns of Buchanan were examined through the calendar year 1959, and those of National Gage through its fiscal year ending June 30, 1959. The Internal Revenue Service has proposed a deficiency assessment of $72,993 against this subsidary company for the years ending June 30, 1957, 1958 and 1959, based on a disallowance of a net operating loss deduction under section 269 of the Internal Revenue Code. The Company believes that the position of the Service in this matter is not supported by the facts and is contesting the proposed assessment.

GRUEN INDUSTRIES, INC.
Notes to Financial Statements

Note 8: Contingent Liabilities—The Company is defendant in a suit for alleged damages of approximately $800,000 for alleged breach of certain warranties and guarantees made in the contracts relating to the sale of its former Electronics Division. In the opinion of the Company's counsel and management the Company has meritorious defenses to the claims asserted and should prevail in this litigation.

Federal income tax returns have been examined through the year ended March 31, 1956. An asserted deficiency in the amount of $134,525 is still pending. However, the Appellate Division of the Internal Revenue Service has accepted, subject to approval of the Joint Committee on Internal Revenue Taxation, an offer of settlement of $9,758 with interest, which amount has been paid.

No provision has been made in the accompanying financial statements for the above contingencies.

INLAND STEEL COMPANY
President's Letter

. . . Income taxes increased during 1960. Other taxes, both state and local, also rose, resulting in a total increase in taxes from $46,003,895, or $2.64 per share in 1959, to $52,134,877 or $2.97 per share in 1960. During the year, the company settled and paid all federal income tax liabilities for the years 1953 through 1957, in conformity with the agreement reached with representatives of the Internal Revenue Service, as reported in 1959. Our reserve for federal income tax is considered ample to satisfy any additional liability that may be determined for the years 1958, 1959 and 1960. . . .

CLETRAC CORPORATION

Net Loss Before Deducting Refundable Income Taxes	$ 2,739,036
Refundable Income Taxes (Note 3)	1,292,695
Net Loss for the Year	$ 1,446,341
Special Charges (or Credit):	
Earnings from partial conversion of consigned inventory to sales, less applicable income taxes (Note 7)	(1,154,672)
Losses and special expenses incident to sale of assets of farm equipment business to The White Motor Company, less refundable income taxes and income tax accruals no longer required (Note 1)	15,361,859
Net Loss and Special Charges (or Credit)	$15,653,528

Note 3: Refundable Federal Income Taxes—Prior-year Federal income taxes of $2,522,007 are refundable because of operating losses in 1960 and the loss on the sale of the farm equipment business and certain related assets to The White Motor Company described in Note 1. In addition, the Company has an operating loss carry forward of approximately $13,000,000 at October 31, 1960, which is available for the next five years to reduce income subject to Federal income taxes.

Notes 1 and 7: Not reproduced.

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 1960 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 1960 reports of the survey companies.

Carry-Forward of Operating Loss

THE CUDAHY PACKING COMPANY

Net Sales and Operating Revenues	$340,920,182
Costs and Expenses:	
Cost of sales and operating expenses, exclusive of items below	$319,808,680
Selling and administrative expenses	13,974,062
Provision for depreciation	1,820,671
Taxes, other than income taxes	2,392,435
Contribution to employees' pension fund (Note 4)	487,944
Interest on long-term debt	461,166
Other interest	664,239
Total	$339,609,197
Income Before Taxes on Income	$ 1,310,985
Provision for Taxes on Income (Note 1)	500,000
Net Income, including the elimination of Federal income taxes of $160,000 in 1960 and $1,300,000 in 1959 (Note 1)	$ 810,985

Note 1: By reason of prior years' losses, Federal income taxes for 1960 were reduced and for 1959 were eliminated entirely. Without benefit of loss carry-forwards, net income would have been $650,985 in 1960 and $1,339,725 in 1959.

Note 4: Not reproduced.

ELGIN NATIONAL WATCH COMPANY

Income:	
Net Sales	$30,973,160
Costs and Expenses (including depreciation provisions of $486,936 in 1960 and $471,434 in 1959):	
Cost of goods sold	$23,256,585
Advertising, selling, general and administrative expenses	6,967,291
Reversal of reserve provided in prior years	(76,344)
	$30,147,532
Income (Loss) Before Taxes	$ 825,628
Federal Income Taxes (Federal income taxes of $423,827 have been eliminated as a result of the carry forward of prior years losses. As of March 1, 1960, losses of $5,400,000 may be carried forward to 1963 and 1964)	—
Net Income (Loss) for the Year	$ 825,628

MOHASCO INDUSTRIES, INC.

Income before Federal and State income taxes	$5,274,539
Provision for Federal and State income taxes (Note 6)	2,045,000
Net income	$3,229,539

Note 6: Federal Income Taxes—By reason of substantial losses incurred by Alexander Smith, Incorporated prior to December 31, 1955 and its merger with Mohawk Carpet Mills, Inc., Federal income taxes provided in 1960 are approximately $600,000 less than they would otherwise have been.

The Internal Revenue Service has proposed to assess additional Federal income taxes in amounts aggregating $3,600,000, exclusive of interest, in connection with the tax returns of Alexander Smith, Incorporated for the years 1950 and 1951 based largely on the disallowance of the LIFO basis of reporting inventories. The company is protesting the proposed assessment and its tax advisors believe that the matter can be disposed of for substantially less than this amount. The company is of the opinion that ultimate settlement will not have a materially adverse effect on the consolidated financial position.

THE SEEBURG CORPORATION

Net Sales	$27,175,865
Operating Costs and Expenses:	
Cost of sales	$21,554,868
Selling, general and administrative expenses	3,567,114
Depreciation and amortization	989,646
Total	$26,111,628
Operating Income	$ 1,064,237
Other Income and (Expense):	
Royalty income	$ 62,384
Interest expense, net	(286,812)
Other, net	75,453
	$ (148,975)
Net Income, including elimination of Federal income taxes of approximately $500,000 in 1960 and $1,000,000 in 1959 due to carry forward of losses from prior years (Note 1)	$ 915,262

Note 1: Federal Income Taxes—Net income includes elimination of Federal income taxes of approximately $500,000 in the year ended October 31, 1960, and $1,000,000 in the year ended October 31, 1959. Net income without benefit of the elimination of Federal income taxes would have been $415,262 in the year ended October 31, 1960, and $929,770 in the year ended October 31, 1959. As of October 31, 1960, loss carry forwards of approximately $1,900,000 are available as offsets against otherwise taxable income for fiscal years through October 31, 1963. Through October 31, 1960, approximately $2,050,000 of Federal income tax provisions has been eliminated by reason of deductions of operating loss carry forwards; the deduction of these carry forwards is subject to review by the Internal Revenue Service. In the opinion of special tax counsel for the Company, these loss carry forwards are allowable deductions in computing income subject to Federal income taxes.

TIDEWATER OIL COMPANY
Notes to Financial Statements

Note 6: Taxes Based on Income—Income taxes of $1,728,000 as shown in the accompanying Statement of Income for 1960, represent estimated Federal income tax of subsidiary companies, plus state, local and foreign taxes based on income. Tidewater Oil Company has available a substantial tax loss carry-forward against taxes which might otherwise be payable for years through 1964.

TIME INCORPORATED

Income Before Taxes on Income	$16,903,000
Federal and Foreign Taxes on Income—Note D	7,600,000
Net Income	$ 9,303,000

Note D: The Company's federal income tax returns for the years 1949-1955 are being examined by the Treasury Department. Returns for the past several years of the principal subsidiary companies are either being examined or are subject to examination.

Net operating losses of certain subsidiaries carried forward from prior years reduced the provision for federal income taxes by approximately $400,000 in 1960 and $600,000 in 1959.

VAN NORMAN INDUSTRIES, INC.

Income before taxes on income	$1,229,011
Provision for taxes on income:	
United States and Foreign (after reductions of approximately $240,000, resulting from carry-forward of operating loss of The American Pulley Company)	$ 350,000
State and local	60,000
	$ 410,000
Net income before minority interest	$ 819,011
Minority interest in income of subsidiary	18,944
Net income for year	$ 800,067

Carry-Back of Operating Loss

BUCYRUS-ERIE COMPANY

Current Assets:		
Cash		$ 5,215,558
Notes and accounts receivable—Note B		9,439,952
Refundable federal taxes on income, arising from carry-back of loss		6,230,000
Inventories—at the lower of cost (first-in, first-out method) or market:		
Raw materials and parts		$ 5,655,809
Work in process		14,468,473
Finished products		14,896,513
		$35,020,795
Cost and Expenses:		
Cost of products sold, exclusive of items shown below		$50,101,740
Product development, selling and administrative expenses		11,648,840
Depreciation of plant and equipment		2,736,076
Employees' retirement and pension insurance—Note D		991,923
Interest expense:		
On long-term borrowings		797,068
Other		353,031
Federal and state taxes on income:		
Current (refundable)		(990,000)
		$65,638,678

Notes B and D: Not reproduced.

GAR WOOD INDUSTRIES, INC.

Earnings (Loss*) Before Taxes on Income	$1,338,827*
Federal taxes on income (credit arising from carry-back of operating loss*)	280,000*
Net Earnings (Loss*)	$1,058,827*

THE PURE OIL COMPANY

Statement of Income:	
Income:	
Gross operating income (Note 6)	$647,921,167
Dividends, interest, etc.	6,529,264
	$654,450,431
Costs and Expenses:	
Costs, operating, selling and general expenses	$370,928,835
Taxes paid (Including Federal income tax refund of $250,000 from loss carrybacks) (Note 6)	139,439,793
Salaries, wages and employee benefits	73,383,011
Provision for depreciation, depletion and amortization (Note 3)	33,119,642
Interest expense	3,583,715
Cash discounts allowed	1,367,777
Income applicable to minority interests	73,112
	$621,895,885
Net Income for the Year	$ 32,554,546

Note 6: Taxes paid include the following:

Motor fuel and oil taxes paid (included in gross operating income)	$124,316,437
Property, franchise, production and other taxes	13,017,564
Foreign exploitation taxes	1,508,492
Import duties	498,871
Income taxes, including Federal income tax refund of $250,000 and $2,770,000 arising in 1960 and 1959 from loss carrybacks	98,429
	$139,439,793

Note 3: Not reproduced.

DRESSER INDUSTRIES, INC.	
(forward)	$18,931,629
Other deductions	
Interest expense	3,342,328
Other	245,746
	3,588,074
	15,343,555
Federal, state, and foreign taxes on income, less credit from loss carry-backs of certain subsidiaries—$110,321—estimated	5,865,976
Adjustment for prior years taxes	420,104
	6,286,080
Net Earnings	$ 9,057,475

GENERAL BRONZE CORPORATION	
Income:	
Net sales	$29,026,753
Other income	102,907
Estimated federal income tax refund arising from carry-back	78,000
	$29,207,660

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.

Allocation of income taxes relating to accelerated amortization of emergency facilities is discussed in this section with reference to "Certificates of Necessity"—see Table 8. Liberalized depreciation permitted by the Internal Revenue Code of 1954 which gives rise to deferred income taxes should also be referred to in this connection—see Table 7 "Depreciation" also in this section.

Presentation of Income Tax Allocation

Table 11 shows there were 210 items of income tax allocation for extraordinary items and deferment of income tax benefits disclosed by the survey companies in their 1960 annual reports. In 115 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 13 of these cases. The extraordinary item was shown "in full amount" in 34 cases; however, all but one of these cases disclosed the amount of "the related tax effect." Allocation of current income taxes was reported by 43 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. In 12 instances, a reduction of deferred tax benefit was disclosed. In the remaining 6 instances, the amount of the extraordinary item was not clearly determinable in the 1960 reports, and the current year entry showed only "the related tax effect" thereof. During 1960, the income account and the retained earnings account were utilized to reflect 173 and 37 allocations, respectively.

Examples

Extraordinary Items Shown Net of Related Tax

UNITED STATES RUBBER COMPANY	
Profit Before Income Taxes and Other Charges	$67,314,969
Federal and foreign income taxes, less credits of $1,570,897 in 1960 and $582,571 in 1959 from reversal of prior years' accruals no longer required; also 1960 before reduction of taxes of $4,498,739 applicable to write off of Cuban investment	32,256,034
Unremitted earnings of foreign operations, net	2,042,748
Minority interests	173,494
	34,472,276
Net Income Before Write Off of Cuban Investment	32,842,693
Provision for write off of Cuban investment, net	2,105,379
Net Income for the Year	$30,737,314

F. W. WOOLWORTH CO.	
Costs and expenses:	
Cost of sales and expenses, exclusive of items below	$955,574,303
Depreciation and amortization (Note C)	27,352,561
Interest	6,306,406
Cost of terminating long-term leases	—
Provision for income taxes, before $4,472,853 reduction in 1960 related to Cuban loss charged to surplus (Notes C and E)	23,150,000
	$1,012,383,270

Note C: Depreciation—The straight-line method is used to compute depreciation with the following modifications. For income tax purposes the companies deduct accelerated depreciation (or allowances in lieu thereof) to the extent permitted. For financial statement purposes, the American and Canadian companies increase the provision for depreciation computed on the straight-line method by an amount equal to the deferral of income taxes caused by acceleration of tax depreciation.

Note E: Loss of Assets in Cuba—On October 25, 1960 all of the company's properties in Cuba were expropriated. Accordingly, all amounts related to Cuban operations have been removed from the financial statements for the year 1960. The loss of the assets, less the related reduction in United States income tax, has been charged to earned surplus.

BALDWIN-LIMA-HAMILTON CORPORATION

Balance, January 1	$31,707,021
Net income	1,307,674
Special (charges) and credits:	
Unrequired income tax provision resulting from settlement of prior years' tax liabilities	2,200,000
Charges attributable to consolidation and rearrangement of operating facilities including losses, net of gains, from disposals of properties, equipment and parts, less related income tax credit of $3,420,000 (this credit is after deducting a $330,000 Federal income tax provision, included in current liabilities, applicable to gain from disposal of properties deferred for income tax purposes; the income account has been charged with $520,000 of such credit, representing an amount equivalent to taxes on 1960 income, and the balance of $3,230,000 has been included in the balance sheet as Federal income tax refundable)	(2,371,276)
Dividends declared	(2,550,315)
Balance, December 31	$30,293,104

OXFORD PAPER COMPANY

Net Earnings from Operations for the Year	$2,784,480
Profit from Sale of Timberlands, after United States Taxes of $684,407	2,053,219
Total Earnings for the Year	$4,837,699

Extraordinary Items Shown in Full Amount

BRIGGS MANUFACTURING COMPANY

Income (loss) before income taxes and the items below	$(1,321,454)
Estimated refund of federal income taxes due to loss carry-back	125,000
Income (loss) before the items below	$(1,196,454)
Loss on foreclosure of land contract receivable and related disposal of real estate	(130,772)
Prior years' provision of federal income tax liability no longer required	60,000
Net income (loss) for the year	$(1,267,226)

GENERAL BOX COMPANY

Other income (deductions):	
Gain on disposal of fixed assets	$ 378
Interest expense	(46,264)
Miscellaneous—net	30,305
	$(15,581)

KUNER-EMPSON COMPANY

Costs and Expenses:	
Cost of products sold and shipping expenses	$5,143,769.79
Brokerage, cash discounts, swells and promotional expenses	382,035.39
Financial expenses	166,941.86
Administrative expenses	179,548.76
General selling expenses	144,433.34
Loss on obsolescence and excess cost of labels	61,074.21
Loss on farm operations	7,459.89
Loss on disposal of equipment	5,999.60
	$6,091,262.84

Only Tax Effects of Extraordinary Items Shown

COLLINS & AIKMAN CORPORATION

Income from Operations	$2,773,661
Federal, State and Canadian Taxes on Income (before reduction of $579,046 in 1960 and $401,406 in 1959 resulting from sales of plants and equipment included below)	1,485,000
	1,288,661
Extraordinary Items:	
Reduction in federal income taxes ($579,046 in 1960 and $401,406 in 1959) resulting from sales of plants and equipment, less carrying value of such items in excess of proceeds received on sales	50,000
Net Income	$1,338,661

CRADDOCK-TERRY SHOE CORPORATION

Income Before Taxes on Income	$1,364,459.35
Provision for Taxes on Income	729,689.55
Net Income For the Year	$ 634,769.80
Special Credit: (Note 8)	
Reduction in Federal and State income taxes, applicable to prior years	180,879.60
Net Income and Special Credit	$ 815,649.40

Note 8: The Corporation deducted an item on its returns for the fiscal year ended November 28, 1959, which resulted in a reduction in Federal and State income taxes of $180,879.60. A ruling on the deductibility of this item has been requested from the Internal Revenue Service which has taken no action to date.

GENERAL REFRACTORIES COMPANY

Income before income taxes, etc.		$4,900,054
Provision for estimated Federal and State income taxes payable for the year (Note 2)	450,000	
Adjustments of Federal income tax benefits (Note 4)	(20,488)	
		$ 429,512
Net income (Note 2)		$4,470,542

Note 2: Not reproduced.

Note 4: The adjustments of Federal income tax benefits charged or (credited) to income for the year 1960 arise from the following:

Excess of declining-balance depreciation claimed for income tax purposes over straight-line depreciation provided in accounts	$505,464
Excess of normal depreciation provided in accounts on facilities covered by Certificates of Necessity over allowable tax amortization thereon	(312,135)
Total adjusted through reserve for deferred Federal income taxes	193,329
Interest on prior years' income tax assessment charged to earned surplus	—
Pension costs provided in accounts not deductible for income tax purposes	(213,817)
	($20,488)

Deferment of Income Tax Benefit

ARCHER-DANIELS-MIDLAND COMPANY

Profit Before Taxes on Income	$6,543,592
Taxes on income—estimated—Notes A, B and D	2,878,271
Net Profit for the Year—Note D	$3,665,321

Note A: Not reproduced.

Note B: The Company is taking accelerated depreciation for income tax purposes on certain grain storage facilities and other properties as permitted under the provisions of the Internal Revenue Code. Normal depreciation on these facilities is being charged against income. The excess of the depreciation allowable for tax purposes resulted in temporary tax benefits of $822,283 in the current and prior years, which amount has been charged to operations ($207,483 the current year) and deferred, to be returned to income as a partial offset against the normal depreciation charges in future years.

Note D: During the fiscal year ended June 30, 1960, the Company adopted an improvement program which includes the disposal of plants which no longer are profitable and show little promise of improved profitability. Accounting recognition has been given to losses and expenses both incurred and anticipated in connection with this program by an extraordinary charge of $7,657,480 (net of anticipated federal income tax effect) to reinvested earnings, which includes:

Losses and expenses incurred during the year on disposals, abandonments, separation payments and idle plants	$ 472,403
Provision for anticipated losses and expenses:	
Possible loss on disposals and abandonments	4,536,232
Expenses related to discontinued operations	2,648,845
	$7,657,480

BRUNSWICK CORPORATION
Notes to Financial Statements

Note 4: Deferred Federal and Canadian Income Taxes—The Company and subsidiaries have consistently followed, for book purposes, the practice of recording income from sales financed by long-term instalment notes receivable when customers take delivery and title to bowling lanes, automatic pinsetters and other products. This practice, which is known as the "accrual basis," is the income-reporting method followed by most business concerns. Accrued Federal and Canadian income taxes included in the accompanying financial statements have been provided for on the basis of book income. As permitted by Federal and Canadian income tax regulations, the Company and subsidiaries follow the instalment basis of reporting income from such sales for income tax purposes and, as a result, accrued Federal and Canadian income taxes of $86,000,000 at December 31, 1960, will not be payable until future years.

THE CELOTEX CORPORATION

Costs and Expenses:	
Cost of sales (exclusive of depreciation and depletion)	$50,134,020
Depreciation and depletion	3,322,675
Selling and administrative expenses	11,186,807
Interest and debt expense	864,103
Federal and state income taxes—	
Current taxes	544,000
Deferred taxes	756,000
Total Costs and Expenses	66,807,605
Net Income	$ 2,087,128

CHOCK FULL O'NUTS CORPORATION

Net Sales	$28,014,472
Cost of goods sold	21,709,872
Gross profit	6,304,600
Selling administrative and general expenses	2,853,764
Operating income	3,450,836
Other income	165,925
	3,616,761
Other deductions—Interest, etc.	24,204
Income before provision for federal income taxes	3,592,557
Provision for Federal Income Taxes:	
Taxes currently payable	1,510,000
Provision for deferred taxes	267,000
	1,777,000
Net Income for the Period (Notes 1 and 5)	$ 1,815,557

Note 4: The company has continued to determine depreciation deductions for federal income tax purposes by accelerated methods which exceed those provided on the books (Note 1). Further, certain other costs (Note 3) are deferred on the books but currently deducted for federal income tax purposes. The related tax benefit is deferred and will be utilized in subsequent periods when the related book charges to income exceed allowable federal income tax deductions.

Notes 1, 3 and 5: Not reproduced.

GRANITE CITY STEEL COMPANY
Balance Sheet—above Stockholders' Equity

Income tax savings to be used as a reduction of income tax expense in future years	$20,581,000
Statement of Operations	
Estimated provision for federal income taxes:	
Current year	$12,112,000
Income tax savings applicable to accelerated depreciation of facilities, to be used as a reduction of income tax expense in future years	763,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income tax expense	(897,000)
	$11,978,000

KIMBERLY-CLARK CORPORATION
Notes to Financial Statements

Note 6: Accelerated Depreciation—Effective May 1, 1959 the Corporation and its consolidated domestic subsidiaries adopted the practice of claiming accelerated depreciation for income tax purposes only. The tax savings applicable to the additional depreciation is minor in amount at April 30, 1960 and has been charged against earnings and credited to reserve for deferred income taxes.

Reduction of Deferred Tax Benefit

ALUMINUM COMPANY OF AMERICA

Gross revenues	$869,780,176
Cost of goods sold and operating expenses	590,154,919
Selling, general administrative and other expenses	122,048,668
Provision for depreciation and depletion	80,194,803
Interest expense	16,354,802
Taxes, not including social security and United States and foreign taxes on income	13,882,879
Total costs and expenses	822,636,071
Income before United States and foreign taxes on income	47,144,105
Provision for United States and foreign taxes on income:	
Current	10,248,280
Less: Reduction in reserve for future taxes on income	(3,148,280)
	7,100,000
Net income for the year	$ 40,044,105

CONTINENTAL MOTORS CORPORATION

Earnings Before Taxes on Income and Minority Interest	$2,734,006
Taxes on income:	
Federal:	
Current	$1,200,000
Deferred—applicable to excess of depreciation permitted for tax purposes over normal depreciation reflected in the financial statements (credit*)	10,000*
State	52,000
	$1,242,000
	$1,492,006
Portion of net earnings of subsidiary applicable to minority interest	74,247
Net Earnings	$1,417,759

GRANITE CITY STEEL COMPANY

Income before federal income taxes	$23,099,328
Estimated provision for federal income taxes:	
Current year	$12,112,000
Income tax savings applicable to accelerated depreciation of facilities, to be used as a reduction of income tax expense in future years	763,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income tax expense	(897,000)
	$11,978,000
Net income for the year (Note 1)	$11,121,328

Note 1: Not reproduced.

JONES & LAUGHLIN STEEL CORPORATION

Costs and expenses:	
Employment costs:	
Wages and salaries	$262,230,000
Pensions and other benefits (Note E)	25,469,000
Social security taxes	10,383,000
	298,082,000
Materials, supplies, freight and other services	362,524,000
Depreciation and depletion	46,130,000
Interest and long-term debt expense	5,824,000
State, local and miscellaneous taxes	13,661,000
Federal income taxes (Note A)	23,064,000
	$749,285,000

Note A: Deferred Federal Income Taxes—In certain prior years, provisions were made for income taxes payable in future years resulting from the excess of depreciation and amortization for income tax purposes over depreciation for accounting purposes. For the years 1959 and 1960, $3,381,000 and $1,743,000 of such taxes became payable and were charged against the reserve provided in prior years.

Note E: Not reproduced.

MIDWEST RUBBER RECLAIMING COMPANY

Income Before Estimated Federal Income Taxes	$1,639,493
Estimated Federal Income Taxes:	
Current year	$ 848,000
Deferred due to accelerated amortization and depreciation	30,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income taxes	(49,000)
Estimated Federal Income Taxes	$ 829,000
Net Income for the Year	$ 810,493

EXTRAORDINARY ITEMS

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) "Income and Earned Surplus":

1. The purpose of this 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.

2. In dealing with the problem of selecting the most useful form of income statement, the danger of understatement or overstatement of income must be recognized. An important objective of income presentation should be the avoidance of any practice that leads to income equalization.

11. The committee has indicated elsewhere[1] that in its opinion it is plainly desirable that over the years all profits and losses of a business be reflected in net income, but at the same time has recognized that, under appropriate circumstances, it is proper to exclude certain material charges and credits from the determination of the net income of a single year, even though they clearly affect the cumulative total of income for a series of years. In harmony with this view, it is the opinion of the committee that there should be a general presumption that all items of profit and loss recognized during the period are to be used in determining the figure reported as net income. The only possible exception to this presumption relates to items which in the aggregate are material in relation to the company's net income and are clearly not identifiable with or do not result from the usual or typical business operations of the period. Thus, only extraordinary items such as the following may be excluded from the determination of net income for the year, and they should be excluded when their inclusion would impair the significance of net income so that misleading inferences might be drawn therefrom:[2]

(a) Material charges or credits (other than ordinary adjustments of a recurring nature) specifically related to operations of prior years, such as the elimination of unused reserves provided in prior years and adjustments of income taxes for prior years;

(b) Material charges or credits resulting from unusual sales of assets not acquired for resale and not of the type in which the company generally deals;

(c) Material losses of a type not usually insured against, such as those resulting from wars, riots, earthquakes, and similar calamities or catastrophes except where such losses are a recurrent hazard of the business;

(d) The write-off of a material amount of intangibles;[3]

(e) The write-off of material amounts of unamortized bond discount or premium and bond issue expenses at the time of the retirement or refunding of the debt before maturity.

[1]References, not reproduced.

[2]References, not reproduced.

[3]References, not reproduced.

12. The following, however, should be excluded from the determination of net income under all circumstances:

(a) Adjustments resulting from transactions in the company's own capital stock;

(b) Amounts transferred to and from accounts properly designated as surplus appropriations, such as charges and credits with respect to general purpose contingency reserves;

(c) Amounts deemed to represent excessive costs of fixed assets, and annual appropriations in contemplation of replacement of productive facilities at higher price levels;[4] and

(d) Adjustments made pursuant to a quasi-reorganization.

Presentation of Extraordinary Items

A total of 324 extraordinary items were disclosed in the 1960 annual reports of 230 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.

Table 13 summarizes the various methods of presentation of extraordinary items as shown in the 1960 annual reports. Of the 324 extraordinary items, the majority were set forth in the income statement (215 items), a number were disclosed in either the footnotes or in the letter to stockholders (48 items), and the balance (61 items) were shown in the statement of retained earnings or capital surplus.

Materiality of Extraordinary Items

Since the question of materiality is of paramount importance in the presentation of special or extraordinary items, Table 14 summarizes the percentages of materiality and the accounts adjusted for the 324 extraordinary items presented by the survey companies in their 1960 annual reports. The percentage of materiality of extraordinary items was determined by the ratio of such items to the the 1960 earnings adjusted for both extraordinary items and prior income tax adjustment items. Table 14 shows that 158 of the extraordinary items did not exceed a materiality percentage of 10 per cent; 48 items were within an 11—20 per cent range of materiality; 41 items varied from 21—50 per cent, and 60 exceeded 50 per cent of materiality. In the case of 17 of the 324 extraordinary items, the reports did not contain sufficient information for determination of the materiality.

[4]References, not reproduced.

The income account was utilized for the recording of 263 extraordinary items, the retained earnings account for 60 extraordinary items, and the capital surplus account for one item. 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 1960 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, which show the presentation of extraordinary items and their varied nature.

Disposal or Sales of Assets

ARDEN FARMS CO.

Operating profit	$5,542,112.56
Other income (net), including gain of $3,513,321.38 on sales of real and personal property	2,752,999.71
Income before taxes on income	$8,295,112.27

BUCYRUS-ERIE COMPANY

Earnings (Loss) Before Special Charges		$(1,270,529)
Special Charges:		
Losses and expenses in realigning, closing and disposing of plants and equipment, less allocated refundable income taxes (1960 — $1,230,000; 1959 — $1,978,-000)—Note A	$ 3,393,939	
Adjustments and losses on disposal of obsolete and excess inventories, less allocated refundable income taxes (1960 —$1,717,000; 1959—$920,000)	4,739,784	
Provision for prior years' income taxes —Note A	550,000	
	$ 8,683,723	
Net Loss Including Special Charges		$(9,954,252)

Note A: Special Charges—Realigning, closing and disposing of plants and equipment—During the year, the Company discontinued the steel foundry operations at its Erie, Pennsylvania plant, transferring these operations to existing foundry facilities at the South Milwaukee, Wisconsin plant. Provision has been made for expenses involved in such transfers and realignment. In addition the special charges include loss on sale of the Richmond, Indiana plant in excess of amounts previously provided.

Provision for prior years' income taxes—In 1960 the Internal Revenue Service proposed certain adjustments to taxable income of prior years which have not been agreed to by the Company. Provision has been made in the accompanying financial statements for the maximum amount which in the opinion of management may ultimately become payable.

MANNING, MAXWELL & MOORE, INC.

Net income for the year	$1,640,846
Gains from sale of Microsen Instrument line and sale of non-operating property, less applicable federal income taxes of $252,000	583,846
Net income for the year and special gains	$2,224,692

TABLE 13: EXTRAORDINARY ITEMS—1960

	Presentation in Report*						
	A: Income — Income Statement:			Set Forth Elswhere:			
Nature of Extraordinary Item	Listed Among Other Costs	Shown in Separate Last Section	Shown After Net Income for Year	In Footnotes, President's Letter or Financial Review	Total Income or not Determinable	B: Retained Earnings	1960 Total Items
Disposal or sale of:							
Fixed assets	63	21	6	9	99	5	104
Investments or securities	16	4	—	—	20	3†	23
Subsidiary, affiliate, or division	4	11	1	8	24	9	33
Other assets	2	6	—	1	9	2	11
Change in valuation bases:							
Inventory write-down to market	2	3	—	5	10	—	10
"Lifo" liquidation or replacement	—	1	—	—	1	—	1
Change in investment valuation	1	1	—	—	2	3	5
Fixed assets conformed to "tax" basis	1	1	—	1	3	2	5
Other fixed asset adjustments	2	1	—	—	3	3	6
Miscellaneous adjustments	—	2	—	—	2	1	3
Expenses, losses, gains, etc.:							
Foreign exchange adjustments	7	2	—	3	12	—	12
Government contracts	—	2	1	—	3	1	4
Nonrecurring plant expenses	4	4	—	4	12	3	15
Various other gains and losses	6	4	—	6	16	10	26
Various prior year adjustments	4	4	1	—	9	5	14
Catastrophe—fire, flood, etc.	1	—	—	1	2	—	2
Miscellaneous other items:							
Lump-sum intangible asset reduction	1	—	1	—	2	1	3
Higher plant replacement cost or extraordinary depreciation	—	—	—	—	—	—	—
Transfer to reserves or reversal	5	15	—	3	23	9	32
Other	2	—	2	7	11	4	15
Total	121	82	12	48	263	61	324

Number of Companies Presenting:	1960
Nonrecurring extraordinary items	230
No special items	370
Total	600

*See Table 14 for Percentage of Materiality.
See also Tables 11 and 12.
†Includes one entry to capital surplus.

THE MURRAY CORPORATION OF AMERICA

Earnings Before Special Charges	$ 245,397
Special charges (less applicable federal income tax benefits of $1,451,000 in 1960 and $275,000 in 1959):	
Expenses and taxes on idle plant facilities, less rents received and net gains on disposal of idle machinery and equipment	265,906
Loss on sale of Detroit real estate	$1,072,609
	$1,338,515

SIMONDS SAW AND STEEL COMPANY

Other income:	
Interest on securities	$ 93,030
Purchase discounts	88,608
Net gain on sales of fixed assets	78,023
Foreign exchange adjustment	42,830
Net adjustment of prior year taxes	24,701
Miscellaneous	27,012
	354,204
Less retirement past service costs	40,874
	$313,330

TABLE 14: EXTRAORDINARY ITEMS—1960

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1960 Total Items
Nature of Extraordinary Item	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	
Disposal or sale of:															
Fixed assets	47	10	22	5	11	4	99	—	1	—	1	3	—	5	104
Investments or securities	10	5	1	2	1	1	20	1†	—	—	2	—	—	3†	23
Subsidiary, affiliate, or division	11	1	2	5	2	3	24	—	1	2	3	3	—	9	33
Other assets	1	2	1	1	3	1	9	1	—	1	—	—	—	2	11
Change in valuation bases:															
Inventory write-down to market	1	—	—	1	8	—	10	—	—	—	—	—	—	—	10
"Lifo" liquidation or replacement	—	1	—	—	—	—	1	—	—	—	—	—	—	—	1
Change in investment valuation	1	1	—	—	—	—	2	2	—	—	—	1	—	3	5
Fixed assets conformed to "tax" basis	—	1	—	1	—	1	3	—	—	—	2	—	—	2	5
Other fixed asset adjustments	—	—	2	—	1	—	3	—	—	—	—	3	—	3	6
Miscellaneous adjustments	—	—	1	—	1	—	2	1	—	—	—	—	—	1	3
Expenses, losses, gains, etc.:															
Foreign exchange adjustments	8	3	1	—	—	—	12	—	—	—	—	—	—	—	12
Government contracts	—	2	—	—	—	1	3	—	—	—	—	1	—	1	4
Nonrecurring plant expenses	1	2	2	3	3	1	12	—	—	—	1	2	—	3	15
Various other gains and losses	7	4	1	3	1	—	16	1	4	1	1	3	—	10	26
Various prior year adjustments	4	2	1	—	1	1	9	2	—	1	—	1	1	5	14
Catastrophe—fire, flood, etc.	2	—	—	—	—	—	2	—	—	—	—	—	—	—	2
Miscellaneous other items:															
Lump-sum intangible asset reduction	1	—	—	1	—	—	2	—	—	—	1	—	—	1	3
Higher plant replacement cost or extraordinary depreciation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer to reserves or reversal	3	4	6	3	5	2	23	1	1	1	3	3	—	9	32
Other	5	2	1	1	1	1	11	—	—	1	1	2	—	4	15
Total	102	40	41	26	38	16	263	9	7	7	15	22	1	61	324

	Accounts Adjusted for Special Items:			
Number of Companies, adjusting accounts:	Income	Retained Earnings	Capital Surplus	1960 Total
For extraordinary items	193	36	1	230

*Ratio of item to 1960 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.

Valuation Changes

ART METAL, INC.

Costs and expenses:

Cost of products sold (including charges for inventory obsolescence and losses, write-offs of tools and dies, and losses on sales contracts)	$13,544,280

FAIRCHILD ENGINE AND AIRPLANE CORPORATION

Deduct:

Cost of sales	$75,062,356
Depreciation and amortization	1,328,160
General, administrative, service and commercial sales expenses	9,343,528
Interest	764,391
Other costs and expenses	70,368
Special charge:	
Change in carrying amount of F-27 contract costs (Note 3)	5,200,000
	$91,768,803
Net Loss	$ 5,994,650

Note 3: During 1960, Management re-evaluated the F-27 program and decided to suspend fabrication and assembly of unsold airplanes until such time as satisfactory selling prices are assured. The amount that will be realized from unsold airplanes, parts and materials cannot presently be determined; however, the Company has reduced the carrying value of the F-27 inventory by $5,200,000 to provide for loss on sale or other disposal of such inventory.

GAR WOOD INDUSTRIES, INC.

Costs and expenses:

Adjustment to plant and equipment resulting from excess depreciation and maintenance expenses in prior years (credit*)	$226,937*

GIDDINGS & LEWIS MACHINE TOOL COMPANY

Loss for the year before extraordinary items	$ (450,543)
Extraordinary items (less net income tax credits of $1,275,685):	
Gain on sale of Cincinnati plant and related equipment less costs and expenses of relocating operations	613,669
Costs related to changes in and development of product lines, including inventory write-offs	(1,274,282)
Machine tool exposition expenses (held once every five years)	(109,817)
	(770,430)
Net loss for the year	$(1,220,973)

McCORMICK & COMPANY

Net Income Before Special Items	$1,061,526
Special Items:	
Charge to adjust book basis of accumulated depreciation accounts to income tax basis as of November 30, 1959	225,561
Net credit resulting from Federal income tax examination of years ended November 30, 1958 and 1959 adjusting property accounts, etc.	176,824
Special Items—net charge	48,737
Net Income After Special Items	$1,012,789

SMITH-CORONA MARCHANT INC.

Net income (loss) before special charges	$ (455,450)
Special charges or (credit)	
Provision for loss on Syracuse plant (Note 3)	2,250,000
Special bad debt provision	1,098,000
Provision for patent suit costs (Note 9)	381,452
Provision for loss on liquidation of Brazilian and Belgian subsidiaries (Note 1)	235,185
Gain on sale of Oakland plant	(225,453)
	3,739,184
Less applicable estimated reduction in United States income taxes	2,001,835
Net special charges	1,737,349
Net income (loss) after special charges	(2,192,799)

Notes 1, 3 and 9: Not reproduced.

THE SUPERIOR OIL COMPANY

Intangible development expenditures (including depreciation of drilling equipment of $885,265 in 1960) (Note 2)	$27,338,413
Rents of undeveloped leases	4,057,609
Non productive leases and other properties abandoned	10,219,966
Provision for loss on marketable security	40,394
Gain on sales of property and equipment	(1,071,307)
	40,585,075
Net Income for the Year Before Taxes on Income	21,478,712
Provision for foreign income taxes	(123,194)
Net Income for the Year	$21,601,906

Special Expenses, Losses, or Gains

THE CHAMPION PAPER & FIBRE COMPANY

Income Before Special Items	$9,391,011
Special Items:	
Proceeds from life insurance in excess of cash surrender value	859,594
Provision for impairment of investments in affiliated companies ($1,400,000 less applicable deferred profit sharing expense and Federal and state income taxes, $850,000, included in prepaid expenses and deferred charges in the accompanying balance sheet)	550,000
Special items—net	309,594
Net Income for the Year	$9,700,605

THE AMERICAN HARDWARE CORPORATION

Income charges:	
Interest	$ 403,524
Plant moving and idle plant expenses	165,155
Loss on disposal of plant property	114,096
Miscellaneous	2,300
Total income charges	685,075
Income before provision for United States and Canadian income taxes	$3,329,042

COLONIAL STORES INCORPORATED

Net profit before special charges	$3,005,181
Special charges:	
Conversion of company Sav-A-Stamp Plan to independently sponsored Gold Bond Stamp Plan (net of related income taxes, $735,000)	640,000
Net profit and special charges	$2,365,181

CROWN CORK & SEAL COMPANY, INC.

Costs and Expenses:	
Relocation of operating facilities	$1,826,000

INDIAN HEAD MILLS, INC.

Profit before non-recurring income	$3,291,191
Non-recurring income or (loss):	
Profit on sale of certain inventories of businesses acquired, less applicable expenses ($260,746 in 1960 and $214,944 in 1959) (Note A)	1,159,692
Provision for estimated expenses in discontinuance of certain facilities	(700,000)
Loss and recovery on foreign receivables	107,081
Profit on sale of division acquired and sold during the year	71,314
	638,087
Profit before provision for federal income taxes	3,929,278
Provision for federal income taxes (Note E)	325,000
Net profit	$3,604,278

Notes A and E: Not reproduced.

THE PROCTOR & GAMBLE COMPANY

Earnings:	
Other charges—including effect of foreign exchange fluctuations	$ 2,504,307
Consolidated Net Earnings	$98,078,076

SPERRY RAND CORPORATION

Costs and Expenses:	
Provision for fluctuations in foreign exchange	$1,677,614

UNITED STATES RUBBER COMPANY

Net income before write-off of Cuban Investment	$32,842,693
Provision for write-off of Cuban Investment, net	2,105,379
Net income for the year	$30,737,314

Other Extraordinary Items

ALCO PRODUCTS, INCORPORATED

Net loss or income	$900,592
Special credits—representing prior years' provisions for income taxes and operating reserves no longer required	949,825
Net income including special credits	$ 49,233

THE AMERICAN SHIP BUILDING COMPANY

Income (Loss) Before Extraordinary Credits	$1,041,219
Extraordinary credits:	
Elimination of reserve (provision) for possible guaranty cost on Government contracts	250,000
	$ 250,000
Net Income	$1,291,219

CONTINENTAL BAKING COMPANY

Net Income for Year	$9,311,146
Deduct: Special charge to write-off unamortized goodwill (Note 5)	2,861,040
Net Income for Year Less Special Charge	$6,450,106

Note 5: Goodwill which arose in the acquisition of the assets of the Morton Packing Company in 1955 was amortized at the rate of 5% per year, by charges to income during the years 1956 through 1960. In view of the results of operations of the Morton division to date, the Board of Directors has concluded that such goodwill now has no value and accordingly the unamortized balance ($2,861,040) was written off at December 31, 1960.

UNITED STATES SMELTING, REFINING AND MINING COMPANY

Net Operating Profit Excluding the Following Items ((a), (b), (c) and (d))	$ 1,412,619
(a) Net gain or (loss) from sales or other disposition of property	1,398,266
(b) (Loss) resulting from fluctuations of metal prices subsequent to production or purchase of ores including write-down of unsold metals to market prices at the end of the year (see (A) below)	(746,166)
(c) Set aside for additional property reserve	(1,398,266)
(d) Net federal income taxes refundable on account of a prior year's operating loss carry-back	—
Net gain for the year including the foregoing items	666,453
Earned surplus January 1	20,819,661
(A) Amount restored to Surplus from Reserve for Metal Price Fluctuations equal in 1960 to the balance in the Reserve at the end of the prior year, and equal in 1959 to the loss in that year from fluctuations of metal prices subsequent to production or purchase of ores	165,434
	$21,651,548

VEEDER-ROOT INCORPORATED

Consolidated Net Income	$2,020,336
Special Credit:	
Elimination of estimated accrued vacation pay, less related taxes thereon—Note 6	73,585
Consolidated Net Income and Special Credit	$2,093,921

Note 6: As permitted under the Internal Revenue Code of 1954, the parent company in that year established an accrual for a portion of the next year's estimated vacation pay. This section of the Code was repealed in 1955. However, the company has carried the accrual forward since that time. This accrual was eliminated in 1960, and is reflected as a special credit in the accompanying statement of income and retained earnings. Net income for the year was not affected by the change.

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, . . .*

See also quotations from the above bulletin under "Extraordinary Items."

The descriptive captions used to identify the figures preceding the nonrecurring, special items and the final figures in the income statements are reflected in Table

TABLE 15: DESIGNATION OF FINAL FIGURE—1960

Number of Companies presenting:*	1960
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*	17
B: *Net operating income* and final figure of the income statement as *net income*	7
C: Setting forth an *undesignated* figure preceding extraordinary item and designating final figure of the income statement as *net income for the year*	4
Indicating "exclusion" from the net income for the year by:	
Designating figure preceding extraordinary item as—	
D: *Net income for the year* and final figure of the income statement as *net income and special item*	22
E: *Net income for the year* and final figure of the income statement as *transferred to retained earnings*	3
Other	
Designating figure preceding extraordinary item as—	
F: *Net income before special item* and final figure of the income statement as *net income after special item*	11
Total	64

*Refer to Company Appendix Section—A: Co. Nos. 45, 108, 116, 158, 191, 272, 281; B: Co. Nos. 49, 80, 213, 418, 425; C: Co. Nos. 151, 172, 217, 266; D: Co. Nos. 74, 165, 267, 286, 332, 413, 482; E: Co. Nos. 25, 153, 294; F: Co. Nos. 115, 152, 337, 367, 502, 568.

15. There were 64 survey companies that presented such items in a separate last section of the 1960 income statements. Twenty-eight companies indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year, 25 companies clearly indicated the *exclusion* of such charges and credits from the figure of net income for the year, while 11 other companies were classified as "not determinable."

Examples illustrating the presentation of the final figure of the income statement of the 1960 reports where material extraordinary charges or credits are involved follow. Additional examples are given under "Extraordinary Items," in this section.

Indicating Inclusion in the Net Income

THE AMERICAN TOBACCO COMPANY

Net Operating Income	$63,319,605
Provision for possible loss of leaf inventory in Cuba less applicable federal income tax of $863,733	797,292
Net Income	$62,522,313

BATES MANUFACTURING COMPANY

Income From Operations	$ 933,318
Special Items:	
Gain on sale of assets of discontinued plants, net of income tax effect	$ 42,658
Net adjustment of fixed assets and allowance for depreciation in connection with examination by Internal Revenue Service, less assessment for additional income taxes and interest	—
Gain (loss) on securities	75,536
Net Income for the Year	$1,051,512

THE BUDD COMPANY

Net income before extraordinary gain	$3,923,887
Gain on sale of laminated plastics business in Canada and South Carolina less related income taxes	819,110
Net income for year	$4,742,997

COMMERCIAL SOLVENTS CORPORATION

Earnings Before Special Charge	$5,105,703
Special Charge:	
Additional provision for agreed Price Redetermination refunds on prior years' sales to the U.S. Government	265,888
Net Earnings for Year (per share $1.70 in 1960; $1.00 in 1959)	$4,839,815

CORN PRODUCTS COMPANY

Profit from operations	$86,045,180
Other income and (expenses) net	(5,072,740)
	$80,972,440
Provision for United States and foreign taxes on income, estimated	41,037,188
	$39,935,252
Minority interest	1,116,146
	$38,819,106
Unrealized losses on foreign exchange, net	634,100
Net income for the year	$38,185,006

COLLINS & AIKMAN CORPORATION

Forward	$1,288,661
Extraordinary Items:	
Reduction in federal income taxes ($579,046 in 1960 and $401,406 in 1959) resulting from sales of plants and equipment, less carrying value of such items in excess of proceeds received on sales	50,000
Net Income	$1,338,661

PENN FRUIT CO., INC.

Net Earnings from Operations	$2,304,189
Gain on Sales of Real Estate and Contract (Net of Applicable Income Taxes)	373,510
Net Earnings	$2,677,699

Indicating Exclusion from the Net Income

AVON PRODUCTS, INC.

Net Earnings	$17,619,157
Special Charge (Note 5)	501,440
Net Earnings After Special Charge	$17,117,717

Note 5: Special Charge—

Provision for loss on investment in Cuban subsidiary, net of related Federal income tax	$832,310
Additional depreciation due to adoption of the declining balance method on certain assets	189,130
Credit arising from change in method of accruing vacation pay	(520,000)
	$501,440

FAIRBANKS WHITNEY CORPORATION

Net Income	$138,116
Special Credit—Reversal of prior years' reserve no longer required	595,000
Net Income and special credit	$733,116

THE GRAND UNION COMPANY

Net Income	$7,354,045
Gain on sale of the Canadian Division, less related income taxes	1,620,961
Net income and gain on sale of the Canadian Division	$8,975,006

HOLLY SUGAR CORPORATION

Net Income (provisions for depreciation and depletion, 1960, $1,231,554; 1959, $1,419,881)	$2,087,615
Profit from Sale of Arkansas Valley Properties less Related Non-Recurring Charges (adjusted for income taxes)	900,081
Total, Transferred to Earned Surplus	$2,987,696

S. H. KRESS AND COMPANY

Net income	$ 452,251
Special items:	
Loss incurred in closing stores and other related expenses, less $1,037,000 reduction in Federal taxes on income (Note 1)	(3,125,452)
Gain on sale and leaseback of store properties, less $378,000 for Federal taxes on income	—
Net income and special items	$(2,673,201)

Note 1: On December 31, 1960, nineteen unprofitable stores and two warehouses were closed. The loss incurred resulted primarily from disposition of fixtures and equipment and from a provision for

estimated costs to be incurred in satisfying lease commitments for these properties.

The Company's 1960 Federal income tax return will show a net operating loss. Under the carry-back provisions of the Internal Revenue Code, application will be made for refund of taxes paid in a prior year.

MACK TRUCKS, INC.

Net income for year	$11,911,710
Special items—credits (charges):	
Reversal of excess provisions for federal income taxes applicable to prior years settled in 1960	950,000
Reversal of allowance for possible losses on accounts receivable provided in prior years no longer required	875,000
Provision for estimated costs of replacement and plant relocation program, less applicable future income taxes (Note 4)	(2,500,000)
Net income and special items	$11,236,710

Note 4: Not reproduced.

ST. REGIS PAPER COMPANY

Net earnings	$21,957,517
Special item—profit on sale of Canadian bag plants, less applicable taxes	27,829,590
Net earnings and special item	$49,787,107

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 1960 survey, 560 disclosed comparative earnings per share figures for two years or more. Six companies disclosed earnings per share for the current year only, and 34 companies made no such disclosures.

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, 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.

TABLE 16: EARNINGS PER SHARE—1960

Method of Presentation or Computation	1960
Comparative Earnings per share—	
Adjusted retroactively for:	
Stock dividends (*Co. Nos. 32, 47, 66, 91, 158, 446)	59
Stock splits (*Co. Nos. 4, 39, 181, 191, 282, 325)	37
Stock conversions (*Co. Nos. 10, 529)	2
Stock options or other increases:	
Based on number of shares outstanding at end of current year (Co. Nos. 75, 100, 135, 151, 152, 561)	30
	128
Not adjusted retroactively for:	
Stock dividends (*Co. Nos. 195, 297, 447, 474, 514, 532)	17
Stock conversions (*Co. Nos. 11, 16, 73, 289, 411, 472)	10
Stock options or other increases:	
Based on number of shares outstanding at end of each year (*Co. Nos. 18, 172, 176, 402, 439, 560)	152
Based on average number of shares outstanding during the year (*Co. Nos. 7, 82, 119, 165, 373, 384)	48
	227
No adjustments necessary:	
No material change in number of shares outstanding during the year	218
Total	573

Number of Companies	1960
Disclosing comparative earnings per share	560
Disclosing earnings per share for current year only (*Co. Nos. 21, 78, 173, 298, 443, 580)	6
Not disclosing earnings per share (*Co. Nos. 95, 179, 228, 271, 487, 562)	34
Total	600

*Refer to Company Appendix Section.

Examples

The following examples selected from the 1960 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

BELL & HOWELL COMPANY
Highlights

	1960	1959
Sales	$114,115,559	$105,145,072
Earnings Before Taxes	8,856,312	9,930,834
Earnings After Taxes	5,104,591	4,904,834
*Earnings Per Common Share	$1.37	$1.34
Working Capital	43,403,821	40,815,944
Shareowners' Equity	52,579,262	48,183,921
Book Value Per Common Share	$13.68	$12.64

*Based on the average number of shares outstanding; adjusted for stock distributions and stock dividends issued.

THE BENDIX CORPORATION
Financial Highlights

	Fiscal Years Ended September 30 1960	1959
Our Net Sales, Royalties and Other Operating Income, were	$792,266,614	$689,692,312
We Earned for the Stockholders	26,188,471	27,404,274
Per Share of Stock	4.88	5.11*
No. Shares Outstanding September 30	5,371,278	5,104,365
Dividends per Share	2.40 (Plus 5% in stock)	2.40
Stockholders' Equity at September 30	242,588,695	228,583,399
Per Share of Stock	45.16	42.65*
We Paid to Our Employees in Wages and Salaries	327,295,975	297,405,885
Unfilled Orders September 30 (including Engineering Projects)	452,000,000	511,000,000

*Adjusted for 5% stock dividend paid in 1960.

NATIONAL COMPANY, INC.
President's Letter

Earnings

We report earnings as follows:

	1957	1958	1959	1960
Billings (millions)	$5.6	$7.4	$12.9	$11.0
Net profit after taxes	$72,000	$174,000	$302,000*	$327,000
Net profits per common share**	8¢	21¢	37¢*	40¢

*After a retroactive $58,000 adjustment to 1959 earnings for patent and trademark revaluation.

**Based on the number of shares outstanding December 31, 1960.

STRUTHERS WELLS CORPORATION
President's Letter

Sales and Profit: . . . After provision for preferred dividends, the earnings per share on the 301,895 shares of common stock amounted to $1.04 per share as compared to a loss of $1.48 per share in the previous year, based on the same number of outstanding shares.

THE INTERNATIONAL SILVER COMPANY
Statistical Summary

	(Thousands omitted) 1960	1959	1958	1957
Net sales	$60,824	$57,084	$53,380	$48,774
Federal and state taxes on income	2,587	2,189	1,951	766
Net earnings	2,335	2,009	1,861	1,237
Cash dividends declared:				
Preferred 7%	350	350	350	350
Common	1,140[1]	684	547	957
Earnings retained for use in the business	811	975	964	(70)
Earnings per share of common stock on the basis of 387,547 shares outstanding at December 31, 1960	$5.12	$4.28[2]	$3.90	$2.29
Earnings per share of common stock on the basis of shares outstanding at the respective year ends	5.12	4.55[2]	4.14	2.43
Cash dividends declared per share of common stock	3.00[1]	1.87½	1.50	2.62½

[1]Plus 2% stock dividend.
[2]Exclusive of special credit of $505,000 arising from sale of real estate in 1959.

OSCAR MAYER & CO., INC.
President's Letter

Sales during fiscal 1960 totaled $259,835,261, off only one-tenth of one percent from the previous year's total of $260,221,726. The 1960 earnings amounted to 2.18 percent of sales, compared with 2.41 percent in 1959. Earnings per share were $3.23 on 1,757,538 common shares outstanding at the close of fiscal 1960, compared with $3.66 on the adjusted shares for 1959. The January 15, 1960 stock split gave stockholders one additional share for each two shares owned.

SIGNODE STEEL STRAPPING COMPANY
Financial Highlights

	1960	1959
Stockholders' Return		
Earnings per Share	$1.33	$1.60
Cash Dividends per Share	$ .55	$ .49
Stock Dividend	2%	3%

The financial data in this report reflect the consolidation of Signode Limited, British subsidiary; 1959 figures have been adjusted to conform to this treatment. The 1959 per share data have also been adjusted for the 1960 stock split and stock dividend.

UNITED ELASTIC CORPORATION
Financial Review

Earnings: Earnings for the year 1960 were $2,034,109 or $3.66 per share, based on 555,197 shares of capital stock outstanding at December 31, 1960. In 1959 the earnings per share were $5.15 on 505,724 shares outstanding at the end of that year, or $4.69 based on the number of shares outstanding at the end of 1960.

After the payment of dividends in cash the balance of the earnings of $872,862 were retained in the business for expansion and replacement of plant and equipment and other corporate purposes. In 1959 the corresponding amount was $1,579,758.

THE BORDEN COMPANY
Highlights

	1960	1959
Net Sales	$956,014,030	$941,326,495
Net Earnings	$ 26,856,250	$ 25,548,693
per share	$2.71	$2.61*
Cash Dividends	$ 14,857,560	$ 13,696,547
per share	$1.50	$1.40*
Working Capital	$126,206,383	$124,418,889
Ratio:		
Current Assets to Current Liabilities	3.08:1	3.08:1

*Adjusted for 2 for 1 stock split.

UNIVERSAL MATCH CORPORATION
Comparative Highlights

	1960	1959
Net Sales	$88,828,577	$72,294,586
Net Earnings After Taxes	5,461,042	4,872,602
Common Stock		
Earnings per share	1.20*	1.08*
Cash dividend per share	.50	.35
Stock dividend	—	4%
Number of shares outstanding	4,508,610	1,611,555
Number of Shareholders	14,408	6,820
Number of Employees	5,856	4,920

*Based on number of shares outstanding at December 31, 1960.

Not Adjusted Retroactively for Stock Dividends, Stock Splits, Conversions, or Other Increases in the Number of Shares Outstanding

THE DOW CHEMICAL COMPANY
Financial Review

Quarterly Summary

	1960		1959	
Quarter	Sales in millions	Earnings per share*	Sales in millions	Earnings per share*
1st	$191.7	$ .82	$157.2	$ .43
2nd	202.0	.83	184.7	.64
3rd	182.3	.59	169.5	.52
4th	205.4	.77	194.0	.80
Total	$781.4	$3.01	$705.4	$2.39

*Based on shares outstanding at May 31.

Stockholders: The chart showing the classification of ownership of Common Stock as of the record date, July 27, 1960, will appear in the postmeeting report which will be mailed to stockholders.

The number of stockholders at the end of the fiscal year increased to 87,300. The number of shares outstanding at May 31 increased from 26,357,090 to 27,362,631. This increase resulted from:

Sales to employees	149,579
Conversion of 3% debentures	324,870
2% stock dividend	531,092

THE DRACKETT COMPANY
President's Letter

At the close of the year there were 920,868 shares of Common Stock outstanding. Based on this number of shares, earnings were $2.78 per share. In the previous year earnings amounted to $2.58 per common share on 869,478 shares outstanding.

Financial Review

Capital Structure: The capital structure of the Company was simplified early in the year by calling the Convertible Preferred Stock. This stock was quoted above the call price of $26.50 plus accrued dividend. Holders of that stock were invited to convert to Common Stock which was quoted at the same price. The conversion of preferred to Common Stock increased the number of outstanding common shares by 50,768. This resulted in a substantial increase in the Company's capital surplus as shown on the balance sheet.

The calling of the Preferred Stock improves the position of the Company in relation to possible acquisitions.

R. H. MACY & CO., INC.
Financial Highlights

	Year (52 weeks) ended July 30, 1960	August 1, 1959
Per Share of Common Stock[2]		
Taxes—Federal, state and local	$10.77	$10.24
Net earnings after preferred dividends	4.14	3.84
Dividends	2.00	2.00[1]
Net worth—book value	47.67	46.36

(1) Regular common dividend declared July 23, 1958, and paid October 1, 1958, of $0.50 per share, amounting to $861,000, included in 1959.

(2) The calculation of per share amounts is based on the average number of shares outstanding during the respective years—1,845,630 and 1,744,808 shares of common stock.

RAYONIER INCORPORATED
Summary of Operations

	1960	1959
Net sales	$129,066,264	$129,503,553
Provision for taxes on income	6,170,000	9,080,000
Net income	9,504,303	13,334,827
Net income per share of common stock	$ 1.63	$ 2.35
*Cash dividends per share of common stock	.80	.60
Cash flow per share of common stock	3.97	5.09
Book value per share of common stock	16.84	16.47

*In addition, a stock dividend of 3% was distributed in 1960 and 1959.

Financial Review

Sales and Earnings: The consolidated net sales of Rayonier Incorporated and its subsidiaries amounted to $129,066,264 in 1960, in comparison with $129,503,553 in 1959.

The company's net income after taxes was $9,504,303, compared with $13,334,827 in 1959. This 1960 net income was equivalent to $1.63 per share of common stock on the 5,842,347 shares outstanding at the year end. It compared with net income of $2.35 per share in 1959 on 5,672,181 shares. . . .

Earnings Per Share Figure for Current Year Only

HOWE SOUND COMPANY
President's Letter

Financial: Our earnings in 1960 were $1.55 a share. Our sales were $95,000,000 as contrasted to $83,700,000 in 1959.

PITTSBURGH BREWING COMPANY
President's Letter

Financial: After provision for Income Taxes in the amount of $1,162,942, net operating earnings for the fiscal year were $859,388, equivalent to 56-cents per common share after deduction of regular preferred dividends. This does not include non-recurring credit. Due to the conversion of warrants and preferred shares to common stock there were 13,179 more such shares outstanding October 31, 1960 than a year earlier.

WAGNER ELECTRIC CORPORATION
President's Letter

Dollar volume of sales of Wagner Electric in 1960 amounted to $105,692,628 with net earnings after taxes amounting to $4,245,869, or $2.08 per share on the 2,038,914 shares outstanding at the end of the year. This compares to the record year of 1959 wherein sales were $111,373,268 with net earnings after taxes of $6,546,891. The decrease in sales and profits from the record high was occasioned by the decline in general business activity and increased costs of manufacturing.

INCOME FROM FOREIGN OPERATIONS

The accounting treatment of income derived by United States companies which have branches or subsidiaries operating in foreign countries requires careful consideration. In this connection reference is made to *Accounting Research Bulletin No. 43* issued by the committee on accounting procedure of the American Institute of Certified Public Accountants—Chapter 12, which states in part:

> 4. 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.
>
> 5. 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.
>
> 6. 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.

The following analysis made from the 1960 annual reports of the 600 survey companies is indicative of current practice. For this purpose companies having Canadian subsidiaries or branches have been omitted, as it has been found that for the most part income from Canadian operations has been treated much the same as from domestic operations or in any case does not quite fit in with the treatment of other foreign operations in general. Since United States income tax is a factor to be considered where income is involved, disclosures in this connection are fully incorporated.

Foreign Subsidiaries—Consolidated

Income fully taken up:
With U.S. tax provided for (by a reserve, or net after taxes, etc.)
(*Co. Nos. 57, 172, 194, 498)
With no provision for related U.S. tax on unremitted earnings evident
(*Co. Nos. 3, 6, 120, 137)
With no information as to the related provision for U.S. tax
(*Co. Nos. 20, 139, 234, 285).

Foreign Subsidiaries—Not Consolidated

Income fully taken up:
With U.S. tax provided for (by a reserve, or net after taxes, etc.)
(*Co. Nos. 71, 77, 137, 437)
Income taken up only as dividends are received:
(*Co. Nos. 54, 107, 230, 394)
Income not taken up—no reference to dividends received:
(*Co. Nos. 16, 114, 258, 577)
Foreign subsidiaries evident but no information as to the accounting treatment of income:
(*Co. Nos. 105, 138, 448, 470).

CASH FLOW

The term "cash flow" is a relatively recent addition to the accounting and financial vocabulary. It has appeared in the annual stockholders' reports with increasing frequency during the past few years, and for that reason the current survey of 600 companies presents the various disclosures relative thereto.

It may be said at the outset that the term appears to be a creation of security analysts rather than accountants, and although it is based largely on net income or earnings it can never supplant them. Accountants know how to evaluate such statements, but it is doubtful whether the average stockholder would find this within his province. Although the analysis indicates that "cash flow," "cash flow earnings," "internal cash generation," etc., were referred to by 61 companies, "statements of working capital" or "source and application of funds" which are not recent additions to accounting literature are not included as such in this presentation.

Method of Presentation or Location in Reports	
Referred to in president's letter or financial review	37
In operating summaries or statistics	4
In highlights	9
In separate statements	8
In chart form	12
	70
Number of Companies:	
Referring to "cash flow"	61
Not referring to "cash flow"	539
	600

*Refer to Company Appendix Section.

Of the above-mentioned 61 companies presenting cash flow, 18 presented it in dollar amount (*Co. Nos. 2, 21, 68, 274, 378, 425); 15 presented it in per share amount (*Co. Nos. 13, 72, 174, 427, 446, 462); 20 presented it in both total and per share amounts (*Co. Nos. 156, 261, 398, 447, 556, 590); 8 presented it in other ways (*Co. Nos. 200, 215, 298, 372, 380, 409, 540, 566). Examples follow.

Presented in Dollar Amount

CALUMET & HECLA, INC.
Financial Review

Internal Cash Generation: Following is a resume of net cash generated in 1960.

Net Income	$2,836,306
Less Dividends Paid	2,355,719
Retained Earnings	$ 480,587
Cost Depletion, Amortization and Stumpage Cost	781,434
Depreciation	2,059,714
Net Cash Generation	$3,321,735

LILY-TULIP CUP CORPORATION
President's Letter

The following tabulation shows for 1960 and the five prior years the amount of internally generated funds arising from retained earnings and depreciation:

	Net Income	Depreciation and Amortization	Cash Flow before Dividends	Dividends	Cash Flow after Dividends
1960	$6,395,059	$3,050,759	$9,445,818	$3,198,962	$6,246,856
1959	6,612,184	2,893,748	9,505,932	3,118,787	6,387,145
1958	6,002,826	2,583,925	8,586,751	2,875,384	5,711,367
1957	6,556,541	2,047,755	8,604,296	2,853,807	5,750,489
1956	6,106,800	1,860,675	7,976,475	2,515,420	5,452,055
1955	5,309,782	1,540,419	6,850,201	2,339,563	4,510,638

Such funds have been adequate in these years to finance the Company's operating needs, to improve and expand its facilities and to pay off maturing debt without recourse to outside financing, other than temporary bank loans during periods of peak inventories.

UNION OIL COMPANY OF CALIFORNIA
President's Letter

Cash Income and Outgo

	1960	1959
	thousand dollars	
Total revenues	535,631	512,962
Less cash costs and expenses:		
Materials and services	248,868	240,405
Taxes	117,232	105,070
Salaries, wages, and employee benefits	65,423	64,933
Other expenses	5,621	5,707
Cash flow from operations	98,487	96,847
Plus credit to retained earnings relating to prior years' natural gas sales		6,201
	98,487	103,048
Less:		
Cash dividends declared	14,942	8,197
Capital expenditures	101,846	90,215
Debt retirement, miscellaneous investments, etc.	5,435	7,901
(Decrease) in working capital	(23,736)	(3,265)

*Refer to Company Appendix Section.

SKELLY OIL COMPANY
Financial Review

Cash flow from operations for 1960 and 1959 was as follows:

	1960	1959
Net Income	$24,414,693	$26,906,225
Depreciation, depletion, and amortization	39,387,690	37,662,524
Cash Flow	$63,802,383	$64,568,749

Presented in Per Share Amount

HOUDAILLE INDUSTRIES, INC.
President's Letter

Our program of depreciation again enhanced the Company's cash flow and its potential for growth. The allowance for depreciation and depletion totaled $4,553,554 compared with $4,309,373 for the 1959 period. Added to the Company's current earnings, the total cash flow amounted to $4.79 per common share as against $4.72 the year before.

OWENS-ILLINOIS GLASS COMPANY
Highlights

Financial and Operating

	1960	1959
Net sales	$561,042,300	$552,676,900
Earnings before Federal taxes on income	61,287,100	80,031,400
Net earnings	33,187,100	40,831,400
Taxes excluding social security	34,904,700	46,002,800
Working capital	168,154,600	164,535,300
Land, buildings, equipment, and timberlands—net	211,196,900	209,073,500
Long-term debt	97,200,000	98,200,000
A common share:		
Earnings	4.10	5.20
Annual cash dividend rate	2.50	2.50
Taxes excluding social security	4.79	6.37
Cash flow	7.23	8.11

SUN CHEMICAL CORPORATION
Financial Summary

	1960	1959
Sales	$60,363,301.	$54,781,426.
Net Income	1,338,031.	1,346,216.
Net Earnings*	.91	.90
Cash Flow*	1.72	1.57
Share Owners Equity*	12.88	12.61
Average Number Common Shares	1,377,749	1,401,654

*Per common share

Presented in Both Total and Per Share Amounts

CONTINENTAL OIL COMPANY
Financial Review

Cash Flow: Continental's net cash flow from operations in 1960 amounted to $143.0 million after taxes, equivalent to $6.76 a share. In 1959 net cash flow was $147.6 million, or $6.99 a share. Net cash flow consists of net income plus the provision for intangible development costs, depreciation, depletion, surrendered leases, and charges against earnings for possible foreign losses.

CROWN ZELLERBACH CORPORATION
Financial Review

Cash flow from operations—net income, plus expenses which did not require cash outlay, principally depreciation, depletion and provision for deferred income taxes—amounted to $69,778,000. This is the company's highest cash flow to date and is equal to $4.96 per share, compared with $4.82 a share during 1959.

G. C. MURPHY COMPANY
Financial Review

Cash Flow and Working Capital: Operations provided a cash flow of $11,526,448 or $5.44 per share. After the following changes, working capital at the end of the year was $41,522,083:

Net earnings	$ 7,344,015
Depreciation, amortization and deferred taxes	4,182,433
Total cash flow	11,526,448
Net additions to property, equipment and other assets	5,709,241
Payments made on term notes payable	1,528,572
Dividends paid to shareholders	4,876,000
Total funds expended	12,113,813
Reduction in working capital	$ 587,365

Cash and government securities of $15,741,956 exceeded current liabilities by $750,005 at the year end. The ratio of current assets to current liabilities improved to 3.77 to 1 from 3.25 to 1 at December 31, 1959.

PHILLIPS PETROLEUM COMPANY
Financial Review

Cash generation for 1960, consisting of net income plus provisions for reserves for depreciation, depletion, and retirements, was $252,400,000 or $7.35 a share, $25,300,000 more than for 1959. For the third straight year funds from internal sources were sufficient without borrowings to cover all capital and investment expenditures, pay dividends, and reduce long-term debt.

Other Presentations

UNITED STATES PLYWOOD CORPORATION
Financial Review

Cash Flow: After providing for the sinking fund requirements on the Company's long term debt and preferred stocks, the remaining cash available from net profits after interest and taxes, and depreciation and depletion was $19,698,000, equal to approximately $8.00 per share of common stock. The cash flow before providing for our sinking fund requirements was approximately fourteen times such sinking fund requirements.

THE EMERSON ELECTRIC MANUFACTURING COMPANY
Financial Review

Cash Flow

Source of Funds:	1960	1959
Net earnings	$ 6,000,310	$3,938,717
Depreciation and amortization	2,069,707	1,617,185
Proceeds from sale of common stock under option agreements	794,234	375,465
Net increase in long-term debt, exclusive of conversion of debentures to common stock	1,404,000	—
Working capital of subsidiaries acquired	3,602,613	1,502,892
	$13,870,864	$7,434,259
Use of Funds:		
Capital expenditures less retirements	$ 3,348,446	$2,198,614
Cash dividends paid	2,037,639	1,349,581
Other items	44,729	75,397
Reduction of long-term debt, exclusive of conversion of debentures to common stock	—	471,000
Redemption of preferred stock	—	765,441
Increase in working capital	8,440,050	2,574,226
	$13,870,864	$7,434,259

MIRRO ALUMINUM COMPANY
Distribution of 1960 Income Dollar

Cash Outlays for Operating Expenses	Cents
Materials and services	51
Wages, salaries and benefits	33
Taxes	7
Interest	1
	92
Cash-Flow Earnings	
Depreciation	3
Dividends	3
Earnings retained	2
	8
	$1.00

METRO-GOLDWYN-MAYER INC. *and Subsidiaries*

Consolidated Statement of Income

	Year Ended August 31 1960	1959
INCOME:		
Film rentals, foreign theatre receipts and other film income	$100,203,443	$ 98,840,670
Television income	14,127,538	14,902,832
Records and music income	12,551,790	11,974,375
Net receipts of foreign film rentals blocked in prior years	2,421,500	3,392,742
Interest and miscellaneous income	1,140,336	1,859,757
	$130,444,607	$130,970,376
EXPENSES:		
Amortization and other film costs	$ 53,564,996	$ 56,543,045
Share of rentals to participants	4,471,568	5,974,098
Film advertising, distributing, foreign theatre and other expenses	33,000,231	32,057,627
Television production costs and other expenses	5,368,206	6,851,411
Records and music production costs and other expenses	10,683,639	10,116,357
Depreciation (excluding $1,466,000 in 1960 and $1,664,000 in 1959 charged to film productions, television, records and music costs and expenses)	1,376,594	1,251,924
Interest expense	584,465	871,571
	$109,049,699	$113,666,033
Net income before United States and foreign taxes on income	$ 21,394,908	$ 17,304,343
Provision for taxes on income:		
Foreign	$ 4,300,000	$ 3,605,392
United States	7,500,000	6,000,000
	$ 11,800,000	$ 9,605,392
Net income	$ 9,594,908	$ 7,698,951
Per share	$3.83	$2.91

J. P. STEVENS & CO., INC.
and Consolidated Subsidiary Companies

Comparative Consolidated Statement of Income

For the Years (52 Weeks) Ended October 29, 1960 and October 31, 1959

	1960	1959
Net sales	$512,655,286	$459,428,608
Cost of goods sold	448,614,413	408,256,481
Gross profit on sales	64,040,873	51,172,127
Other operating income	1,359,578	1,427,232
	65,400,451	52,599,359
Selling, general and administrative expenses	28,961,267	24,627,145
	36,439,184	27,972,214
Other income:		
Equity in earnings of subsidiary not consolidated — Note B	605,205	606,563
Adjustments applicable to prior years, net	792,054	518,304
Net gain on sales of fixed assets	404,293	296,890
Miscellaneous	615,518	421,844
	2,417,070	1,843,601
	38,856,254	29,815,815
Other deductions:		
Interest, principally on long and short term borrowings	4,662,946	3,439,466
Contributions	546,711	254,670
Miscellaneous	579,064	312,297
	5,788,721	4,006,433
Net income before state and Federal taxes based on income	33,067,533	25,809,382
Provision for state and Federal taxes based on income:		
State taxes (including franchise taxes) based on income	1,290,000	850,000
Federal income taxes — Note F	16,475,000	6,250,000
	17,765,000	7,100,000
Net Income	$ 15,302,533	$ 18,709,382

Depreciation charged to income amounted to $12,635,765 in 1960 and $11,153,424 in 1959.

See Accompanying Notes

CONSOLIDATED STATEMENT OF INCOME AND INCOME REINVESTED IN THE BUSINESS

FOR THE YEAR ENDED DECEMBER 31, 1960 *(With Amounts Reported for 1959)*

	1960	1959
SALES AND OTHER REVENUES:		
Gross sales, less discounts, returns and allowances	$574,245,070	$608,131,762
Dividends, interest and other income	10,055,210	9,757,527
TOTAL	$584,300,280	$617,889,289
COSTS, EXPENSES AND OTHER DEDUCTIONS:		
Cost of products sold, including maintenance and repairs of plants and provisions for taxes of operating properties	$460,514,549	$487,908,317
Pension plan payments	10,570,320	8,580,036
Provision for:		
Depletion and depreciation	25,941,371	23,163,123
Amortization of emergency facilities	1,023,439	2,342,572
Selling, general and administrative expenses	31,598,961	30,123,538
Interest and discount on long-term debt	4,682,474	4,215,663
TOTAL	$534,331,114	$556,333,249
INCOME BEFORE PROVISION FOR FEDERAL INCOME TAXES	$ 49,969,166	$ 61,556,040
PROVISION FOR FEDERAL INCOME TAXES:		
Current year	$ 17,860,000	$ 24,365,000
Future years (Note 1)	6,390,000	6,235,000
TOTAL	$ 24,250,000	$ 30,600,000
NET INCOME FOR THE YEAR	$ 25,719,166	$ 30,956,040
INCOME REINVESTED IN THE BUSINESS AT BEGINNING OF YEAR	343,576,513	329,976,887
Equity in surplus of subsidiary company not previously consolidated, largely undistributed earnings from dates of acquisition to December 31, 1959	445,111	
TOTAL	$369,740,790	$360,932,927
DIVIDENDS ON COMMON SHARES—$5.00 per share	17,419,235	17,356,414
INCOME REINVESTED IN THE BUSINESS AT END OF YEAR (Note 2)	$352,321,555	$343,576,513

THE YOUNGSTOWN SHEET AND TUBE COMPANY
AND SUBSIDIARY COMPANIES

Analysis of what happened

Our Income

We Received	
From the sale of our products	$30,963,968
From other sources	215,848
TOTAL	$31,179,816
These sales cost the company	28,622,705
Additions to inventory cost the company	625,561
Leaving production and other costs for the year	29,248,266
THIS $29,248,266 was spent as follows:	
We Paid	
For material and services such as castings, steel, factory supplies, power, heat, light, insurance, etc. . 12,256,313	
For taxes—federal, foreign, state and local 3,078,368	
For depreciation—replacement of wear and tear on equipment 609,286	
TOTAL	15,943,967
Leaving for our employees and stockholders	$13,304,299
This $13,304,299 was distributed as follows:	
In salaries and wages paid to employees	9,415,827
In other benefits paid to employees	1,331,361
In dividends to our stockholders who own the business and supply the money which provides our jobs	410,360
Reinvested in the business for benefit of both our employees and stockholders—through improvement to buildings, by the purchase of machinery, tools and inventory	2,146,751
TOTAL	$13,304,299

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 1960 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, 1959, and 1960 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 1960 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, 563 survey companies declared cash dividends. Of these companies, 279 displayed such dividends in the retained earnings statement, 247 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 520 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, 1959, and 1960 is given in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

Of the 600 survey companies, 391 reported in 1960 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.

Cash Dividend Restrictions—Examples

Typical examples of restrictions limiting the declaration of cash dividends, as presented in the 1960 reports, are as follows:

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Presented:	1960	1959	1955	1950
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in:				
Retained earnings statements (*Co. Nos. 33, 41, 46, 195, 466, 551)	278	276	310	325
Combined retained earnings and income statement (*Co. Nos. 50, 74, 201, 372, 493, 503)	212	207	182	150
Combined retained earnings and capital surplus statement (*Co. Nos.. 54, 173)	2	4	7	20
Stockholders' equity statement (*Co. Nos. 15, 211, 296)	20	21	14	11
Balance sheet (*Co. Nos. 109, 264, 421)	6	7	14	17
Unclassified surplus statement (*Co. No. 434)	1	2	7	8
Combined unclassified surplus and income statement (*Co. No. 318)	1	1	2	2
	520	518	536	533
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in:				
Retained earnings statement (*Co. No. 251)	1	1	5	5
Combined retained earnings and income statement (*Co. Nos. 26, 53, 287)	35	36	32	33
Income, costs and changes in capital investment (*Co. No. 514)	1	1	—	—
Stockholders' equity statement (*Co. No. 268)	1	1	1	—
Statement of surplus	—	—	1	—
	38	39	39	38
At the foot of the income statement (*Co. Nos. 136, 448, 484, 569)	4	4	8	10
In a supplementary schedule (*Co. No. 424)	1	1	1	1
Within the "Distribution of Net Income" statement	—	—	2	3
	5	5	11	14
Number of Companies				
Declaring cash dividends	563	562	586	585
Not declaring cash dividends	37	38	14	15
Total	600	600	600	600

*Refer to Company Appendix Section.

LONG-TERM INDEBTEDNESS

BUCYRUS-ERIE COMPANY

Long-Term Debt: Note E—

Unsecured 3½% notes payable, maturing in annual installments of $500,000, less current installment	$ 8,000,000
Notes payable—bank credit agreement—unsecured	10,000,000
	$18,000,000

Note E: Long-Term Debt—The bank credit agreement provides for borrowings up to $10,000,000 on ninety-day renewable notes to November 30, 1962, with interest at current bank rates within the limits of 3½% and 5%. The Company has agreed, among other things, to maintain current assets of not less than 200% of current liabilities and working capital of not less than $30,000,000.

Under the terms of the long-term note and bank credit agreements, cash dividends may not be paid and capital stock of the Company may not be acquired unless (1) working capital exceeds 150% of long-term debt, (2) stockholders' investment exceeds 200% of long-term debt and (3) earnings retained in the business exceed a calculated amount. Under the most restrictive provision (contained only in the bank credit agreement), all of the earnings retained in the business at December 31, 1960, were restricted and additional net earnings of $8,350,954 are required before any such payments can be made.

AMERICAN MAIZE-PRODUCTS COMPANY

Noncurrent Liabilities:

3¼% note payable, due in annual installments to July 1, 1963 (Note B)	$ 530,000
Reserve for deferred compensation, less estimated future income tax reductions	597,329
	$1,127,329

Note B: Under the terms of the agreement with the holder of the note, the Company has agreed, among other things, to make annual sinking fund payments of $155,000 on July 1 of each year and to pay the balance on July 1, 1963.

The Company has also agreed:

1. To maintain working capital of the Company (excluding the wholly owned subsidiary) at not less than $3,200,000.
2. Not to pay cash dividends on common stock unless the Company has been free of short-term borrowings for a period of 90 consecutive days within the twelve months preceding the dividend payment date.
3. Not to pay cash dividends on common stock if the aggregate of all dividends paid, together with purchases of treasury stock, subsequent to December 31, 1947, shall exceed 70% of the net income of the Company since December 31, 1947, (excluding the wholly owned subsidiary). At December 31, 1960 such dividends and purchases of treasury stock were approximately $3,191,000 less than 70% of net income since December 31, 1947.

Earnings retained in the business may be restricted at December 31, 1960 to the extent of $1,498,600 in respect of 14,986 preferred shares purchased and held in treasury.

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1960	1955	1951
Long-term indebtedness (*Co. Nos. 82, 133, 177, 243, 398, 576)	358	303	258
Preferred stock requirements (*Co. Nos. 82, 257, 323, 563)	38	49	43
Credit agreements (*Co. Nos. 31, 92, 483, 546)	32	22	21
V-loan agreements (*Co. Nos. 167, 241)	2	8	14
Treasury stock (*Co. Nos. 36, 183, 220, 387)	7	8	7
Dividend arrearage (*Co. Nos. 262, 290, 576)	4	—	4
Articles of incorporation (*Co. Nos. 166, 243, 302, 417)	24	18	27
Elkins Act Decree (re: oil pipe lines) (*Co. Nos. 274, 519, 531)	3	3	6
State statutory limitation	—	—	2
Board of directors' resolution (*Co. Nos. 60, 123)	2	1	1
Restriction not described (*Co. No. 274)	1	2	8
Foreign statutory limitation (*Co. Nos. 57, 345, 519)	3	4	2
Various other	—	3	—
Total	474	421	393
Number of Companies			
Referring to dividend restriction	391	350	313
Not referring to dividend restriction	209	250	287
Total	600	600	600

*Refer to Company Appendix Section.

THE B. F. GOODRICH COMPANY

Shareholders' Equity:

Income retained in the business—Note B:	
Appropriated for increased replacement cost of facilities	$ 33,000,000
Unappropriated	258,675,497
	$291,675,497

Note B: Limitations on Dividends—The agreements pertaining to the Debentures, First Mortgage Bonds and 3¼% Notes include, among other things, limitations on the payment of cash dividends and amounts that can be expended to acquire or retire capital stock of the Company. Under the most restrictive of the agreements, income retained in the business in the amount of $50,467,008 at December 31, 1960, was free from such limitations.

McKESSON & ROBBINS, INCORPORATED

Long-Term Debt (less current requirements) —Note 5:	
2.80% promissory notes payable due October 1, 1975	$16,940,000
3½% debentures due March 1, 1973	11,850,000
	$28,790,000

Note 5: Long-term Debt—The 2.80% promissory notes were issued under an agreement which provides for annual payments of principal of $660,000. The annual payments may be doubled in any year without premium. Moreover, the notes may be prepaid at any time, in whole or in part, upon payment of a premium of 1.75% prior to October 1, 1960, and at declining rates thereafter to maturity.

The 3½% debentures were issued under an indenture which provides for a sinking fund for the annual retirement, at par, of the debentures in an amount of not less than $630,000 nor more than $1,260,000 of principal. The debentures are callable at any time, in whole or in part, at 101⅞% of principal prior to March 1, 1961, and at declining rates thereafter to March 1, 1972, when they are callable at par.

Both the note agreement and the indenture contain restrictions relating, among other matters, to dividends or other distributions (except stock dividends) on any capital stock of the Company and to acquisition of any such stock. Under the terms of the indenture, which contains the more restrictive of such provisions, surplus available for payment of dividends and acquisition of capital stock amounted to approximately $40,000,000 as at March 31, 1960.

BOEING AIRPLANE COMPANY

Long-Term Debt:	
5% Sinking Fund Debentures	$40,000,000
4½% Convertible Subordinated Debentures	30,545,000
	$70,545,000

Notes to Financial Statements

Long-term Debt and Restrictions on Retained Earnings: Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are $2,700,000 annually beginning in 1964.

The 4½% Convertible Subordinated Debentures, due in 1980, are convertible at two shares for each $100 principal amount. The annual sinking fund requirements beginning in 1968 amount to $1,750,000 less credits for previously converted debentures.

The indentures under which the debentures were issued place various restrictions on the use of retained earnings for the payment of cash dividends or acquisition of the company's capital stock or subordinated indebtedness. At December 31 ,1960, the maximum amount of retained earnings restricted under these indentures was $40,195,285.

BOOTH FISHERIES CORPORATION

Long-Term Debt, noncurrent portion—consists of notes payable to two insurance companies due over a period extending to 1978. Annual principal and interest requirements are approximately $350,000 in the years 1962-1965, $425,000 from 1966-1975, $300,000 in 1976, and $80,000 in 1977 and 1978. Interest rates are 4¼%, 5% and (for the $750,000 note issued in December, 1959) 5¾%	$4,150,973

Note to Financial Statements

Note 1: Under the provisions of the long-term debt (a) $3,767,256 of consolidated earned surplus at April 30, 1960, is restricted against payment of cash dividends on or purchase of capital stock (other than preferred stock acquired through the stock purchase fund); and (b) consolidated working capital was required to be not less than $6,226,460 at April 30, 1960.

ELECTRIC STORAGE BATTERY COMPANY

Long-term debt (less current maturities):	
Notes payable, 3⅝%, due in annual installments of $250,000 to $275,000 to April 1, 1969; $525,000 on April 1, 1970	$2,625,000

Notes to Financial Statements

Note 3: Restrictions on Retained Earnings—The loan agreement relating to the 3⅝ per cent notes payable contains various restrictions relative to the payment of cash dividends and reacquisitions of capital stock. At December 31, 1960, approximately $15,500,000 was available for such payments.

ELECTROLUX CORPORATION

Long-term 4½% loan payable to an insurance company in annual instalments of $1,000,000 (Note B)	$5,000,000

Note B: Long-Term Loan and Restrictions Thereunder—In the years 1955 through 1958 the company made five voluntary prepayments of $1,000,000 each on its $10,000,000 loan obtained in 1954 from an insurance company. At the company's option these payments may be substituted for any of the $1,000,000 instalments due annually from January 1, 1960 through January 1, 1969. The company has exercised such option with respect to two voluntary prepayments which have been substituted for the instalments due January 1, 1960 and January 1, 1961.

The loan agreement provides, among other things, that the company shall not permit its net current assets at any time to be less than $18,000,000 and that dividends may be paid only to the extent of 70% of net earnings after December 31, 1953 plus $900,000. Approximately $21,851,000 of retained earnings at December 31, 1960 was restricted as to the payment of dividends under this agreement.

WESTERN AUTO SUPPLY COMPANY
Stockholders' Equity:

Preferred stock—par value $100 per share:	
Authorized, 100,000 shares:	
Issued and outstanding, 35,500 and 35,540 shares repectively (excluding 4,500 and 6,460 shares respectively in treasury) of 4.80% cumulative preferred stock	$ 3,550,000
Common stock—par value $5 per share:	
Authorized, 6,000,000 shares:	
Issued and outstanding, 3,005,472 shares	15,027,360
Paid-in capital (Note 6)	761,173
Retained earnings (Note 6)	52,395,190
Total Stockholders' Equity	$71,733,723

Note 6: Limitation on Payment of Dividends—Under the terms of the long-term notes outstanding and the preferred stock issued, certain restrictions are placed upon the declaration of dividends and upon other distributions to stockholders. The amount of surplus free from such restrictions at December 31, 1960, under the most restrictive of such limitations, is approximately $22,000,000.

NEPTUNE METER COMPANY
Notes to Financial Statements

Note 5: The $2.40 cumulative preferred stock is redeemable on any dividend date at $50.00 a share, and in the event of liquidation is entitled to a preferential amount equivalent to $52.50 a share plus accrued dividends. On or before April 30 of each year an amount determined in accordance with the Corporation's charter, but not in excess of $75,000, is reserved in a purchase fund for the purchase and retirement of the $2.40 cumulative preferred stock. The unused portion of the reserve is returned to accumulated earnings on April 30 of the succeeding year. Dividends on the common stock are subject to the dividend and purchase fund requirements of the $2.40 cumulative preferred stock.

WEST VIRGINIA PULP AND PAPER COMPANY
Notes to Financial Statements

Note E: On October 13, 1960, the holders of both the common stock and the preferred stock approved an amendment of the Company's Certificate of Incorporation relating to preferred stock. The amendment provides for certain substitute restrictions including a requirement that after payment of any cash dividend on common stock, the net tangible assets of the Company and its consolidated domestic subsidiaries be at least 200% of the long-term debt and preferred stock.

PREFERRED STOCK REQUIREMENTS

P. R. MALLORY & CO., INC.
Notes to Financial Statements

Note 3: Preference and Common Stocks—Capital stock at December 31, 1960 and December 31, 1959 comprised:

	Shares 1960	Shares 1959
Cumulative convertible preference stock, 5%, Series A, par value $50 per share (original authorization 250,000 shares):		
Authorized	241,858	244,572
Issued	82,323	85,037
Less reacquired and held in treasury at par value	7,614	10,328
Outstanding	74,709	74,709
Common stock, par value $1 per share:		
Authorized	3,000,000	3,000,000
Less unissued:		
Reserved for conversion of 82,323 and 85,037 preference shares	95,992	97,341
Reserved for issuance under restricted stock option plan (Note 4)	87,675	38,696
Unreserved	1,345,805	1,422,954
	1,529,472	1,558,991
Issued	1,470,528	1,441,009
Less reacquired and held in treasury, at par value	785	—
Outstanding	1,469,743	1,441,009

The terms of the preference stock provide, among other things, that the shares have the power to vote with the common shares on an equal basis on matters presented to the common stockholders for action, and have other voting powers in certain events; are entitled to annual cash dividends of 5%; are redeemable at par value plus a premium ($2.00 during 1961 and reducing periodically) and accrued dividends; are entitled to a sinking fund designed to retire annually 3% of the greatest number of shares previously outstanding; are convertible, at the option of the holder, into shares of common stock of the Company at the conversion price of $42.88 per share on the common stock; are entitled upon involuntary liquidation to par value plus accrued dividends, and upon voluntary liquidation to an amount equal to the optional redemption price plus accrued dividends, before any distribution may be made in respect of common stock. The 1960 sinking fund requirement has been met by retiring 2,714 shares held in the treasury.

Note 6: Restrictions on Retained Earnings—The terms of certain long-term debt and of the preference stock impose restrictions on the payment of cash dividends on common stock and the purchase or redemption of common and preference shares. Under these provisions, $9,323,533 of the consolidated retained earnings was restricted at December 31, 1960.

CREDIT AGREEMENTS

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION
Long-term debt:

Secured revolving credit (Note 2)	$2,900,000
4¾% mortgage payable, less current installments	537,146
	$3,437,146

Note 2: Bank Loans—A short-term unsecured credit agreement (as amended) which terminates June 30, 1961, permits borrowings to a maximum amount of $13,500,000 (such maximum amount subject to periodic reductions during the remaining term of the agreement). The rate of interest, which is based on the prime rate, was 5¼% at year end. The company is also obligated to pay a commitment fee of ½ to 1% per annum on the average daily unused but available portion of the credit.

A secured revolving credit agreement dated May 29, 1958 (as amended), permits borrowings by a subsidiary up to a maximum of $3,500,000. The borrowings are secured by the capital stock of the subsidiary and the assignment of the proceeds from equipment rental leases. The interest rate, which is based on the prime rate, was 5½% at the year end. A commitment fee of ½ of 1% per annum on the average daily unused but available portion of the credit is also payable. The banks have the right to terminate this agreement at any time by giving written notice. After receipt of such notice, the borrowings must be repaid in twelve equal monthly installments commencing seven months from the notice date. As of March 6, 1961, no termination notification has been received, nor is any expected, and therefore borrowings under the secured revolving credit agreement have been classified as long term. Should the banks decide to terminate this agreement immediately after March 6, 1961, the maximum amount of the loan outstanding at December 31, 1960 that would be payable by the end of 1961 would be $725,000.

Among the restrictive covenants contained in the short-term unsecured credit agreement (which is the more restrictive of the agreements) is a requirement to maintain consolidated working capital of $11,000,000 and a restriction as to the payment of cash dividends and purchases of stock (other than purchases from the proceeds of sales of stock) to 50% of consolidated net earnings from January 1, 1960. Unrestricted consolidated retained earnings at December 31, 1960 amounted to $1,266,652.

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
Current Liabilities:

Loans payable to banks (Note 1)	$11,000,000

Note 1: Loans payable to banks at December 31, 1960, are made under a Revolving Credit Agreement which expires on March 15, 1961. Under the provisions of a Revolving Credit Agreement, dated February 28, 1961, with a group of banks, the Corporation may borrow at any time up to February 28, 1962, a maximum of $12,000,000 contingent upon the amount of security available. Against the amounts borrowed, the Corporation has

assigned monies due and to become due under all significant defense production and F-27 contracts, and will issue, if requested by the banks, chattels upon F-27 airplanes not presently covered by sales contracts, and a mortgage on certain real property. Under the terms of this agreement, the Corporation may not, among other restrictions, pay cash dividends or purchase its own stock; in addition, the Corporation must maintain consolidated net current assets of at least $7,978,851 and $8,178,851, and consolidated stockholders' investment of at least $15,278,242 and $15,478,242, through December 28, 1961, and thereafter, respectively. (Net current assets and stockholders' investment at December 31, 1960, are $8,278,851 and $15,578,242, respectively, computed in accordance with the terms of the Agreement.)

PERMANENTE CEMENT COMPANY

Notes Payable to Banks—less installments classified as current liabilities (Note B) .. $33,820,000

Notes to Financial Statements

Note D: Restriction on Payment of Dividends—The Bank Credit Agreement provides, among other covenants, that while any amounts are outstanding thereunder, the Company will not pay dividends on its common stock (except dividends in common stock) or purchase shares of such stock if, after giving effect to such payments or purchases, total consolidated share owners' equity would be less than $38,000,000 or consolidated net current assets would be less than the amount required to be maintained at that time. At December 31, 1960, retained earnings in the amount of $7,543,987 were free from the more restrictive of these provisions.

V-LOAN AGREEMENTS

CONTINENTAL MOTORS CORPORATION

Current Liabilities:

Notes payable to banks under V-Loan Agreement (Note C) $6,720,000

Note C: Notes Payable to Banks Under V-Loan Agreement—The V-Loan Agreement as amended, provides, among other covenants, that the Corporation will not declare cash dividends on or purchase shares of its capital stock subsequent to October 31, 1960, in excess of 70% of the Corporation's net earnings subsequent to that date plus $500,000. The agreement also provides that the Corporation will maintain net current assets of $17,000,000, plus 20% of its net earnings subsequent to October 31, 1957. As of October 31, 1960, this provision was less restrictive than the requirement with respect to net earnings.

TREASURY STOCK

THE CUBAN-AMERICAN SUGAR COMPANY

Capital Stock and Surplus:

Earned surplus—per annexed statement (Note 2) $10,720,156

Note 2: The parent company's earned surplus of $4,112,213 is restricted in the amount of $2,589,500, representing the par value of its preferred and common shares in the treasury.

TEXAS GULF SULPHUR COMPANY

Notes to Financial Statements

Note 9: Restrictions on Retained Earnings—Retained earnings are restricted in the amount of $27,500,000, the cost of shares of capital stock reacquired and held in treasury.

DIVIDEND ARREARAGES

STAHL-MEYER, INC.

Stockholders' Equity:

Retained Earnings (Note 3) $908,491

Note 3: Prior Preferred Stock—The Company is required to appropriate $15,000 annually from retained earnings for the retirement of prior preferred stock. In addition to the appropriation of $15,000 for the current year, $120,680 is unexpended from prior years' appropriations or an aggregate appropriation of retained earnings of $135,680. The holders of the prior preferred stock have a preference to dividends of $2.00 per share for each year ending July 31 whether or not earned and an additional $3.00 per share if earned by the parent company during its fiscal year and are also entitled to dividends to the extent of $1.50 per share at the same rate per share as may be paid on the common stock. Under these provisions, dividends are in arrears $2.00 per share or $6,242.

ARTICLES OF INCORPORATION

INDIAN HEAD MILLS, INC.

Notes to Financial Statements

Note H: Surplus—The Company's charter provides, among other things, for certain restrictions on the purchase, redemption, retirement or payment of cash dividends on the common stock of the Company. Under the most restrictive provision and after giving effect to the cash dividends payable February 1, 1961, surplus in the amount of $2,440,813 was restricted at December 3, 1960.

THE MEAD CORPORATION

Shareholders' Equity:

Retained Earnings $56,839,788*

Notes to Financial Statements

*Because of restrictions in the Articles of Incorporation and in agreements relating to long-term liabilities, the maximum amount available for payment of cash dividends at December 25, 1960 is $13,500,000.

MUNSINGWEAR, INC.

Notes to Financial Statements

Note 6: Certain restrictions are imposed by the Company's certificate of incorporation on dividends or distributions on common stock, other than distributions payable in common stock, so long as preferred stock remains outstanding. Working capital requirements, restrictions on the acquisition and redemption of the Company's preferred and common stocks and restrictions on payment of dividends, other than stock dividends, are contained in the agreement relative to the 5½% long-term notes and the indenture relative to the 5% convertible subordinate debentures; the latter also contains limitations on increasing funded debt and other restricted securities as defined in the indenture. Under the most restrictive of the foregoing provisions, approximately $2,200,000 of consolidated earnings retained for use in the business was free from such restrictions at December 31, 1960.

OWENS-ILLINOIS GLASS COMPANY

Shareholders' Equity:

Retained earnings (Note 6) $184,517,247

Note 6: Restrictions on Retained Earnings—The articles of incorporation contain certain restrictions on the payment of dividends and the purchase of the Company's common shares while any of the 4% preferred shares are outstanding. At December 31, 1960, the amount of retained earnings so restricted was $73,978,107.

ELKINS ACT DECREE

STANDARD OIL COMPANY (NEW JERSEY)

Financial Review

Shareholders' Equity: Earnings reinvested included $6,590,000 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.

SUN OIL COMPANY

Notes to Financial Statements

Earnings employed in the business at December 31, 1960 include earnings of pipe line subsidiaries approximating $20,000,000 which are not available for dividends.

GULF OIL CORPORATION

Notes to Financial Statements

Deposits, sundry investments, and long-term receivables include cash deposits equivalent to the estimated restricted earnings of a pipeline subsidiary—$8,790,111.

BOARD OF DIRECTORS' RESOLUTION

ARDEN FARMS CO.

Notes to Financial Statements

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	$ 2,534,002
Earned (including $55,000,000 reserved by the Board of Directors for working capital)	89,657,163
Total surplus	$92,191,165

FOREIGN STATUTORY LIMITATION

ELI LILLY AND COMPANY
Notes to Financial Statements

Remittances to the United States by subsidiaries or their branches are generally subject to various restrictive regulations of the respective governments as well as to possible foreign exchange fluctuations.

STANDARD OIL COMPANY (NEW JERSEY)
Financial Review

Shareholders' Equity: Earnings reinvested included $18,259,000 of statutory reserves of various foreign affiliates.

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 that of the 39 stock splits disclosed in the 1960 reports, in only 2 cases were shares distributed in a ratio of less than one for one (*Co. Nos. 364, 386).

Table 3 summarizes the accounting treatment of the stock distributions disclosed in 144 annual reports of the 600 survey companies. The distributions of 102 companies represented dividends in stock of the declaring company, 3 represented dividends in stock of another company, 30 represented stock splits, and the remaining 9 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 generally on the terminology employed in the company reports describing such distributions.

*Refer to Company Appendix Section.

TABLE 3: STOCK DIVIDENDS AND STOCK SPLITS

	Stock Dividends		Stock Splits	
Distribution Recorded as:	1960	1955	1960	1955
Debit retained earnings	23	21	2	4
Debit retained earnings and credit capital surplus	87	53	—	—
Debit capital surplus	1	1	6	15
Debit retained earnings and debit capital surplus	2	1	3	9
Credit capital surplus	1	—	—	3
	114	76	11	31
Increase in Number of Shares Only:				
Set forth in:				
Financial Statements	—	—	12	—
Letters to Stockholders	—	—	5	4
Accompanying footnotes	—	—	11	7
Total Transactions	114	76	39	42
Number of Companies showing:				
Stock distributions	114	76	39	42
No stock distributions	486	524	561	558
Total	600	600	600	600

Note: Included in the total of 23 stock dividend distributions charged to retained earnings are 3 companies with dividends-in-kind (*Co. Nos. 61, 63, 517). Nine companies disclosed a stock dividend in addition to a stock split (*Co. Nos. 5, 72, 131, 181, 230, 267, 310, 386, 497).

*Refer to Company Appendix Section.

1960 STOCK DIVIDENDS

Retained Earnings

CENTRAL SOYA COMPANY, INC.
DR —$1,272,561—"*Retained Earnings*: Stock Dividends—1960—2% (including $61,934 cash paid in lieu of fractional shares)."

THE FLINTKOTE COMPANY
DR.—$2,074,384—"*Earned Surplus*: Stock dividend on common stock (1½%), 81,767 shares at approximately $25.37 per share, based on market quotation at date of declaration."

THE INTERNATIONAL SILVER COMPANY
DR.—$354,231—"*Earnings Retained and Used In Business*: *Stock* (2%—6,805 shares at approximate market value plus $34,396 cash in lieu of fractional shares)."

McCALL CORPORATION
DR.—$649,847—"*Retained Earnings*: Stock—3% (market value of 20,057 shares)."

THE MOHAWK RUBBER COMPANY
DR.—$491,749—"*Earned Surplus*: Stock dividend—5% on common stock at market value of $20.00 a share—

Stock issued	$480,800
Cash in lieu of fractional shares	10,949"

WALGREEN CO.
DR.—$2,013,886—"*Earned Surplus*: 3% stock dividend —Transferred to common stock for shares issued."

Retained Earnings and Capital Surplus

BELL INTERCONTINENTAL CORPORATION
DR.—$944,594—"*Earnings Retained in Business*: Dividends—Stock—3% (81,081 shares at market price at date of declaration)."
CR.—$865,313—"*Capital Surplus*: Excess ($10.65) of market price at date of declaration over par value of 81,081 shares issued as a stock dividend."

CONSOLIDATED FOODS CORPORATION
DR.—$3,668,300—"*Earned Surplus*: Market value of common stock issued as a 5% stock dividend—1960, 151,021 shares."
CR.—$3,466,939—"*Paid-in Surplus*: Excess of market value over par value of common stock issued as a 5% stock dividend—1960, 151,021 shares; 1959, 128,009 shares."

EMERSON RADIO & PHONOGRAPH CORPORATION
DR.—$709,788—"*Earned Surplus.*"
CR.—$391,783—"Capital Surplus."

Notes to Financial Statements

Note 3: The Company paid a stock dividend on December 15, 1959 at the rate of 3 shares for each 100 shares with cash payments in lieu of fractional shares.

On October 26, 1960 the Board of Directors declared a stock dividend, payable December 15, 1960, at the rate of 3 shares of previously authorized but unissued capital stock for each 100 shares held of record on November 14, 1960. No fractional shares or scrip were issued, but in lieu thereof, full shares of capital stock representing the aggregate total of all such fractional share interests were issued to the Company's disbursing agent for sale and distribution of the proceeds from such sale to the holders of fractional interests in accordance with their proportionate interests. As a result of the foregoing $709,788 was charged to earned surplus (and credited to capital stock, $318,005 and to capital surplus, $391,783) subsequent to October 31, 1960, representing the aggregate amount of the value established by the Board of Directros for the shares issued (63,601 shares).

THE FIRESTONE TIRE & RUBBER COMPANY
DR.—$18,380,977—"*Income Invested in the Business*: Dividends—Common Stock—2% (528,949 shares at market value)."
CR.—$17,279,001—"*Additional Capital*: Excess of market over Stated Value of Common Stock Issued as a Stock Dividend."

HOWE SOUND COMPANY

DR.—$1,367,637—"*Retained Earnings*: 3% stock dividend declared and paid in 1960, and $9,777 adjustment pertaining to 3% stock dividend declared in 1959 and paid in 1960."

CR.—$3,096,460—"Capital Surplus: Excess of fair market value over par value of shares of Common Stock—Stock dividends paid in June and December 1960."

HUNT FOODS AND INDUSTRIES, INC.

DR.—$7,443,124—"*Earned Surplus*: Stock—5% regular and 5% extra, paid in common stock, at value determined by Board of Directors."

CR.—$6,011,755—"Capital Surplus: Excess of stock dividends over par value of common stock issued therefor."

RADIO CORPORATION OF AMERICA

DR.—$17,861,000—"*Consolidated Reinvested Earnings*: Stock Dividends, 2%, Declared on Common Stock 1960, 323,854 shares at $55.15 per share."

CR.—$17,213,000—"Consolidated Capital Surplus: Excess of amount charged to reinvested earnings over stated value of Common Stock to be issued for 2% stock dividend 1960, 323,854 shares."

SHOE CORPORATION OF AMERICA

DR.—$645,700—"*Earned Surplus*: Share distribution—356,400 common shares at par value, less $423,500 portion charged to capital surplus."

DR.—$423,500—"*Capital Surplus.*"

VANDERBILT TIRE & RUBBER CORPORATION

DR.—$544,280—"*Earned Surplus*: Stock Dividends (Four Quarterly Dividends of 2%) 80,021 Shares at $6.00 to $7.50 per Share—Approximate Market Value."

CR.—$464,259—"Excess of Market Value over Par Value of 80,021 Shares of Common Stock Issued as Stock Dividends."

Capital Surplus

MUNSINGWEAR, INC.
Notes to Financial Statements

Note 4: The authorized common stock of $5 par value each was increased from 500,000 shares to 1,500,000 shares and a distribution was made of one additional common share for each share held by common stockholders, in September, 1960. The distribution was accounted for by transferring from capital in excess of par value to common stock the aggregate par value of the additional shares issued, $1,899,630.

1960 DIVIDENDS-IN-KIND

ARMOUR AND COMPANY

DR.—$2,330,243—"*Earnings Employed In Business*: Capital stock of International Packers Limited (Note 3)."

Note 3: Investment in International Packers Limited—. . . During the year ended October 29, 1960, the investment was reduced by 127,406 shares (to 757,594 shares) and $2,330,255 by the payment of a special dividend to the Company's shareholders of 1/40 of a share of capital stock of International Packers Limited for each share of Company Common stock. This latter amount, the carrying value of the 127,406 shares, minus proceeds from sale of excess fractional shares, was charged to earnings employed in the business. The capital stock of International Packers Limited is traded on the New York Stock Exchange.

STANDARD OIL COMPANY (INDIANA)

DR.—$6,470,553—"*Earnings Retained and Reinvested in the Business*: *Special dividend—465,815 shares in capital stock of Standard Oil Company (New Jersey) at cost, together with equalizing cash payments in lieu of fractional shares.

*The market value on date of distribution of the special dividend was equivalent to $0.595 a share of Standard Oil Company (Indiana) stock."

1960 STOCK SPLITS

Retained Earnings

CALIFORNIA PACKING CORPORATION

DR.—$13,200,000—"*Unappropriated Earnings.*"
Notes to Financial Statements

Note D: Capital—On May 7, 1959 the Board of Directors declared a distribution in the nature of a stock split of one additional share of capital stock of the Corporation for each of the 2,457,822 shares then outstanding making a total of 4,915,644 shares outstanding after the distribution. At the time of the distribution $13,200,000 was transferred from unappropriated earnings to capital.

MOTOROLA, INC.

DR.—$6,042,978—"*Retained Earnings*: Share-for-share distribution—par value of 2,014,326 shares transferred to capital stock account."

Retained Earnings and Capital Surplus

DENNISON MANUFACTURING COMPANY

DR.—$757,447—"*Earnings Reinvested.*"

DR.—$2,110,593—"*Capital in Excess of Par Value.*"
Notes to Financial Statements

Note D: Capital—During the year the number of authorized shares of "A" Common Stock was increased to 1,200,000 and 573,608 shares were issued as a 100% stock distribution to the stockholders of both classes of common stock. The distribution has been reflected by a credit to "A" Common Stock of $2,868,040 representing the aggregate par value of the shares issued and charges of $2,110,593 and $757,447, to capital in excess of par value and earnings reinvested, respectively. . . .

OSCAR MAYER & CO., INC.

DR.—$5,402,190—"*Accumulated Earnings*: Transfer to common stock due to stock split—576,359½ shares at $10 par value, less $361,405 transferred from additional paid-in capital."

DR.—$361,405—"*Additional Paid-In Capital.*"

Capital Surplus

AUTOMATIC CANTEEN COMPANY OF AMERICA

DR.—$6,116,473—"*Investment in excess of par value of common stock*: Par Value of 2,446,589 shares issued as a 2-for-1 stock split."

GRAND UNION COMPANY

DR.—$6,794,265—"*Capital Surplus*: Amount transferred to common stock account equivalent to $5 par value per share on shares issued in connection with the three-for-two stock split."

Change in Number of Shares Only

THE AMERICAN DISTILLING COMPANY
Stockholders' Equity:
Capital stock—common—Note 6c:
Authorized:
2,000,000 shares $10.00 par value at September 30, 1960
1,000,000 shares $20.00 par value at September 30, 1959

Notes to Financial Statements
Capital Stock

Note 6c: In accordance with a resolution of the stockholders of the Company, at a meeting held August 4, 1960, the Company's authorized capital stcok was changed from 1,000,000 shares of $20.00 par value each to 2,000,000 shares of $10.00 each. The 477,597 shares then outstanding were increased to 955,194.

BRUNSWICK CORPORATION
Capital Stock and Surplus:
Common stock, without nominal or par value; authorized, 1960, 25,000,000 shares; 1959, 12,000,000 shares; issued, 1960, 16,657,330 shares; 1959, 8,162,615 shares (Note 8)

Note 8: Common Stock—In 1960, the Company's shareholders approved the increase of authorized common shares to 25,000,000 shares and a two-for-one stock split, which was accomplished by the issuance of 8,313,433 shares of common stock and a reduction in the stated value of common stock from $1.50 to $.75 per share.

CENTRAL SOYA COMPANY, INC.
Notes to Financial Statements

Note 3: Common Stock—On November 4, 1959, the stockholders approved an increase in authorized capital stock from 2,000,000 to 5,000,000 shares and a split of the stock outstanding on a two for one basis. Changes in common stock during the year were as follows:

	Shares	Amount
Balance—August 31, 1959	1,363,590	$35,400,554
Shares sold under stock option plan prior to November 4, 1959	3,359	91,072
	1,366,949	$35,491,626
Shares issued as stock split	1,366,949	—

GENERAL MILLS, INC.
Notes to Financial Statements

Note 6: In August, 1959, in accordance with the stockholders' approval, the authorized common stock of the company was increased from 3,000,000 no par value shares to 10,000,000 shares of $3.00 par value each and additional new shares were issued to reflect a three-for-one split. No changes were made in the stockholders' equities accounts as a result of this action.

THE KENDALL COMPANY
Notes to Financial Statements

Note E: Common Stock and Stock Options—On August 5, 1960, pursuant to authorization by the common stockholders, the authorized common stock of the Company was increased from 1,130,000 shares having a par value of $16 per share to 3,000,000 shares having a par value of $8 per share and the 1,015,000 shares of $16 par value common stock then issued were changed into 2,030,000 shares of $8 par value common stock.

PULLMAN INCORPORATED
Notes to Financial Statements

Note B: Capital Stock—On May 17, 1960 the stockholders authorized a two-for-one stock split which involved amendment of the Certificate of Incorporation to increase the total number of authorized shares from 3,875,000 to 7,750,000, to change each outstanding share into two shares, and to reduce the stated value from $40 to $20 per share. The split was accomplished by issuance of certificates representing one additional share for each share held of record at the close of business on June 1, 1960, the effective date of the amendment.

STOCK DIVIDENDS—DECLARED BEFORE BALANCE SHEET DATE FOR DISTRIBUTION AFTER BALANCE SHEET DATE

Fifteen 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.

Examples which follow illustrate the extent of the accounting recognition given in the 1960 reports of the companies in the circumstances referred to above.

GENERAL BRONZE CORPORATION
December 31, 1960
DR.—$132,762—"*Earned Surplus*: Stock dividend to be issued, 1 share of common stock for each 50 shares of such stock at fair market value of $17.28 per share as determined by the Board of Directors."
CR.—$94,347—"Paid-in and Capital Surplus: Excess over par value ($5 per share) of fair market value of 7,683 shares of common stock to be issued as a stock dividend."
Capital Stock:

Common stock, authorized 441,070 shares, par value $5 per share, Outstanding 384,137 shares	$1,920,685
To be issued February 9, 1961 as a 2% dividend, declared December 9, 1960, 7,683 shares	38,415
	$1,959,100

PHILADELPHIA AND READING CORPORATION
DR.—$1,602,002—"*Earned Surplus*: Dividends on Common Stock—2%, 56,943 shares at market value."
Capital Stock and Surplus:

Common stock, par value $.50 per share; Authorized 6,000,000 shares Issued 2,940,610 shares	$1,470,305
To be issued as a stock dividend January 16, 1961, 56,943 shares	28,472
Capital surplus (Note 8)	$30,980,434

Note 8: In 1960 capital surplus was increased by $1,521,679, representing the excess of market value over par value of 56,943 shares of common stock to be issued in connection with the 2% stock dividend payable January 16, 1961.

THE PITTSTON COMPANY
December 31, 1960
Notes to Financial Statements

Note 5: Common Stock, Par Value $1.00 Per Share—On December 28, 1960, the directors declared a 5% stock dividend resulting in the issuance of 62,139 additional shares of common stock on January 31, 1961. At December 31, 1960, earned surplus of $3,509,317 was appropriated for the issuance of the stock dividend, and in January 1961, after crediting capital stock with $1.00 for each share issued and after the payment of $121,498 in lieu of issuing fractional shares, the remainder of $3,325,680 was credited to capital surplus.

FRANK G. SHATTUCK COMPANY
December 31, 1960
Notes to Financial Statements
Note 3: The accompanying financial statements give effect to the declaration of a 1% stock dividend paid in January 1961. Retained earnings was charged $219,935 representing the market value of 10,162 shares issued from the treasury, plus the cash involved in lieu of fractional shares, and the treasury stock account was credited with its cost, equivalent to such market value. Earnings per share have been adjusted to reflect the increased number of shares outstanding.

UNION OIL COMPANY OF CALIFORNIA
December 31, 1960
DR.—$7,514,320—"*Net Earnings Retained in Business*: Share Dividend Payable February 28, 1961, at rate of one share for each fifty shares outstanding, at fair value of $44 per share."
Notes to Financial Statements

	Common Shares Outstanding
	Number of Shares
Balance at first of year	8,532,354
Share dividend of 2%, at fair value of $44 per share, declared December 29, 1960	170,780
Shares sold under stock options	6,673
Balance at December 31. 1960	8,709,807

RADIO CORPORATION OF AMERICA
December 31, 1960
DR.—$17,861,000—"*Reinvested Earnings*: 2% Declared on Common Stock 1960, 323,854 shares at $55.15 per share."
CR.—$17,213,000—"*Capital Surplus*: Excess of amount charged to reinvested earnings over stated value of Common Stock to be issued for 2% stock dividend."

UNIVERSAL-CYCLOPS STEEL CORPORATION
December 31, 1960
DR.—$1,601,170—"*Accumulated Earnings*: 3% stock dividend—56,383 and 50,372 shares at $28.40 and $46.36 per share, respectively—(Deduct)—Note 5."

Note 5: Capital Stock and Capital Paid In—Other:

	Capital stock—Par Value $1	Capital paid in—Other
Balance, December 31, 1959	$1,729,430	$10,204,028
Shares sold on April 12, 1960, through a public offer	150,000	5,947,500
3% stock dividend:		
Paid January 20, 1961, to shareholders of record December 19, 1960	56,383	
Excess of market over par value of shares issued		1,544,787
Balance, December 31, 1960	$1,935,813	$17,696,315

OTHER CHARGES AND CREDITS TO RETAINED EARNINGS AND CAPITAL SURPLUS ACCOUNTS

The various other 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 1960 are summarized and classified in Table 4.

One hundred and fifty-five companies disclosed charges and credits to the retained earnings account in addition to those entries which recorded cash dividend distributions, stock dividends, stock split-ups, or presented the net income or loss for the year. In addition to such charges and credits to the retained earnings account, 361 companies also reported various charges and credits, other than entries to record stock dividends and stock split-ups, to the capital surplus or unclassified surplus accounts. In the 1960 annual reports, 490 companies presented capital surplus or unclassified surplus accounts.

1960 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 OF OR CHANGES IN CAPITAL STRUCTURE

Retained Earnings and Capital Surplus

AMERICA CORPORATION
DR.—$1,830,733—"*Capital Surplus.*"
CR.—$1,830,733—"*Retained Earnings*: Deficit at January 1, 1960 charged to capital surplus, authorized by Board of Directors, subject to approval of stockholders at next annual meeting of stockholders."

ART METAL, INC.
Capital Surplus:

Balance at beginning of period	$9,336,407
Transfer to Capital Stock in connection with increase in stated value per share	9,336,407
Balance at end of period	$ —0—

DR.—$497,692—"*Retained Earnings*: Transfer to Capital Stock in connection with increase in stated value per share."

FAIRBANKS WHITNEY CORPORATION
DR.—$17,894,990—"*Capital Surplus.*"
CR.—$17,894,990—"*Earned Surplus*: Transfer of deficit in earned surplus as of May 31, 1960 to capital surplus as approved by stockholders (Note 1)."

Note 1: Restatement of Capital Accounts—At the annual meeting in May 1960, the stockholders approved a plan to restate the capital accounts and eliminate the accumulated earned surplus deficit (including the adjustments recorded in 1959 for certain changes in accounting policies and inherent losses) as of May 31, 1960, by a charge to capital surplus.

WAITT & BOND, INC.

	Sinking Fund	Paid-in Surplus	Earned Surplus
Transfer in connection with reclassification of capital stock (Note 2):			
From sinking fund to surplus accounts	$(176,578)	$100,000	$76,578
From surplus accounts to common stock account	—	(217,833)	(31,191)

Note 2: A plan to change, readjust and reclassify the Corporation's capital was approved by stockholders on December 12, 1960 and became effective December 31, 1960. Under this plan, (A) each share of the $2 cumulative preferred stock ($30 par value) and all cumulated and accrued dividends then unpaid thereon were changed into 3 shares of new 6% noncumulative convertible preferred stock ($10 par value) and 2 shares of new common stock ($4 par value), and (B) each 10 shares of common stock ($1 par value) was changed into 1 share of new common stock ($4 par value). Each share of new preferred stcok is entitled to $12.50 ($2,232,000 aggregate) upon redemption, liquidation or dissolution and is convertible into 2 shares of new common stock prior to December 31, 1964, thereafter into 1 1/3 shares prior to December 31, 1967 and thereafter into 1 share prior to December 31, 1970; accordingly, 357,120 shares of new common stock have been reserved for this conversion.

When the aforesaid plan became effective, the amount of the sinking fund was restored to the surplus accounts from which it was created; the excess, $249,024, of the aggregate par value of the new common stock over the aggregate par value of the old common stock was provided from earned surplus to the extent available and the balance from paid-in surplus.

Capital Surplus

THE PILLSBURY COMPANY
DR.—$17,939,433—"*Additional paid-in capital*: (Note 5)."

Note 5: . . . At May 31, 1960 the stated value of the common stock was increased by $7,985,017 consisting of the balance of paid-in capital at May 31, 1959 plus discount of $45,584 on preferred stock repurchased during the year. . . .

PREMIUM ON INITIAL ISSUE OF CAPITAL STOCK

Capital Surplus

SPRAGUE ELECTRIC COMPANY
CR.—$1,868,450—"*Capital Surplus*: Premium on sale of 38,779 shares of $2.50 par value common stock (net)."

TABLE 4: RETAINED EARNINGS AND CAPITAL SURPLUS

	Retained Earnings Account				Capital Surplus Account			
	1960		1955		1960		1955	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Revision in capital structure	4	3	4	—	7	1	5	12
Premium or discount on initial issue of capital stock	—	—	—	—	2	14	1	37
Conversion from preferred stock or debentures to common stock (or preferred)	—	1	—	—	—	55	2	58
Redemption, retirement of capital stock, warrants, scrip, etc.	8	6	36	4	9	55	24	47
Treasury stock transactions	13	6	3	1	29	27	8	22
Business Combinations:								
Capital stock issued in acquisition of subsidiary companies or business properties	2	5	6	—	2	57	3	51
Mergers, liquidations, dissolutions	2	4	8	15	4	5	10	15
Pooling of interests	9	29			6	23		
Adjustments arising in consolidation	7	13	8	7	2	1	1	6
Goodwill, intangible assets	3	—	7	—	2	—	—	1
Employee benefit plans involving sale or issue of capital stock	2	—	1	—	6	234	3	136
Appropriation or reserve—transfers thereto and transfers therefrom	14	19	17	29	—	1	1	3
Financing expenses	2	—	7	1	12	—	12	—
Extraordinary losses or gains	29	7	8	6	1	—	—	—
Foreign exchange adjustments	1	—	1	—	—	—	—	1
Prior year adjustments:								
Fixed assets and depreciation	1	3	—	5	—	1	1	2
Tax adjustments	7	1	5	10	—	1	—	1
Various other adjustments	7	8	12	8	1	—	1	1
Miscellaneous transactions	3	2	2	7	4	11	6	5
Dollar changes—not described	1	1	1	—	6	19	1	10
	115	108	126	93	93	505	79	408
Stock dividends and stock split-ups (Table 3)*	117	—	88	—	12	88	26	56
Cash dividend declaration (Table 1)	563	—	586	—	—	—	—	—
Net loss or income for the year	46	554	21	579	—	—	—	—
Total Other Charges or Credits	841	662	821	672	105	593	105	464

*Includes dividends-in-kind for 3 companies (see Table 3).

BOOTH FISHERIES CORPORATION

	Common Stock Shares	Common Stock Par Value	Paid-in Surplus
Balance at May 2, 1959	314,707	$1,573,535	$1,861,779
Add:			
Proceeds ($265,000) from private placement sale of common stock at market value ($26.50 per share)	10,000	50,000	215,000
Total	324,707	$1,623,535	$2,076,779

THE GENERAL TIRE & RUBBER COMPANY

CR.—$1,359,228—"Capital Surplus: Excess of selling price over par value or cost of common stock sold under warrants and options $1,315,543, and $43,685 from retirement of preferred and preference stocks."

GENERAL STEEL CASTINGS CORPORATION

CR.—$2,016,983—"Capital in Excess of Par Value of Common Stock: Proceeds in excess of par value of common stock from sale of 100,000 shares."

HALOID XEROX INC.

CR.—$7,281,024.74—"Paid-in Surplus: Excess of net cash proceeds over par value of common stock issued in connection with rights offering to stockholders: 1960—333,213 shares."

Notes to Financial Statements

Note 13: On April 12, 1960, the Company issued rights to its stockholders (on a one-for-ten basis) to purchase 333,213 shares of its $1.25 par value common stock at $24.00 per share. The net proceeds of the issue, after deducting expenses, was $7,697,540.99 of which $416,516.25, representing the par value, was credited to the capital stock account and the balance of $7,281,024.74, representing the net proceeds in excess of par value, was credited to paid-in surplus.

NAFI CORPORATION

Notes to Financial Statements

Note G: Shareowners' Investment—

CR.—$6,688,741—"Additional Paid-in Capital: Proceeds from sale of 200,000 shares of capital stock, less expenses of sale."

UNIVERSAL-CYCLOPS STEEL CORPORATION

CR.—$5,947,500—"Capital paid-in—Other: Shares sold on April 12, 1960, through a public offer."

CONVERSIONS

From Preferred Stock into Common:

Retained Earnings and Capital Surplus

SAFEWAY STORES, INCORPORATED

CR.—$476,803—"Additional Paid-in Capital: Excess of 4.30% preferred stock par value over that of common stock issued on conversion."

CR.—$43,186—"Retained Earnings: Additions resulting from stock conversions and acquisitions."

Capital Surplus

ASHLAND OIL & REFINING COMPANY

CR.—$2,148,739—"Capital Surplus: Difference in stated value of 75,286 shares of $1.50 cumulative second preferred stock and par value of 122,459 shares of common stock, upon conversion and sundry other credits ($12,616)."

Notes to Financial Statements

Note B: Preferred Stock—Cumulative Second Preferred—$1.50 Series of 1952—The Company may redeem the shares at $30.50 until June 15, 1962, and at $30 thereafter. Each share is convertible prior to June 15, 1962, at the option of the holder into 1.65564 shares of common stock, subject to adjustment for dilution or combination of common shares. At September 30, 1960, a total of 980,371 shares of common stock were reserved for such conversion. A total of 175,469 shares have been converted into common stock and 77,418 shares have been redeemed and canceled and cannot be reissued.

BASIC INCORPORATED

CR.—$947,989—"Capital Surplus: Excess of conversion price over par value of 99,789 shares of Common Stock issued in conversion of 10,478 shares of Convertible Preference Stock."

Notes to Financial Statements

Note D: The preference shares, each taken at $100 for such purpose, are convertible into common shares at the option of the holder. Subject to adjustment, as provided by the Amended Articles of Incorporation, the conversion price per common share shall be $10.50 to June 30, 1968, and $11.25 thereafter. At December 31, 1960, a total of 24,019 shares of Common Stock were reserved for conversion.

ERIE FORGE & STEEL CORPORATION

Paid-In Surplus:

Credit arising from purchase and conversion of preferred shares	$21,963.57

Notes to Financial Statements

Note D: Conversion—The 6% Cumulative First Preferred Stock is convertible (at par value) into Common Stock through February 28, 1962, at a conversion price of $6.79 per share of Common Stock. Provisions of the 6% Cumulative First Preferred Stock require that the conversion price be adjusted upon the issuance, under certain conditions, of additional Common Stock; however, no change is required in the effective conversion price until the cumulative net effect of one or more adjustments amounts to 20¢.

Conversion of Debentures into Preferred and Common Stock

Capital Surplus

STANDARD PACKAGING COMPANY

Notes to Financial Statements

Note 6: Capital Surplus—Excess of face or par value of the following converted securities over par value of stocks issued in the conversions:

Subordinated debentures (Note 2a)	*CR*	$ 7,455
Preferred stocks (Note 5)	*CR*	100,306

Note 2a: . . . Convertible subordinated debentures—4½% ($18,600 converted in 1960 into 417 shares of common stock and 524 shares of $1.20 series preferred stock) $137,300

Note 5: . . . Preferred stock, issuable in series, has been authorized in the amount of 1,600,000 shares of a par value of $20 each. Shares of preferred stock which are converted may not be reissued. As of December 31, 1960, therefore, the total number of shares of preferred stock effectively authorized was 1,547,185 shares. Three convertible series, 6%, $1.20, and $1.60, have been issued. Each share of the 6% and of the $1.20 series is convertible into one share of common stock, and is entitled on liquidation to $40 and $27.50, respectively. 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.

Conversion of Debentures into Common Stock

Capital Surplus

AVCO CORPORATION

CR.—$46,375—"Additional Paid-in Capital: Excess of principal amount of 5% convertible subordinated debentures converted into common stock over par value of latter, after adjustment for purchase of fractional shares, etc. (1960—$63,300 converted into 5,437 shares)."

Notes to Financial Statements

Note 2: 1,294,835 shares of common stock were reserved at November 30, 1960 for conversion of 5% Convertible Subordinated Debentures at the conversion price of $11.50 per share.

BURLINGTON INDUSTRIES, INC.

CR.—$4,411,494—"Capital in Excess of Par Value: Subordinated Debentures converted over par value of authorized common stock (Note C-7)."

Note C-7: During the current year 111,809 shares of Common Stock of the Corporation were issued for 4¼% Subordinated Debentures and 161,307 shares of Common Stock of the Corporation were issued for 5.4% Subordinated Debentures, in accordance with the conversion provisions of the respective Indentures under which such Debentures were issued. At October 1, 1960, 494,650 shares of Common Stock were reserved for conversion of the remaining principal amount of the 4¼% Subordinated Debentures. . . .

DI-NOC CHEMICAL ARTS, INC.

CR.—$284,485—"Additional Capital: Excess of principal amount of convertible subordinated debentures over par value of common stock (17,669 shares 1960) issued on conversion, less expense."

Notes to Financial Statements

Note 3: Under the terms of the indenture, the convertible debentures are redeemable in whole or in part at any time on 30 days' notice at 107½% of principal if called on or before May 15, 1961 and 103½% of principal thereafter, plus, in each instance, accrued interest to date of redemption. The debentures are convertible at the option of the holders into shares of common stock at $18.20 per share on or before May 14, 1964 and at $20 per share thereafter, subject to adjustment in certain events. The indenture further provides for a sinking fund for the redemption of debentures equal to 10% of net income, as defined, for each year beginning with 1961 to be deposited with the trustee at least one day prior to May 15 of each year beginning in 1962. The convertible debentures are subordinated as to principal and interest to all other indebtedness of the company in the event of dissolution, liquidation or reorganization.

SINCLAIR OIL CORPORATION

CR.—$182—"Other Paid-In Capital: Excess paid in over par value of shares issued upon conversion of 4⅜% convertible subordinated debentures (principal amount $200 in 1960) less net expense applicable thereto."

Notes to Financial Statements

Note 7a: There were 2,571,670 shares of common stock reserved at December 31, 1960 for conversion of the 4⅜% convertible subordinated debentures (initial conversion price effective until December 1, 1961, $65 per share and then $70 per share until December 1, 1966).

Conversion of Common Stock into Preferred

Retained Earnings

INTERNATIONAL MILLING COMPANY

DR.—$2,019,187—"*Accumulated Earnings*: Par value of 20,185 shares of 5¼% Series E first preferred stock issued in exchange for 30,645 shares of convertible common stock, plus $687 cash adjustment (Note 4)."

Note 4: At the option of holders thereof, the no par convertible common stock of International Milling Company may be exchanged under certain conditions on essentially a net asset value basis for shares of such series of first preferred stock of $100 par value each as may from time to time be designated by the Board of Directors. At August 31, 1960, Series E 5¼% shares were so designated. Under provisions of the certificate of incorporation, as amended, the capital of the company represented by its common stock shall not be decreased upon such conversions, but the accumulated earnings of the company are to be capitalized to the extent of the par value of the shares of first preferred stock issued.

RETIREMENT OR REDEMPTION OF CAPITAL STOCK

Retained Earnings Charges

AMERICAN BANK NOTE COMPANY

DR.—$14,645—"*Earned Surplus*: Excess of purchase price over par value of preferred stock purchased and retired."

Financial Review

Retirement of Preferred Stock: Last year we purchased and retired 1,250 shares of our Preferred Stock, at an average price of $61.72 per share, making a total of 44,588 shares so retired since 1953 and reducing the number of shares outstanding to 45,325. In addition, 360 shares have been purchased since the end of 1960 and will in due course be retired.

GEO. A. HORMEL & COMPANY

DR.—$93,951—"*Earnings Reinvested in Business*: Premium on retirement of Preferred Stock."

Financial Review

The redemption of the 6%, Series A, preferred stocks, called as of February 15, 1960, has been completed with the exception of a few shares that have not as yet been presented for payment.

PENN FRUIT CO., INC.

DR.—$1,560—"*Earnings Retained and Invested in the Business*: Premium paid on redemption of 1,560 shares of 4.6% Cumulative Preferred Stock through Sinking Fund."

Notes to Financial Statements

Note 8: 4.6% Preferred Stock and 4.68% Convertible Preferred Stock—The holders of the 4.6% Preferred stock are entitled to receive upon redemption other than through the sinking fund, a premium of $1.50 per share in addition to par and accrued dividends. Such premium is reduced periodically, becoming $1.00 per share from and after September 1, 1962. Sinking fund payments in installments of $40,000 each, semi-annually, are provided for the retirement of these shares. The premium payable on redemption through the sinking fund is $1.00 per share.

Each share of 4.68% Convertible Preferred stock is convertible at the holder's option into 1.51 shares of Common stock if converted on or before October 31, 1961, and 1.40 shares of Common stock if converted thereafter on or before October 31, 1964. The Convertible Preferred stock is redeemable at the Company's option in whole or in part at $53.75 per share on or before October 31, 1961, thereafter $53 on or before October 31, 1964, and $52.25 thereafter. At August 27, 1960, 13,031 shares of this stock had been converted. Of the authorized unissued Common stock, 131,323 shares were reserved for conversion of the remaining 4.68% Convertible Preferred stock. A purchase fund is provided for the purchase of 4.68% Convertible Preferred shares at a price not to exceed $52.25 per share.

On February 2, 1960, the Company paid $50,000 into the purchase fund. On June 29, 1960, the Company purchased directly through its broker 5,900 shares at a cost of $253,125. A total of 1165 shares, having an aggregate value of approximately $50,000, was applied to the purchase fund in lieu of cash. The total number of shares purchased during the year, directly and through the fund, was 7,478 shares at a cost of $325,152. A total of 17,321 shares, purchased at a cost of $803,084, is being carried as Treasury stock.

GRANITE CITY STEEL COMPANY

DR.—$33,160—"*Earnings Reinvested in Business*: Premium on redemption of 4,145 shares of Series B 5½% Preferred Stock."

Financial Review

The company also spent $447,660 in 1960 to retire 4,145 more shares of its one issue of preferred stock. This issue of Series B 5½ per cent preferred is now down to 3,162 shares outstanding, or less than 10 per cent of the original 33,000 shares. The remaining shares are held by a single owner, and are scheduled to be retired early in 1961.

Retained Earnings Credits

L. S. AYRES AND COMPANY

CR.—$1,674—"*Earnings Retained in the Business*: Adjustment due to redemption of preferred stock under the sinking fund provisions (Note G)."

Note G: The sinking fund for both series of the 4½% Cumulative Preferred Stock to be set aside on or before April 30, 1960, amounts to $109,938.

The 4½% Cumulative Preferred Stock is redeemable for sinking fund purposes and at the Company's option at $103.50 per share, and in involuntary liquidation at $100 per share, plus accumulated and unpaid dividends in each case to the date of redemption.

In accordance with the sinking fund provisions, there were cancelled and retired during the year 482 shares of the 4½% Cumulative Preferred Stock issued in 1945, and 144 shares of the 4½% Cumulative Preferred Stock, Series of 1947, at an aggregate cost of $60,926. The excess of the aggregate par value over the cost of such shares, amounting to $1,674, was credited to Earnings Retained in the Business.

THE FLINTKOTE COMPANY

CR.—$41,520—"*Earned Surplus*: Excess of paid-in amount over cost of $4 cumulative preferred stock retired."

Notes to Financial Statements

Note 8: . . . The $4 preferred stock has a sinking fund provision requiring the annual redemption of 2,000 shares. The 4½%, $4.50 and $2.25 preferred stocks are redeemable after September 15, 1962, December 1, 1963 and July 1, 1965, respectively. . . .

THE SHERWIN-WILLIAMS COMPANY

CR.—$32,002—"*Earned Surplus*: Discount on preferred stock redeemed."

UNITED STATES PLYWOOD CORPORATION

CR.—$39,741—"*Earned Surplus*: Discount on preferred stock purchased for treasury."

Retained Earnings and Capital Surplus

DRAVO CORPORATION

CR.—$31,395—"*Retained Earnings*: Gain on retirement of preferred stock."

CR.—$63,365—"Other Capital."

Notes to Financial Statements

Stockholders' Equity: In 1960, 24,649 shares of purchased preferred stock were retired and the authorized shares correspondingly reduced. Of the total of $94,760 representing the excess of par value over the cost of such shares, $63,365 was credited to other capital, and $31,395 to earnings retained for use in the business.

WARNER BROS. PICTURES, INC.

DR.—$12,151,572—"*Earned Surplus*: Excess of cost over par value of Treasury Stock retired (Note G)."

Note G: As approved by stockholders at the annual meeting in February 1960, 638,951 shares of treasury stock were retired. The excess of cost over par value, i.e., $14,726,357, was charged $2,574,785 to capital surplus and $12,151,572 to earned surplus.

Capital Surplus

ALAN WOOD STEEL COMPANY

CR.—$10,890—"Additional Paid-in Capital increased in 1960 $10,890 excess of par value over cost of 1,500 shares of Preferred Stock retired."

CHERRY-BURRELL CORPORATION

Notes to Financial Statements

Note D: Changes in capital contributed in excess of stated value of capital stock were as follows:

Balance at beginning of year (increased $8,594 as of October 31, 1959, representing adjustment of common treasury stock to cost)	$715,663
Discount on purchase of 4% preferred stock, 1946 series	60,341
Premium on purchase of 4% preferred stock, 1947 series	(1,000)
Premium on sale of common stock	15,384
Balance at end of year	$790,388

Note B: Preferred stock, $100 par value—

	Shares		Amount
	1960	1959	1960
Authorized (less shares purchased for retirement, not subject to reissue)	52,860	56,035	
Issued and outstanding, 4% cumulative:			
1946 series	25,860	28,035	$2,586,000
1947 series	7,000	8,000	700,000
	32,860	36,035	$3,286,000

The 1946 series is callable at $103 per share. Each February 1, general funds must be made available for the purchase and retirement of such shares in an amount to be determined on the basis of earnings after full preferred dividend requirements but not in excess of $100,000 per annum.

The 1947 series is callable at $101 per share. Each year on October 31, the corporation shall redeem 1,000 shares of this series at $101 per share.

FOOD MACHINERY AND CHEMICAL CORPORATION

CR.—$59,407—"Capital in Excess of Par Values of Capital Stocks: Discount on 3¾% preferred stock purchased for retirement (10,875 shares in 1960)."

DR.—$322,432—"*Deduct*: Excess of cost over par value of 13,001½ shares of common stock retired."

Notes to Financial Statements

Note 7: Stockholders' Equity—The Corporation is obligated to provide annually a fund for retirement of 3¾% cumulative preferred stock in an amount equal to the greater of $145,000 or 5% of consolidated net income available for dividends for the preceding calendar year.

Cumulative preferred stock, 3¼% convertible series, may be called for redemption, in whole or in part, at $101 per share; the 3¾% series may be called for redemption, in whole or in part, at $102.50 per share.

The authorized and issued common shares of the company were reduced by 13,001½ shares in 1960 in accordance with a resolution adopted at the 1960 stockholders' meeting which authorized the retirement of all common stock held by the company.

KAISER ALUMINUM & CHEMICAL CORPORATION

CR.—$119,189—"Capital Surplus: Excess of par value over cost of shares of preferred stock purchased and formally retired (Note 5)."

Note 5: Capital Stock— . . . On September 1, 1961 and each year thereafter the Corporation is to redeem 28,000 shares of this preferred stock at $50.00 a share. The initial sinking fund requirement has been provided for as of December 31, 1960. The Corporation, at its option, may redeem its preferred stock at $52.00 a share to September 30, 1965 and at $51.50 a share subsequent thereto until 1970 when the price is $51.00.

Preference stock is junior to preferred stock. The Corporation, at its option, may redeem its 4⅛% preference stock at $104.00 a share to April 30, 1961 and at lesser amounts until 1976 when the price is $100.00; its 4¾% preference stocks at $104.75 to June 1, 1962 and at lesser amounts until 1972 when the price is $100.00.

KUHLMAN ELECTRIC COMPANY

DR.—$478—"*Capital Surplus*: Deduct premium on purchase of preferred stock."

Notes to Financial Statements

Note 5: Annual sinking fund payments on May 1, equal to 5% of net earnings for the preceding year less dividends on preferred stock for that year, are required for the purchase and retirement of the outstanding 5½% cumulative preferred stock, Series A. The balance of the payment due on May 1, 1961, is $14,485.

NATIONAL HOMES CORPORATION

DR.—$59,858—"*Capital in Excess of Par Value*: Excess of cost over par value of $3,770 shares of Class A common treasury stock cancelled."

HEYDEN NEWPORT CHEMICAL CORPORATION

CR.—$2,053—"Paid-In Surplus: Excess of stated value over cost of 3½% cumulative preferred stock, Series A, and $4⅜ cumulative second preferred stock acquired for future sinking and purchase fund requirements."

Notes to Financial Statements

Preferred and Common Stock: At December 31, 1960, the authorized preferred stock consisted of 180,200 shares of $100 par value, of which there were issued and outstanding 68,240 shares of 3½% cumulative, Series A, net of 1,960 shares held for future sinking fund requirements.

The authorized second preferred stock consisted of 45,167 shares without par value, of which there were issued and outstanding 38,183 shares of $4⅜ cumulative, net of 284 shares held for future purchase fund requirements.

The authorized common stock consisted of 3,750,000 shares of $1 par value each, of which there were issued and outstanding 2,006,108 shares, net of 211,540½ shares held in treasury.

REDEMPTION OR RETIREMENT OF WARRANTS, SCRIP OR FRACTIONAL SHARES

Capital Surplus

ARMOUR AND COMPANY

Notes to Financial Statements

Note 6: 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 287,408 shares. During the 1960 fiscal year warrants to purchase 35,977 shares at $15 per share and 782 shares at $17.50 per share were exercised and 4,593 warrants were cancelled pursuant to a final decree in a suit relating to the redemption of the Prior Preferred stock. At October 29, 1960 warrants to purchase 246,056 shares were outstanding. The excess of the proceeds over the $5 par value per share of the shares sold was credited to Capital and paid-in surplus. Warrants outstanding are exercisable at $17.50 per share to December 31, 1961, and at $20.00 per share from January 1, 1962 to date of expiration on December 31, 1964.

Common stock and Capital and paid-in surplus changed as follows during the 1960 fiscal year:

	Common stock	Capital and paid-in surplus
Balance at beginning of year	$25,795,125	$47,151,818
Exercise of warrants	183,795	369,545
Issuance of 34,231 shares of common stock pursuant to final decree in suit relating to redemption of Preferred Stock in 1954	171,155	300,345
Scrip certificate expired	(3)	—
Balance at end of year	$26,150,072	$47,821,708

ERIE FORGE & STEEL CORPORATION

CR.—$226.34—"Paid-In Surplus: Common Stock Scrip expired."

GRANITE CITY STEEL COMPANY

CR.—$7,985—"Paid-in Surplus: Receipts arising from expiration of redemption rights under scrip certificates."

TREASURY STOCK TRANSACTIONS

Retained Earnings

DRAVO CORPORATION
CR.—$141—"Retained Earnings: Net gain on sale of treasury stock."

ELASTIC STOP NUT CORPORATION OF AMERICA
CR.—$1,017.57—"Retained Earnings: Increased participation in retained earnings of subsidiary on its acquisition of treasury stock."

INTERNATIONAL MILLING COMPANY
CR.—"Accumulated Earnings:

Discount on first preferred treasury stock acquired	$ 68,651
Excess of proceeds over carrying value of common stock sold from the treasury	$310,235"

THE OHIO OIL COMPANY
DR.—$4,177—*"Earnings Employed in the Business*: Excess of cost over stated value of treasury common capital stock acquired."
Financial Review

Since the end of 1960 we have exchanged shares of Ohio Oil stock for the stock of one jobber organization, and we are completing a similar transaction with another. A total of 182,730 treasury shares of Ohio Oil stock is being used in these transactions. The treasury shares are those we have acquired on the open market in recent months.

THE RYAN AERONAUTICAL CO.
DR.—$25,871—*"Retained Earnings*: Cost of 1,500 shares of common stock purchased and held in treasury."

UNITED STATES PLYWOOD CORPORATION
CR.—$39,741—"Earned Surplus: Discount on preferred stock purchased for treasury."

Retained Earnings and Capital Surplus

AMERICAN HOME PRODUCTS CORPORATION
DR.—$75,129—*"Retained Earnings*: Excess of cost over par value of treasury stock acquired, less amount charged to capital surplus."
DR.—$5,597—*"Capital Surplus*: Excess of cost over par value of treasury stock acquired, less amount charged to retained earnings."

THE ELECTRIC AUTOLITE COMPANY
Changes in Shareholders' Investment Accounts

	Shares Outstanding	Par Value ($5 per share)	Additional Capital	Retained Earnings
Deduct:				
Cost of common shares acquired for treasury:				
Pursuant to tender	167,091	$835,455	$2,148,790	$6,038,668
Other purchases	108,088	540,440	1,669,499	2,930,529

LIBBEY-OWENS-FORD GLASS COMPANY
DR.—$1,713,801.70—*"Retained Earnings Employed in the Business*: Charge arising from purchase of treasury shares."
DR.—$21,367.08—*"Additional paid-in Capital*: Less charge arising from purchase of treasury shares."

THE L. S. STARRETT COMPANY
DR.—$6,649—*"Operating Surplus*: Charge on account of treasury stock purchased."
DR.—$1,824—*"Capital Surplus."*
Notes to Financial Statements

Note B: During the year 538 shares of treasury stock were purchased at a cost of $9,818 of which $1,345 was charged to Common Stock, $1,824 to Capital Surplus, and $6,649 to Operating Surplus. There was added to Common Stock $430 and to Capital Surplus $11,246, being net adjustments resulting from cancellation of 2,031 shares and resale of 2,203 shares of option plan stock.

Capital Surplus

AMERICA CORPORATION
CR.—$82,322—"Capital Surplus: Excess of proceeds over par value of treasury common stock sold (Note 7)."

Note 7: Capital Stock—Based upon the formula contained in the terms of the preferred stock, no amount is due the sinking fund on March 1, 1961 for the purchase of preferred stock. During the year, the Board of Directors authorized the sale of the 82,322 treasury common shares to officers and employees, which shares were sold at $2.00 per share, the market price at date of sale.

BURLINGTON INDUSTRIES, INC.
Capital in Excess of Par Value

Add Excess of:	
Value assigned over par value of treasury Common Stock issued for additional investment in capital stock of subsidiary companies	$4,411,494
Par value over cost of Preferred Stocks reacquired	243,726
Market value over par value of treasury Common Stock issued to Employees' Profit Sharing (Retirement) Plan	2,384,364
Deduct:	
Excess of cost over par value of Common Stock acquired for treasury, less excess of option price over par value of treasury shares sold under exercise of option rights	6,911,003

CALUMET & HECLA, INC.
CR.—$6,797—"Capital Surplus."
Notes to Financial Statements

Note 8: Increases in Capital Surplus—Consolidated capital surplus was increased in 1960 in the total amount of $3,373,267. Of this amount, $3,366,470 resulted from the issuance, in acquisition of Flexonics Corporation stock, of 188,334 common shares in excess of par value, and $6,797 resulted from the purchase for the treasury of 2,395 shares of preferred stock at cost lower than issue price.

INTERNATIONAL SHOE COMPANY
DR.—$13,166—*"Capital in excess of stated amount*: (The decrease in 1960 arose through a transaction in treasury stock)."

P. R. MALLORY & CO., INC.
DR.—$32,600—*"Additional paid-in capital*: Net decrease resulting from acquisitions of 785 shares of common stock acquired and held in the treasury."

RADIO CORPORATION OF AMERICA
Capital Surplus

Deductions:	
Excess of cost of treasury stock over amounts paid in upon the exercise of stock options 1960, 26,403 shares; 1959, 69,170 shares	$255,000
Excess of cost of treasury stock over award value of shares distributed under the RCA Incentive Plan 1960, 31,670 shares; 1959, 23,175 shares	357,000

BUSINESS COMBINATIONS

Business combinations may be accomplished by the acquisition of subsidiaries for cash or through the issuance of stock, or otherwise by consolidation or merger. For accounting purposes such combination, depending on the factors involved, may be designated either as *purchases* or *pooling of interests*.

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.

In their 1960 reports the survey companies disclosed the business combinations arising as follows: 66 purchases, 67 pooling of interests, and 17 mergers.

Following are examples of adjustments to retained earnings and/or capital surplus arising from the above combinations, and also from the disposal of business properties resulting from liquidations and dissolutions.

CAPITAL STOCK ISSUED IN ACQUISITION OF SUBSIDIARIES

Retained Earnings and Capital Surplus

BLISS & LAUGHLIN, INCORPORATED
Statement of Surplus:

	Surplus Earned	Surplus Paid-in
Add: Net assets of Sierra Drawn Steel Corp. received in exchange for 36,157 shares of common stock in excess of par value thereof	$231,729	$361,577

BOEING AIRPLANE COMPANY
Statement of Stockholders' Investment

	Shares	Capital Stock *Cr.*	Retained Earnings *Cr.*
Shares issued in connection with the acquisition of Vertol Aircraft Corporation (includes $4,650,302 transferred from retained earnings to capital stock)	448,954	$6,594,885	$6,488,607

GENERAL CABLE CORPORATION

DR.—$83,215—*"Earned Surplus*: Net adjustment resulting from exchange of Treasury Common Stock for Capital Stock of Subsidiary acquired."

DR.—$8,895—*"Capital Surplus*: Net adjustment resulting from exchange of Treasury Common Stock for Capital Stock of Subsidiary acquired."

Capital Surplus

BELDING HEMINWAY COMPANY, INC.
CR.—$225,000—"Capital Surplus: Excess of fair market value over par value of Common Stock issued in connection with a company acquired, which was treated as a purchase."
Notes to Financial Statements

Note A (4): During the year 1960, the Company acquired all of the outstanding stock in September 1960, of Carl Joseph, Inc., in exchange for 15,000 shares of the Company's Common Stock. The acquisition has been treated as a purchase and the consolidated financial statements include the operations of this company from date of acquisition.

CUTTER LABORATORIES
Notes to Financial Statements

Note 4: Paid-in Surplus—Changes in paid-in surplus during 1960 were as follows:

Balance, December 31, 1959	$3,402,296
Excess of proceeds or market value over par value of common stock issued under employees' stock purchase and stock option plans	106,974
Excess of approximate market value over par value of 8,234 shares of Class A common stock issued in acquisition of a subsidiary company	109,101
Balance, December 31, 1960	$3,618,371

HOWE SOUND COMPANY
CR.—$335,000—"Capital Surplus: Excess of fair market value over par value of shares of Common Stock: 15,000 shares issued in connection with acquisition of Triplett & Barton, Inc."
Notes to Financial Statements

Note A: Acquisitions—During 1960 the Company acquired Triplett & Barton, Inc. as of January 30, 1960, Peterson Machine Tool, Inc. as of March 1, 1960, Southwark Manufacturing Company as of March 1, 1960, the remaining 50% of the outstanding capital stock of Kittanning Refractories, Inc. as of July 31, 1960, Combined Smelting & Trading Corporation as of September 6, 1960, and Navaco, Inc. as of November 23, 1960.

The statement of consolidated income and retained earnings included the operations of all the companies mentioned above from their dates of acquisition, except Kittanning Refractories, Inc., which has been included from January 1, 1960, since its operations for the portion of the year prior to 100% ownership were not significant.

INTERNATIONAL HARVESTER COMPANY
Statement of Consolidated Capital Surplus
For the Year Ended October 31, 1960

Balance at Beginning of Year	$ —
Excess of market price ($45.125) over stated value ($40.00) per share of 255,514 shares of common stock exchanged for shares of Solar Aircraft Company—less expenses related thereto	1,134,715
Balance at End of Year	$1,134,715

Financial Review

Included in consolidated results are the operating results of Solar Aircraft Company for the period May 1, 1960 to October 31, 1960. This subsidiary was acquired by the Company in 1960 by exchange of stock. By October 31, 1960, the Company had acquired 98.5 per cent of Solar's outstanding common stock. This subsidiary is presently in the process of adjusting its operations to changed conditions and operated at a loss during 1960.

IRONRITE INC.
CR.—$54,000.00—"Additional Paid-in Capital: Excess of fair value over par value of 9,000 shares of common stock issued in acquisition of The Warren Manufacturing Company, Inc."
Notes to Financial Statements

Note A: Acquisition of Subsidiary—As of March 31, 1960, the Corporation acquired the capital stock of The Warren Manufacturing Company, Inc. of Littleton, Mass., for $504,000.00 in cash and 9,000 shares of Common Stock. The financial statements include the operations and transactions of this subsidiary from April 1, 1960.

LOCKHEED AIRCRAFT CORPORATION
CR.—$678,000—"Additional Capital: Excess of fair value assigned over par value of 22,814 shares of capital stock issued in connection with the purchase of all the capital stock of Colby Steel & Manufacturing, Inc. and Colby Crane & Manufacturing, Ltd."

NAFI CORPORATION
CR.—$207,297—"Additional Paid-In Capital: Excess of assigned value ($18.00 a share) of 44,000 treasury shares issued in exchange for the capital stock of KCOP Television, Inc. over cost of such treasury shares."

NATIONAL HOMES CORPORATION
CR.—$2,432—"Capital in Excess of Par Value: Excess of par value of capital stock of subsidiaries acquired in 1959 over the par value of the Class A common stock issued in exchange therefor (purchase of minority shares in 1960)."

UNIVERSAL MATCH CORPORATION
CR.—$2,859,516—"Capital in excess of par value: Excess of market value over par value of shares issued in acquisition of subsidiaries accounted for as purchases."
Notes to Financial Statements

Note 2: . . . In 1960, the Company also acquired all of the capital stock of Simmons-Sisler Company (including its subsidiaries Woodward & Tiernan Printing Company and Forest Park Products Company) and Wrought Iron Range Company through issuance of 64,502 shares of $6.25 par value common stock. These transactions are accounted for as purchases. Consequently, the accompanying financial statements include the accounts of those companies only since dates of acquisition.

CAPITAL STOCK ISSUED IN ACQUISITION OF BUSINESS PROPERTIES

Capital Surplus

CONTINENTAL OIL COMPANY
Notes to Financial Statements

Note 4: During 1960, capital surplus was increased by $392,348 representing the excess of market value over par value of 8,244 shares of treasury stock issued to purchase certain marketing properties and by $223,700 representing the excess over par value received for shares issued under stock options (see Note 3).

Note 3: Not reproduced here.

MOTOROLA INC.
Notes to Financial Statements

Note 5: During 1960 the company purchased certain assets pertaining to aviation radio, navigation, and flight control products of Lear, Incorporated, under an agreement entered into in November, 1959, and issued 39,195 shares (prior to share-for-share distribution) in payment therefor. The shares were issued at an amount representing market value at date of the agreement, and the excess of market value over par value ($4,854,229) was credited to additional paid-in capital.

J. P. STEVENS & CO., INC.
CR.—$1,402,920—"Capital in Excess of Par Value: Excess of market value over par value of 77,940 shares of capital stock issued upon acquisition of plant facilities of Exposition Cotton Mills Company."

THE WHITE MOTOR COMPANY
Notes to Financial Statements

Note D: The increase of $31,324,081 in capital in excess of par value of capital stock during 1960 consists of (1) $31,112,500 excess of fair value over par value of shares issued in connection with the purchase of the farm equipment business of The Oliver Corporation, (2) $211,559 excess of market value (at grant dates, adjusted for stock dividends) over par value of shares sold under stock options, and (3) $22 excess of par value over cost of 589 shares of Preferred Stock purchased and retired.

MERGERS, LIQUIDATIONS, AND DISSOLUTIONS

Retained Earnings

ASSOCIATED DRY GOODS CORPORATION

DR.—$806,214—"*Accumulated Earnings Retained*: Special item—costs of liquidating division discontinued during the year, less applicable federal income taxes."

Financial Review

J. N. Adam & Co.: The J. N. Adam & Co. division in Buffalo with its small branch in Niagara Falls was discontinued at the end of 1959 after an opportunity was found to lease the Buffalo store buildings for a long term to Adam, Meldrum & Anderson Co., who will move their downtown store into our buildings. Disposition of the small leased property in Niagara Falls is still pending. Nonrecurring costs in connection with this liquidation, after reserves and taxes, amounted to $806,000, which amount has been charged to the accumulated earnings retained. These costs were incurred in the liquidation of the inventory, fixtures, and other operating assets and in providing appropriate severance pay to employees who could not be placed elsewhere in the company. Twenty-two eligible employees were given pensions.

CROWN CENTRAL PETROLEUM CORPORATION

CR.—$9,165—"Earned Surplus: Earned Surplus of unconsolidated subsidiary liquidated during the year."

METAL & THERMIT CORPORATION

CR.—$254,807—"Earned Surplus: Equity in undistributed earnings of prior years of subsidiary liquidated (Note 2)."

Note 2: Based upon financial statements of its partly owned subsidiaries and affiliates, the Company's equity in (a) the net assets of such companies was approximately $1,640,000 at December 31, 1960 and $1,980,000 at December 31, 1959, and (b) the reported net income and surplus credits of such companies for the years 1960 and 1959 exceeded dividends received therefrom by $155,000 (including $206,000 gain on liquidation of an investment) and $54,000, respectively.

During 1960, the Company purchased the minority interest in its subsidiary, Tin & Chemical Corporation, and continued its operations as part of the Detinning Division of the Company after liquidation.

Capital Surplus

THE BUDD COMPANY

Notes to Financial Statements

Capital Surplus: In 1960 capital surplus was reduced $353,692, representing the excess of book value of net assets at acquisition of two subsidiaries over the investment therein realized upon liquidation after sale of the businesses, less $5,859 discount on preferred shares repurchased.

HAT CORPORATION OF AMERICA

Notes to Financial Statements

Note C: As of May 2, 1960, The Byrndun Corporation and Salesky Brothers, Inc. were merged into the Company; the transactions to effect such merger resulted in net increases of $25,021 (25,021 shares) in Common Stock and $319,661 in Capital Surplus.

VAN NORMAN INDUSTRIES, INC.

CR.—$366,461—"Additional Paid-in Capital: Excess of market value at date of merger over par value of 38,074 shares of Van Norman Common Stock issued for acquisition of minority interest in The American Pulley Company."

Notes to Financial Statements

Note 1: The comparative consolidated statements of financial position and results of operations include the assets and liabilities and operations of all divisions of the Company and of its wholly-owned subsidiary, The Bingham-Herbrand Corporation, as of December 31, 1960 and 1959, and for the two years then ended.

During 1959, Van Norman Industries, Inc., acquired sufficient shares of capital stock of The American Pulley Company to bring its ownership up to 81.17% of the total outstanding shares as of November 4, 1959, and American Pulley was merged into Van Norman as of April 30, 1960. The statement of financial position includes the assets and liabilities of The American Pulley Company as of December 31, 1959, and of American Pulley Company Division as of December 31, 1960 and the statement of results of operations includes the results of operations of American Pulley for the three months ended December 31, 1959 and for the entire year 1960. The previous business year of The American Pulley Company terminated on September 30, 1959. The proportion of the operating loss of The American Pulley Company attributable to that part of its fiscal year ended September 30, 1959, in which Van Norman Industries, Inc. owned in excess of 50% of the capital stock of The American Pulley Company would have no material effect on the results shown in these statements.

POOLING OF INTERESTS

Retained Earnings

COLGATE-PALMOLIVE COMPANY

CR.—$689,568—"Earned Surplus: Add: Excess of net assets acquired over stated value of 369,448 shares of common stock issued for Lakeside Laboratories, Inc."

Notes to Financial Statements

Acquisitions: On February 1, 1960, a wholly-owned subsidiary of the Company acquired the assets and business of Lakeside Laboratories, Inc. (Wisconsin) in exchange for 369,448 shares of the Company's common stock which was accounted for as a pooling of interests. The common stock account of the Company was credited with an amount equal to $4 1/6 per share (which is the stated value of such stock in the Company's accounts) and, in consolidation, the excess of the book value of the net assets acquired over the stated value of the stock issued was added to earned surplus.

GENERAL RAILWAY SIGNAL COMPANY

CR.—$1,228,863—"Earned Surplus: Add: Earned surplus of The Regina Corporation at December 31, 1959."

DR.—$1,498,962—"*Earned Surplus*: Excess of par value of 300,594 shares of common stock issued over par value of outstanding shares of The Regina Corporation exchanged therefor (Note 1)."

Note 1: Principles of Consolidation—Effective July 18, 1960, the Company issued 300,594 shares of its common stock in exchange for all of the outstanding stock of The Regina Corporation. As this exchange has been treated as pooling of interests for accounting purposes, the accompanying statement of consolidated income for the year 1960 includes the operations of Regina for the entire year. While Regina maintained its accounts on the basis of a June 30 fiscal year, for the purpose of the accompanying statements they have been recast on the basis of a December 31 fiscal year.

The accompanying financial statements include the accounts of General Railway Signal Company and all of its subsidiaries, except its Argentine subsidiary which was organized during 1960.

JEWEL TEA CO., INC.

Statement of Accumulated Earnings—Unappropriated

	52 weeks ended Dec. 31,1960
Accumulated Earnings—Unappropriated	
Beginning of year—Jewel Tea Co., Inc.	$35,339,415
—Osco Drug, Inc.	1,081,646
	46,113,938
Deduct:	
Cash dividends declared:	
Jewel preferred stock	267,917
Jewel common stock	5,458,933
Osco stock	238,618
Appropriations for stock dividends and splits:	
2-for-1 split of Jewel stock issued February 13, 1959	—
Stock dividends—Osco	1,069,200
Transactions in treasury stock—Osco	(9,840)
	7,024,828
Accumulated Earnings—Unappropriated End of Year	$39,089,110

Notes to Financial Statements

Exchange of Stock: Osco Drug, Inc.—On February 16, 1961, all the outstanding capital stock of Osco Drug, Inc. was acquired in exchange for 260,002 shares of previously unissued common stock. The exchange has been handled as a pooling of interests for accounting purposes and the accompanying financial statements of the companies have been combined for both years.

McKESSON & ROBBINS, INCORPORATED

Statement of Earned Surplus:

Earned Surplus at beginning of year (including $1,643,042 pertaining to Barada & Page, Inc.)	$64,967,637

Notes to Financial Statements

Note 7: Capital Stock Exchange—On June 30, 1959, the Company issued 164,130 shares of its Common Stock (adjusted retroactively for the two-for-one stock split) in exchange for all the issued and outstanding shares of the capital stock of Barada & Page, Inc., an established distributor of industrial chemicals. This transaction has been accounted for as a pooling of interests; therefore, an amount equivalent to the par value of the shares issued to the stockholders of Barada & Page, Inc., has been credited to the Company's Common Stock account and the operations of Barada & Page for the full fiscal year are included in the accompanying consolidated statement of income and earned surplus.

THOMPSON RAMO WOOLDRIDGE, INC.

CR.—$692,079—"Retained Income: Retained Income of acquired corporations at beginning of respective years in which acquired."

Notes to Financial Statements

Note A: The statement of consolidated income for the year 1960 includes the results of operations for the entire year of Good-All Electric Mfg. Co. and its subsidiaries acquired by Thompson Ramo Wooldridge Inc. (The Company) during the year in a pooling of interests. If the results of operations of Good-All Electric Mfg. Co. for the year 1959 had been combined with those of the Company and its other subsidiaries, the effect on reported net income for that year would have been insignificant.

Net income for the year 1960 includes a non-recurring credit of approximately $980,000 resulting from a change in the method of pricing the inventory of a subsidiary to conform with pricing practices followed by the Company and its other subsidiaries.

UNIVERSAL MATCH CORPORATION

Statement of Retained Earnings

	Retained earnings
Balance, December 31, 1959	$ 836,640
Add:	
Net earnings for the year (Notes 2 and 6)	5,461,042
Business combinations (Note 2):	
Retained earnings and capital in excess of par value arising from acquisitions of subsidiaries accounted for as poolings of interests	2,506,212
	$8,803,894

Note 2: Business Combinations—In 1960, the Company acquired all of the net assets of Sleight and Hellmuth, Inc. and Glasco Corporation through issuance of 284,767 shares of $2.50 par value common stock. These transactions are accounted for as poolings of interests and, consequently, the accompanying financial statements include the accounts of these Companies for the full year 1960. The financial statements included herein for 1959 are those previously reported for the Company and subsidiaries and do not include amounts for subsidiaries acquired during 1960. Net earnings of the pooled subsidiaries amounted to $524,888 for the year 1959.

Note 6: Not reproduced here.

THE ELECTRIC AUTOLITE COMPANY and Subsidiary Companies

Changes in Shareholders' Investment Accounts

	Year Ended December 31, 1960			
	Number of outstanding shares	Par Value ($5 per share)	Additional capital	Retained earnings
Balance, December 31, 1959, previously reported	1,567,413	$7,837,065	$20,157,275	$86,018,997
Adjustments giving retroactive effect to exchanges of shares for acquired companies recorded in accounts in accordance with pooling of interests accounting principle (Note A)	178,331	891,655	3,695,510	1,953,314
Revised Balance, January 1, 1960	1,745,744	$8,728,720	$23,852,785	$87,972,311
Dividends paid and capital transactions of acquired companies in 1960 prior to dates of exchange of shares	6,438	32,190	212,156	(432,604)
Net earnings and special items	—	—	—	5,573,573
Proceeds from sale of shares under stock option plan	4,659	23,295	130,948	—
	1,756,841	$8,784,205	$24,195,889	$93,113,280
Deduct:				
Cost of common shares acquired for treasury:				
Pursuant to tender	167,091	835,455	2,148,790	6,038,668
Other purchases	108,088	540,440	1,669,499	2,930,529
Cash dividends paid—$2.65 per share	—	—	—	3,787,414
	275,179	$1,375,895	$ 3,818,289	$12,756,611
Balance, December 31, 1960	1,481,662	$7,408,310	$20,377,600	$80,356,669

Note A: Acquired Companies—During the year, the Company acquired the net assets and business of Hiller Aircraft Corporation and Marshalltown Manufacturing Company in exchange for 184,769 shares of its common treasury stock. The exchanges have been treated for accounting purposes in accordance with the pooling of interests accounting principle, and accordingly the accompanying consolidated financial statements for 1960 include the operations of these companies for the entire year. In addition, the consolidated balance sheet at December 31, 1959 and the related statement of consolidated earnings for the year then ended, presented herein for comparative purposes, have been revised to include the acquired companies.

Retained Earnings and Capital Surplus

BRUNSWICK CORPORATION
Consolidated Statement of Earnings Retained in the Business
For the Year Ended December 31, 1960

Balance at December 31, 1959, per 1959 Annual Report	$59,473,000
Merger Adjustments (Note 1):	
Earned surplus of Owens Yacht Company, Inc. and Subsidiaries, as of December 31, 1959	2,525,000
Retained earnings of Larson Boat Works, Inc. and Subsidiary and Larson Boats of Georgia, Incorporated, as of December 31, 1959	269,000
Balance at December 31, 1959, as adjusted	$62,267,000

Consolidated Statement of Capital Surplus
For the Year Ended December 31, 1960

Balance at December 31, 1959, per 1959 Annual Report	$27,773,000
Merger Adjustments (Note 1):	
Excess of par value of Owens Yacht Company, Inc. and Subsidiaries common stock over stated value of 285,715 shares of Brunswick common stock issued	571,000
Excess of par value of Larson Boat Works, Inc. and Subsidiary and Larson Boats of Georgia, Incorporated common stock over stated value of 56,225 shares of Brunswick common stock issued	211,000
Balance at December 31, 1959, as adjusted	$28,555,000

Note 1: Mergers and Acquisitions—In 1960, the Company issued 341,940 shares of common stock in exchange for the assets, liabilities and business of Owens Yacht Company, Inc. and Subsidiaries, Larson Boat Works, Inc. and Subsidiary and Larson Boats of Georgia, Incorporated, all of which are now operated as divisions of Brunswick. These transactions were consummated on a pooling-of-interests basis, and accordingly, the consolidated financial statements include the accounts of these companies for the full years 1959 and 1960.

In 1960, the Company also acquired the assets, liabilities and business of Sheridan Catheter and Instrument Corp. and Union Hardware Company (now Brunswick Sports Products Company), both of which are now operated as wholly-owned subsidiaries of Brunswick, for 87,553 shares of common stock. The operations of these companies are included in the consolidated financial statements for 1960 from their respective dates of acquisition.

CHAIN BELT COMPANY
Income For the Year

Retained Earnings	$ 3,648,072
Balance at beginning of year	24,277,577
Chain Belt Company:	
Cash dividends—$1.85 and $2.25 per share, respectively	(2,233,389)
Carrier Conveyor Corporation and General Industries, Inc.:	
Transactions prior to merger—Retained earnings (Note 2)	(659,909)
Balance at end of year	$25,032,351

Note 2: Stockholders' Ownership—On December 19, 1959, the Company issued shares of its capital stock for the businesses of Carrier Conveyor Corporation and General Industries, Inc. This transaction has been reflected in the financial statements as a pooling of interests and, accordingly, the statement of income and retained earnings includes the results of operations of these companies for the entire fiscal year. For comparative purposes the balance sheet as of October 31, 1959 and the statement of income and retained earnings for the year then ended, as well as other financial or statistical information applicable to 1959 included elsewhere in this report, are presented on a combined basis. The combined paid-in capital of Carrier and General exceeded the par value of the capital stock issued by $126,843 and this amount has been added to the October 31, 1959 balance of Capital in Excess of Par Value. . . .

The increase of $684,030 during fiscal 1960 in Capital in Excess of Par Value consisted of $24,121, excess of option price over par value of shares issued upon exercise of option, and $659,909, representing the combined retained earnings of Carrier and General as of the date of merger. This latter entry was made to comply with state statutes.

ALUMINUM COMPANY OF AMERICA

CR.—$12,497,427—"Retained Earnings: Addition resulting from acquisition of subsidiaries (Note A)."

CR.—$562,914—"Additional Capital: Addition resulting from acquisitions of subsidiaries (Note A)."

Note A: On January 19, 1960, 180,480 shares of Alcoa common stock were issued to Rea Magnet Wire Company, Inc. for the assets of that company and Alcoa assumed the obligations of Rea. On January 23, 1960, 64,209 shares of Alcoa common stock were issued to the shareholders of Cupples Products Corporation in exchange for all of the outstanding shares of that company. These acquisitions were treated as poolings of interests for accounting purposes as was the acquisition of Rome Cable Corporation in 1959.

STANDARD PACKAGING CORPORATION
Statement of Consolidated Earned Surplus
For the Year Ended December 31, 1960

Earned Surplus, January 1, 1960:		
Standard Packaging Corporation and subsidiary companies		$23,919,082
Brown & Bigelow and subsidiaries (balance, January 31, 1960, $15,914,963, plus net loss for January 1960, $41,503) (Note 1a)		15,956,466
Total		39,875,548
Net Income for the Year		4,165,813
Total		44,041,361
Deduct:		
Remainder of par value adjustments relating to merger with Brown & Bigelow after $7,351,748 charged to capital surplus (Note 1a)		7,408,949
Cash dividends on preferred stocks:		
6% series (three quarters)	710,289	
$1.20 series	615,765	
$1.60 series	129,956	
		1,456,010
Cash dividends on common stock of Brown & Bigelow (paid prior to merger)		315,911
Total		9,180,870
Earned Surplus, December 31, 1960		$34,860,491

Note 1a: Mergers and Acquisitions—The accompanying statements of income and earned surplus for the year ended December 31, 1960 include the results of operations for the twelve months then ended of the Corporation and of Brown & Bigelow, which was merged into the Corporation April 5, 1960 on a pooling of interests basis. For comparative purposes, the accompanying statement of consolidated income for 1959 includes the operations of Brown & Bigelow as previously reported on by other accountants for the twelve months ended January 31, 1960, which was that company's fiscal year end. Therefore, operations of Brown & Bigelow for the month of January 1960 (which resulted in a net loss of $41,503) are included in the income statement for both 1960 and 1959. In 1960, cost of products sold includes approximately $3,150,000 of expenses of the Brown & Bigelow Division which in prior years would have been classified as general and administrative expense. In connection with the merger, 789,778 shares of 6% series preferred stock were issued in exchange for 1,263,645 shares of Brown & Bigelow common stock, the basis being five shares of Standard Packaging Corporation 6% series preferred stock in exchange for each eight shares of Brown & Bigelow common stock. The par value of the 6% preferred stock issued was $14,531,915 in excess of the par value of Brown & Bigelow common stock surrendered. Capital surplus was charged for this excess to the extent available and earned surplus for the remainder.

ADJUSTMENTS ARISING IN CONSOLIDATION

With reference to the consolidation of financial statements the committee on accounting procedure of the American Institute of Certified Public Accountants issued in August 1959 *Accounting Research Bulletin No. 51—Consolidated Financial Statements* from which the following paragraphs have been taken:

7. Where the cost to the parent of the investment in a purchased[1] subsidiary exceeds the parent's equity in the subsidiary's net assets at the date of acquisition, as shown by the books of the subsidiary, the excess should be dealt with in the consolidated balance sheet according to its nature. In determining the difference, provision should be made for specific costs or losses which are expected to be incurred in the integration of the operations of the subsidiary with those of the parent, or otherwise as a result of the acquisition, if the amount thereof can be reasonably determined. To the extent that the difference is considered to be attributable to tangible assets and specific intangible assets, such as patents, it should be allocated to them. Any difference which cannot be so applied should be shown among the assets in the consolidated balance sheet under one or more appropriately descriptive captions. When the difference is allocated to depreciable or amortizable assets, depreciation and amortization policies should be such as to absorb the excess over the remaining life of related assets. For subsequent treatment of intangibles, see Chapter 5 of *Accounting Research Bulletin No. 43.*

8. In general, parallel procedures should be followed in the reverse type of case. Where the cost to the parent is less than its equity in the net assets of the purchased subsidiary, as shown by the books of the subsidiary at the date of acquisition, the amount at which such net assets are carried in the consolidated statements should not exceed the parent's cost. Accordingly, to the extent that the difference, determined as indicated in paragraph 7, is considered to be attributable to specific assets, it should be allocated to them, with corresponding adjustments of the depreciation or amortization. In unusual circumstances there may be a remaining difference which it would be acceptable to show in a credit account, which ordinarily would be taken into income in future periods on a reasonable and systematic basis. A procedure sometimes followed in the past was to credit capital surplus with the amount of the excess; such a procedure is not now considered acceptable.

9. The earned surplus or deficit of a purchased[1] subsidiary at the date of acquisition by the parent should not be included in consolidated earned surplus.

[1]See excerpt from *Accounting Research Bulletin No. 48, Business Combinations,* for the difference in treatment between a purchase and a pooling of interests, quoted in this section under Business Combinations.

Retained Earnings

CUTTER LABORATORIES

DR.—$144,949—*"Retained Earnings*: Prior years' losses of a subsidiary company not previously consolidated, which became wholly-owned in 1960."

ELASTIC STOP NUT CORPORATION OF AMERICA

Consolidated Statement of Retained Earnings
For the fiscal year ending November 30, 1960

Earnings Retained for Use in Business:	
Balance at beginning of year, Parent Company unconsolidated	$ 9,637,659.40
Add—Consolidation of subsidiary companies as of December 1, 1959:	
Undistributed earnings of subsidiary companies, accumulated since date of acquisition by ESNA	996,452.37
Less:	
Cost of investment in excess of equity in book value of subsidiary companies at respective dates of acquisition	(71,428.84)
Unrealized intercompany profit in inventories at November 30, 1959	(146,743.00)
Earnings retained for use in business, as consolidated	$10,415,939.93

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all its domestic and Canadian subsidiaries, namely:

	Date of acquisition
Domestic:	
Aircraft Bolt Corporation	October 15, 1959
Buchanan Electrical Products Corporation	Various dates from September 25, 1947 to March 11, 1958
Algex Products, Inc. (A subsidiary of Buchanan)	September 19, 1960
National Gage Co. Inc.	January 3, 1956
Collins-Powell Company (A subsidiary of National Gage)	August 1, 1959
ESNA Constructors, Inc.	April 11, 1956
Canadian:	
ESNA (Canada) Limited	March 1, 1952

All subsidiaries are wholly owned by the parent company or a subsidiary company, except Buchanan in which the parent company holds 3,881 shares of no par value stock, of which 4,404 were outstanding as of November 30, 1960, constituting 88.12 per cent control. The equity and the net income attributable to the minority stockholders of Buchanan have been segregated in the consolidated statements.

The excess cost of $71,429 for the investment in two subsidiary companies over the book value of the purchased equity at dates of acquisition has been charged off in consolidation to retained earnings. However, the excess cost of $9,939 relating to another subsidiary has been charged against the premium of common stock issued at acquisition. Canadian currency is converted at par; fixed assets are of minor significance in that case.

All intercompany transactions, including purchases and sales, profits and dividends have been eliminated.

Three companies have fiscal years different from that of the parent company. In the consolidation for the year ending November 30, 1960, the transactions of these subsidiaries have been restated to report the amounts for the twelve-month period ending November 30, 1960.

SIGNODE STEEL STRAPPING COMPANY

CR.—$763,189—"Earnings Retained in the Business: Undistributed earnings of Signode Limited, a British subsidiary not previously consolidated (Note 1)."

Note 1: The consolidated financial statements include all domestic, Canadian and British subsidiary companies. Consolidated financial data applicable to 1959 have been restated for comparative purposes to include Signode Limited, a British subsidiary not consolidated prior to 1960.

THE GENERAL TIRE & RUBBER COMPANY
DR.—$126,995—"*Earned Surplus*: Less RKO General Inc. consolidation adjustments—share of losses prior to October 1, 1959 of 88.6% owned subsidiaries not previously consolidated."

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
DR.—$8,844,000—"*Earned Surplus*: Write-down of investment in Reactive Metals, Inc. (Note 2)."

Note 2: Reactive Metals, Inc.—The Company's equity investment in Reactive Metals, Inc. (formerly Mallory-Sharon Metals Corporation) was increased from 33 1/3% to 60% as of May 1, 1960, when P. R. Mallory & Co., Inc., disposed of its one-third interest in the common stock of Reactive by exchanging a portion thereof for newly issued Reactive preferred stock of $5,000,000 par value and by an exchange, with the Company, of the remainder of the common stock interest for a $5,556,000 promissory note of Reactive then held by the Company. As a result of this increased ownership, the assets and liabilities at December 31, 1960 and results of operations since May 1, 1960 of Reactive are included in the accompanying financial statements. The amount of $8,844,000 charged to consolidated earned surplus includes $8,377,000, representing the Company's proportionate share of a write-down of surplus assets and operating losses incurred by Reactive prior to May 1, 1960 and $467,000, representing the excess of cost of the Company's original investment in Reactive over proportionate equity in underlying net assets at date of such original investment.

ST. REGIS PAPER COMPANY
CR.—$194,886—"*Retained Earnings*: Retained earnings at January 1, 1960 of two subsidiaries not previously consolidated."

UNITED MERCHANTS AND MANUFACTURERS INC.
CR.—$3,845,907—"*Earned Surplus*: Add: Underlying book equity in excess of cost of investment in Argentine operating subsidiary as at beginning of year, date of inclusion in consolidation."
Notes to Financial Statements

Principles of Consolidation: The accounts of the Corporation are consolidated with those of its subsidiaries except two domestic subsidiaries which are not considered significant. Included in the consolidation are the accounts of a foreign subsidiary (an Argentine operating company, Sudamtex, Sociedad Anonima Textil Sudamericana) which were not consolidated in the prior year.

THE YOUNGSTOWN SHEET AND TUBE COMPANY
CR.—$445,111—"*Income Reinvested in Business*: Equity in surplus of subsidiary company not previously consolidated, largely undistributed earnings from dates of acquisition to December 31, 1959."

Capital Surplus

ARDEN FARMS CO.
DR.—$78,563.26—"*Capital Surplus*: Deduct Capital Surplus adjustment arising in consolidation."

GULF OIL CORPORATION
DR.—$2,870,735—"*Other Capital*: Adjustments incident to consolidation of majority-owned subsidiaries."

WESTINGHOUSE AIR BRAKE COMPANY
CR.—$1,479,598—"*Stockholders' Equity represented by*: Capital resulting from sale of capital stock by a consolidated subsidiary."
President's Letter

In September, 1960, Melpar, Inc. sold approximately 9% of its capital stock to the public. It was accomplished by offering rights to shareholders of Westinghouse Air Brake Company. In connection with this transaction, charges amounting to $380,000 were made against 1960 net income.

GOODWILL—INTANGIBLE ASSETS

Retained Earnings

ELASTIC STOP NUT CORPORATION OF AMERICA
DR.—$71,428.84—"*Retained Earnings*: Cost of investment in excess of equity in book value of subsidiary companies at respective dates of acquisition."

TOBIN PACKING CO., INC.
DR.—$489,880—"*Retained Earnings*: Write-off of excess of investment in a subsidiary over its net book assets at acquisition date."

Capital Surplus

H. K. PORTER COMPANY, INC.
DR.—$16,980—"*Capital Surplus*: Deduct adjustment of excess of cost of investment to company over book value of subsidiary acquired in 1959."

EMPLOYEE STOCK PLANS

In 1960 there were 242 adjustments to surplus accounts resulting from various employee benefit plans involving sale or issue of capital stock. The great majority of such adjustments—240 items—related to capital surplus accounts, and in only 2 cases retained earnings were adjusted.

Reference is made 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.

Illustrative examples of various benefit plans, i.e.: Stock Option Plans, Restricted Stock Options, Incentive Stock Options, Stock Purchase Plans, Stock Bonus Plans, and Profit Sharing Plans are as follows:

Stock Options

Capital Surplus Charges

ARCHER-DANIELS-MIDLAND COMPANY
DR.—$17,809—"*Capital Surplus*: Excess of cost of treasury stock over the option price of shares exercised under the options during the year."

COLLINS & AIKMAN CORPORATION
Notes to Financial Statements

Note 5: Change in Paid-in Surplus—Paid-in surplus was charged with $75,812 representing the excess of the cost of 13,000 treasury shares issued over the amount received therefor upon exercise of stock options during the year.

THE KENDALL COMPANY
DR.—$67,767—"*Additional Capital* (Note F)."

Note F: Additional Capital—The reduction of additional capital during 1960 is represented by the excess of the cost to the Company of common shares used to fulfill stock options exercised during the year over the proceeds therefrom, $70,000, less the discount on preferred stock reacquired.

Capital Surplus Credits

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$308,930—"Capital Surplus (Note 6)."

Note 6: Capital Surplus—The changes in capital surplus for the year ended December 31, 1960 are summarized below:

Amount at December 31, 1959	$38,076,708
Changes during 1960:	
Excess of the option price over the par value of 13,800 shares of common stock issued under employees' stock option plan	308,080
Excess of principal amount of convertible subordinated debentures over par value of 16 shares of common stock issued upon conversion, less adjustments for cash paid in lieu of fractional shares and unamortized debenture expense	850
Amount at December 31, 1960	$38,385,638

ALUMINUM COMPANY OF AMERICA
CR.—$923,798—"Additional Capital: Excess of amounts received over the aggregate par value of common stock issued under Employees' Stock Option Plan."

THE DRACKETT COMPANY
Notes to Financial Statements

Note 4: Capital Stock and Capital Surplus—Changes in capital during the year are summarized as follows:

	Capital Stock Common	Capital surplus
Balance at beginning of year	$869,478	$2,004,587
Conversion of 50,768 shares of preferred stock into an equal number of common shares	50,768	1,218,432
Redemption of 438 shares of preferred stock at $26.75 per share	—	(767)
Issuance of 622 shares of common stock on exercise of options (Note 5)	622	17,479
	$920,868	$3,239,731

Note 5: Stock Options—Options to purchase common stock by officers and key executives at not less than 95% of market value on the date of grant were approved by the Board of Directors as follows:

	Options granted April 15 1959	April 21 1960
Number of shares	10,830	7,574
Number of shares exercised during current year	622	None
Number of shares exercisable at September 30, 1960	10,208	None
Average market price at dates of grants	$30.63	$44.56

Options may be exercised during a period of ten years or less, except that no options may be exercised within six months from date of grant. No charges were made against income in accounting for the options.

Retained Earnings

GENERAL RAILWAY SIGNAL COMPANY
DR.—$30,561—*"Earned Surplus*: Excess of par value over exercise price of shares issued under stock option plans (Note 5)."

Note 5: Stock Options—On April 25, 1960, the stockholders approved a restricted stock option plan under which 50,000 shares of the Company's common stock were reserved for the granting of options. Options to purchase 34,918 shares at $27.25 per share and 3,500 shares at $28.50 per share (each 95% of fair market value at date of grant) have been granted; options to purchase 400 shares at $27.25 per share were exercised during the year. At December 31, 1960, options to 15,040 of the 38,018 shares under option were exercisable.

In connection with the exchange of shares described in Note 1, the Company agreed to reserve 13,366 shares of its common stock for exchange of 22,500 shares of Regina's common stock which were reserved under the terms of its restricted stock option plan. Options to 13,100 Regina shares were exercised at the option price of $1 per share and were exchanged for 7,780 shares of the Company's stock. The outstanding options at December 31, 1960, to purchase 9,400 shares of Regina's common stock at $1 per share are exercisable in equal installments in December of 1961 and 1962 and are exchangeable into 5,586 shares of the Company's common stock.

Restricted Stock Options

Retained Earnings

STANRAY CORPORATION
DR.—$7,844—*"Earnings Reinvested in the Business*: Excess of cost of stock in treasury over price of shares sold to employees under stock option plan."

Notes to Financial Statements

Note A: Restricted Stock Option Plan—Under the Company's restricted stock option plan for selected key employees, 95,000 shares of common stock were reserved for issuance of options. Pursuant to this plan, options have been granted since 1955 at prices ranging from $11.65 to $18.41 per share, which approximated 95% of the market price at the date of grant. At December 31, 1960, options (less cancellations), as to 84,450 shares had been granted. Options as to 6,200 shares were exercised during 1960 at an aggregate price of $73,010. At December 31, 1960, options as to 66,000 shares were outstanding, of which options as to 28,000 shares were exercisable.

Capital Surplus Charges

BASIC PRODUCTS CORPORATION
DR.—$10,539—*"Capital Surplus."*

Notes to Financial Statements

Note 5: Under the restricted stock option plans, 94,800 shares of the Company's common stock were made available for the granting of options to certain executives and employees. Each option runs for ten years from date of grant, and may be exercised in whole or in part by the optionee after two or five years from date of grant, but only while the optionee is employed by the Company—or by his heirs or legatees within eighteen months after the date of death.

At July 31, 1959, 54,934 shares were optioned at an average price of $14.49 per share. During the year options for 1,000 shares were cancelled, and options for 6,667 shares at an average option price of $13.01 were exercised. The excess cost of treasury shares reissued over the option price has been debited to capital surplus. At July 31, 1960, options with respect to 47,267 shares at an average option price of $14.63 per share were outstanding. All of the 47,267 shares under option at July 31, 1960 except for the 4,900 granted during the calendar years 1958 and 1959, were exercisable during the year ended July 31, 1960.

SACO-LOWELL SHOPS
DR.—$65,569—*"Capital in excess of par value* (Note C)."

Note C: Restricted Stock Option Plan—At November 30, 1960, 38,150 shares of Common Stock were reserved for issuance pursuant to the provisions of the Plan. Options, all of which were exercisable, were outstanding at that date for the purchase of 5,950 shares at prices not less than 95% of the fair market value of the stock at the date the options were granted. During the current year no options were granted, options for 9,000 shares were cancelled, and options for 15,200 shares were exercised through the sale of treasury stock. The excess ($65,569) of the cost of such stock over the option price was charged to capital in excess of par value.

Capital Surplus Credits

ST. CROIX PAPER COMPANY
Consolidated Statement of Capital Surplus:
For the Year Ended January 1, 1961

Capital surplus at beginning of year	$2,128,356
Add:	
Excess of proceeds over par value of 200 shares of capital stock sold under stock option plan (Note 4)	1,900
Capital Surplus at End of Year	$2,130,256

Note 4: Common Stock—The Company has reserved 30,000 shares of common stock in connection with a restricted stock option plan for officers and key employees. Options for 22,000 shares had been granted at January 1, 1961 at prices ranging from $22 to $33 per share. Options for 400 shares have been exercised, of which 200 were exercised in 1960.

AMERICAN MOTORS CORPORATION
Consolidated Statement of Additional Paid-in Capital:

Balance at beginning of the year	$34,052,393
Add:	
Excess of option price over par value of Capital Stock issued under stock option agreements	457,655
Excess of fair market value over par value ($5.00 a share) of 100 shares of treasury stock sold	8,150
Excess of fair market value over par value ($5.00 a share) of 269,394 shares of Capital Stock issued as a 5% stock dividend	
Balance at end of the year	$34,518,198

Notes to Financial Statements

Note C: Stock Options—At September 30, 1960, and 1959, 520,920 shares and 693,009 shares (adjusted for the 3-for-1 stock split of February 10, 1960), respectively, of Capital Stock were reserved for issuance to key employees under the restricted stock option plans.

A summary of the transactions for the year ended September 30, 1960 (adjusted for the 3-for-1 stock split) with respect to the stock option plans follows:

		Shares
Options outstanding at October 1, 1959		674,265
Less:		
Options exercised (at prices ranging from $1.85 to $10.11 a share)	172,089	
Options terminated	34,810	206,899
Options outstanding at September 30, 1960 (at prices ranging from $1.85 to $18.77, an average of $12.39 a share, being not less than 95% of the market price on the dates the options were granted)		467,366

Options for 76,135 shares and 70,725 shares were exercisable at September 30, 1960, and 1959, respectively.

BORG WARNER CORPORATION
Statement of Capital in Excess of Par Value:

Amount at December 31, 1959	$29,491,773
Credit arising from exercise of options (25,802 shares) and retirement of preferred stock (4,260 shares)	767,280
Amount at December 31, 1960	$30,259,053

Notes to Financial Statements

Note 5: Of the options granted to officers and key employees under a restricted stock option plan, there were outstanding at December 31, 1960 options expiring at various dates through 1965 for the purchase of 472,711 shares at prices ranging from $29.75 to $41.00 per share.

Incentive Stock Options

Capital Surplus

THE NEW YORK AIR BRAKE COMPANY
Statement of Capital Surplus:

Balance at beginning of year	$7,220,372
Add:	
Excess of amount received for shares of Common Stock issued pursuant to stock option agreements over par value thereof (3,300 shares in 1960, 9,200 shares in 1959)	49,965
Balance at end of year	$7,270,337

Notes to Financial Statements

Note A: At December 31, 1960, the Company had reserved 34,600 unissued shares of Common Stock under Incentive Stock Option Plan for Executives and Key Employees. During 1960, options for 3,300 shares were exercised and options previously granted for 1,250 shares were terminated. Options were outstanding to purchase 21,200 shares, exercisable during various periods ending in 1967 at prices ranging from $18.94 to $29.40 per share.

LIGGETT & MYERS TOBACCO COMPANY, INC.
CR.—$323,596—"Paid-in capital in excess of par values of capital stocks (Note 2)."

Note 2: Paid-in capital in excess of par values of capital stocks increased in 1960 by $323,596, representing the excess of sales price over par value of common stock sold to officers and employees under the Incentive Stock Option Plan.

THE PITTSTON COMPANY
Capital Surplus:

Consolidated Capital Surplus at December 31, 1959	$11,922,805
Excess of par value of 1,771 shares of $3.50 Cumulative Preferred Stock over par value of 2,826 shares of Common Stock issued upon exercise of conversion privilege	129,730
Excess of market value over par value of 58,352 shares of Common Stock issued as a 5% stock dividend January 29, 1960	4,387,487
Excess of selling price over par value of 7,351 shares of Common Stock issued by the Company under its Stock Option Incentive Plan	150,594
Consolidated Capital Surplus at December 31, 1960	$16,590,616

PULLMAN INCORPORATED
Consolidated Capital Surplus

Balance at Beginning of Year	$32,034,935
Add (Deduct):	
Excess of sales price of capital stock issued under options, over stated value	78,600
Excess of purchase price of treasury stock over stated value	(628,955)
Balance at End of Year	$31,484,580

Notes to Financial Statements

Note C: Stock Options—Under the Stock Option Incentive Plan, certain officers and key employees have been granted options to purchase shares of the authorized but unissued capital stock of Pullman Incorporated at prices which were 95% or more of the market value of the stock on the dates the options were issued. Transactions under the Plan during 1960 (adjusted to reflect the two-for-one stock split effective June 1, 1960) are summarized below.

	Shares under outstanding options		Shares available for option under the Plan
	Shares	Price per share	
Balance at January 1, 1960	100,800	$20.69 to $31.83	24,300
Options granted	11,000	$30.64 to $31.47	(11,000)
Options canceled	(3,100)	$30.29 to $31.83	
Options exercised	(11,050)	$20.69 to $31.83	
Balance at December 31, 1960	97,650	$20.69 to $31.83	13,300

Of the above outstanding options for 97,650 shares, options for 86,650 shares are now exercisable. When shares are issued on exercise of option, the excess of the amounts paid for the shares over the stated value of the stock ($20 per share) is credited to capital surplus.

Stock Option and Stock Purchase Plans

Capital Surplus

HOOKER CHEMICAL CORPORATION
Notes to Financial Statements

Note 3: Changes in capital surplus paid-in during the year ended November 30, 1960 follows:

Balance at November 30, 1959	$5,057,107
Excess of proceeds over par value of common stock issued upon exercise of stock options, purchases under stock purchase plan and conversion of Convertible Subordinated Debentures	143,135
Balance at November 30, 1960	$5,200,242

THE BLACK AND DECKER MANUFACTURING COMPANY
Consolidated Capital in Excess of Par Value of Common Stock:

Balance at October 1, 1959	$13,250,982
Excess of sales price over par value of 30,554 shares of Common Stock sold under options	506,144
Capital in excess of par value of Common Stock arising upon acquisition of subsidiary company	2,944,334
Balance at September 30, 1960	$16,701,460

Notes to Financial Statements

Note C: Pursuant to the final offering under the Employees' Stock Purchase Plan, 4,928 shares of the Company's Common Stock subscribed to prior to October 1, 1959, were issued during the year at $25.3125 per share totaling $124,740 (market $28.125 per share totaling $138,600).

At September 30, 1960, 48,109 shares of Common Stock of the Company were reserved for issuance to officers of the Company and its subsidiaries under an Incentive Stock Option Plan adopted on September 1, 1955. Of this total, options were outstanding for purchase of 33,530 shares at prices ranging from $15.195 to $40.6125 per share. During the year, 22,226 shares were issued upon exercise of options at $15.195 per share totaling $337,724 and 3,400 shares at $17.34 per share totaling $58,956 (market at dates exercised ranging from $36.625 to $48.00 per share totaling $1,062,014). Options may be granted at any time prior to September 1, 1962, and each option may extend for a period of seven years from the date on which it is granted. The option price is 95% of market price on the date of grant of the option.

Proceeds from the sale of stock issued under the above plans are credited to the Common Stock account to the extent of par value and the remainder to capital in excess of par value of Common Stock.

A résumé of the shares involved in the above-mentioned plans follows:

	Employees' Plan	Incentive Plan
Outstanding options at beginning of year	4,968	38,156
Add:		
Options granted	—	21,000
Deduct:		
Options exercised	(4,928)	(25,626)
Options expired or canceled	(40)	—
Outstanding options at end of year	—	33,530
Unoptioned shares:		
At beginning of year	—	28,052
At end of year	—	14,579

GENERAL MOTORS CORPORATION
Statement of Capital Surplus

Capital Surplus at beginning of the year	$553,273,244
Paid-In Capital in excess of par value of newly issued common stock of $1 2/3 par value sold under the provisions of:	
General Motors Savings-Stock Purchase Program (1,331,283 shares in 1960)	58,464,432
General Motors Stock Option Plan (28,807 shares in 1960)	967,436
Increase in carrying value of treasury common stock revalued in accordance with provisions of the Bonus Plan (12,339 shares in 1960)	27,190
Capital Surplus at end of the year	$612,732,302

NATIONAL STARCH AND CHEMICAL CORPORATION
Notes to Financial Statements

Note 3: Changes in paid-in surplus during the year were as follows:

Balance January 1	$5,534,818
Excess of proceeds over par value of Common Stock issued under stock purchase and stock option plans	115,920
Excess of market value over par value of 2% stock dividend paid March 30, 1960	1,003,678
Balance December 31	$6,654,416

Stock Purchase Plans

Capital Surplus

AMERICAN CYANAMID COMPANY
Capital Surplus

Balance at beginning of year	$5,995,398
Excess of par value of shares of Cumulative Preferred Stock converted over par value of shares of Common Stock issued upon conversion	115,500
Premium ($9.00 per share) on shares of Cumulative Preferred Stock, Series D, issued under employees' stock purchase contracts	9,090
Premium ($39.50 per share) on shares of Common Stock issued under employees' stock purchase contracts	2,665,657
Common Stock scrip certificates expired	2,556
	8,788,201
Deduct expenses in connection with offering of Common Stock to employees	10,564
Balance at end of year	$8,777,637

LINK-BELT COMPANY
CR.—$114,022—"Additional paid-in capital, 1960 increase represents excess of selling price or market over par value of 2,389 shares of stock sold to officers and employees."

Notes to Financial Statements

Common Stock: The stockholders have authorized the sale of 65,645 unissued shares of common stock to employees at the discretion of the Board of Directors at not less than book value at the close of the year immediately preceding the year of sale. Of the unissued shares at December 31, 1960, 24,965 shares are registered under the Securities Act of 1933 for sale to a selected group of officers and employees of the company and its subsidiaries. All shares remaining unsold on April 1, 1961, will be withdrawn from registration.

MILLER MANUFACTURING CO.
Notes to Financial Statements

Note C: Changes in Capital Accounts—

	Common Stock $1 Par Value	Additional Paid-in Capital
Balances at October 1, 1959	$578,351	$933,308
Add proceeds from sale of 7,000 shares of Common Stock under stock purchase plan	7,000	23,250
	$585,351	$956,558

Note B: Common Stock Reserved—Under a stock purchase plan, 53,000 shares of the Company's unissued Common Stock were reserved at September 30, 1960, for sale to officers and employees on a deferred payment basis, at the market price on the subscription date.

59,100 shares were subscribed for at the beginning of the year at an aggregate price of $259,188. Additional subscriptions for 900 shares were received during the year, and 7,000 shares were issued at an aggregate price of $30,250 upon completion of payments. At the end of the year, subscriptions were outstanding for 53,000 shares at an aggregate price of $236,613. Participants have no rights with respect to the shares, pending full payment and issuance.

Stock Bonus Plans

Capital Surplus

BASIC INCORPORATED
CR.—$3,496—"Capital Surplus: Excess of market value over par value of Common Stock held in Treasury, issued pursuant to Old Timers' Stock Bonus Plan."

FOOTE MINERAL COMPANY

CR.—$60,926—"Capital in excess of par value of common stock (Note 5)."

Note 5: Capital in Excess of Par Value of Common Stock—The increase of $60,926 in capital in excess of par value of common stock during 1960 represents the excess of assigned value over par value of 2,665 shares of common stock issued to officers and employees under the incentive bonus plan (50% payable in stock).

HOUDAILLE INDUSTRIES, INC.

Capital in Excess of Par Value of Capital Stock—	
At beginning of the year	$6,032,548
Add:	
Excess of market value over par value of common stock distributed as stock dividends	579,522
Excess of award value over cost of treasury stock distributed under extra-compensation plan (Note G)	4,192
	583,714
Total	$6,616,262

Note G: 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 1960 the maximum available for awards amounted to $226,623 consisting of $186,501 provided from the current year's income plus $40,122 carried forward from 1959.

RADIO CORPORATION OF AMERICA

DR.—$357,000—"*Capital Surplus*: Excess of cost of treasury stock over award value of shares distributed under the RCA Incentive Plan—1960, 31,670 shares."

Notes to Financial Statements

Note 2: RCA Incentive Plan—The RCA Incentive Plan, which was approved by the shareholders in 1954 and again in 1959, 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 dividends paid by the Corporation in such year. The following summary shows for the year 1960 the maximum credit determined by the Independent Public Accountants as required by the Plan.

Net profit for year	$35,117,000
Add: Provision for incentive awards (included in "Wages and Salaries")	2,330,000
Interest on long term debt	6,579,000
Incentive plan net earnings	44,026,000
Less: 5% of capital employed ($567,517,000)	28,376,000
Incentive plan base	$15,650,000
Maximum credit to incentive reserve based on earnings 15% of incentive plan base	$ 2,347,000
Maximum credit to incentive reserve based on dividends 25% of dividends paid in year ($37,251,000)	$ 9,313,000

For 1960 the maximum credit available under the Plan was $2,347,000 and the Incentive Committee directed that $2,330,000 be credited to the Incentive Reserve. This credit, together with $518,000 credited to the Incentive Reserve in previous years but unawarded and carried forward for awards in subsequent years, made a total of $2,848,000 available for awards for 1960 of which the Incentive Committee determined that $2,330,000 be awarded for 1960. The Consolidated Balance Sheet at December 31, 1960 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.

Profit Sharing Plans

Capital Surplus

BURLINGTON INDUSTRIES, INC.

CR.—$2,384,364—"Capital in Excess of Par Value: Market value over par value of Treasury Common Stock issued to Employees' Profit Sharing (Retirement) Plan."

COLONIAL STORES INCORPORATED

CR.—$136,326—"Capital in Excess of Par Value of Capital Stock: Excess of consideration received over aggregate of par value of common stock and cost of common treasury stock distributed to employees (Notes 2 and 3)."

Note 2: Profit Sharing Distributions in Common Stock—In 1960, 11,642 shares of common stock (including 1,801 shares from treasury) having a market value of $209,556 were distributed to certain employees in partial discharge of the company's profit sharing liability at January 2, 1960.

Note 3: Restricted Options to Purchase Common Stock—In 1955 options were granted to certain company executives to purchase common stock at $22.84 a share when quoted market value was $24.04 a share. Such prices are after adjustment for stock split and stock dividends. Such options became exercisable January 1, 1957 and will expire November 8, 1965 or earlier on employment termination.

Stock option transactions during 1960, relating to the options granted in 1955, were as follows:

	Number of Shares	Aggregate Option Price
Outstanding at January 2, 1960	31,537	$720,305
Cancelled	(3,007)	(68,680)
Outstanding at December 31, 1960	28,530	$651,625

In 1960, options were granted, subject to approval by stockholders, to a company executive to purchase 40,000 shares at $14.75 per share (aggregate $590,000) when market value was $15.50 per share (aggregate $620,000). Such options are exercisable 5,000 shares per year for eight years beginning September 30, 1961.

SIGNODE STEEL STRAPPING COMPANY

CR.—$593,850—"Capital Surplus: Excess of market value on sale proceeds over par value of common stock —22,200 shares contributed to the company's profit-sharing trust funds."

APPROPRIATIONS OR RESERVES*

Retained Earnings Charges

Transfers Within Stockholders' Equity

BRISTOL-MYERS COMPANY

Statement of Consolidated Earnings Retained in the Business

Balance at Beginning of Year	$38,458,047
Add: Net earnings for the year	10,768,350
	49,226,397
Deduct: Dividends:	
Preferred stock	180,002
Common stock (1960—$1.05; 1959—$.85)	5,401,173
	5,581,175
Balance at End of Year	
Includes amounts set aside for estimated increase in replacement cost of property, plant and equipment, 1960—$7,309,274	$43,645,222

*Refer to Section 2, Tables 32-39 for detailed information on appropriations and reserves and to the related examples of Balance Sheet presentation and other pertinent disclosures.

Transfers to Valuation and Liability Reserves

ARCHER-DANIELS-MIDLAND COMPANY

DR.—$7,657,480—"*Reinvested Earnings*: Extraordinary charges in connection with disposal and abandonment of certain properties and related relocation, discontinuation and other costs, less federal income tax reduction—Note D."

Note D: During the fiscal year ended June 30, 1960, the Company adopted an improvement program which includes the disposal of plants which no longer are profitable and show little promise of improved profitability. Accounting recognition has been given to losses and expenses both incurred and anticipated in connection with this program by an extraordinary charge of $7,657,480 (net of anticipated federal income tax effect) to reinvested earnings, which includes:

Losses and expenses incurred during the year on disposals, abandonments, separation payments and idle plants	$ 472,403
Provision for anticipated losses and expenses:	
Possible loss on disposals and abandonments	4,536,232
Expenses related to discontinued operations	2,648,845
	$7,657,480

CITY PRODUCTS CORPORATION

DR.—$5,000,000—"*Earned Surplus*: Provision for possible losses on disposition of certain older properties."

Balance Sheet—property reserves deducted from related Fixed Assets:

Less—Reserves for depreciation, depletion and amortization, including reserve of $5,000,000 for possible losses on disposition of certain older propties	$81,712,899

UNITED FRUIT COMPANY

Statement of Unappropriated Retained Earnings

Deduct: Provision for severance and death benefit payments (net after taxes)—Note 4	$9,844,100
Provision for International Railways of Central America litigation (net after taxes)—Note 7	1,067,353

Note 4: In 1960 the Company adopted the accrual method of accounting for severance and death benefit payments contingently due to employees in Latin America in accordance with local legislation and labor agreements. Had this change not been made, Net earnings for 1960 would have been less by $849,000.

Note 7: In 1960 the New York Court of Appeals upheld the adverse decision of the Referee against the Company in the suit brought by the minority stockholders of the International Railways of Central America. As a result of this decision, the Company would be required to compensate the railroad for what were claimed to be low freight rates and interest in the amount of $9,102,829, for which provision has been made in the accounts. Counsel are of the opinion that the Court of Appeals overlooked several important points of the appeal and have asked for a rehearing.

For comparative purposes, the 1959 Provision for International Railways of Central America litigation, which was shown net after taxes in last year's report, and the related tax liability account have been reclassified to show the gross provision for International Railways of Central America litigation.

In the Annual Report for 1959 it was reported that two treble-damage suits by Connecticut jobbers were pending in the federal courts in New York and Connecticut. As yet, no trial date has been set for either suit. The Company's attorneys continue to believe that these suits are without merit.

As previously reported the Company signed a consent decree during 1958 terminating the civil antitrust suit brought by the United States Department of Justice. The decree imposed no monetary damages against the Company but requires that the Company submit a plan by June 30, 1966, for divesture of certain properties. After date of approval of the plan, compliance with its terms shall be within a period of four years.

VANDERBILT TIRE & RUBBER CORPORATION

DR.—$200,000—"*Earned Surplus*: Reserved for Investment in Foreign Subsidiary (Note 5)."

Note 5: The reserve for investment in foreign subsidiary of $200,000 has been provided for possible future write-downs of certain intangible assets of the unconsolidated subsidiary.

PFEIFFER BREWING COMPANY

DR.—$186,464—"*Accumulated Earnings*: Provision to reduce facilities held for disposition to estimated realizable values (Note B)."

Note B: During 1960 a further study was made of realizable value of the facilities held for disposition, pursuant to which further reductions of $186,464 were authorized.

SHARON STEEL CORPORATION

DR.—$3,800,000—"*Accumulated Earnings*: Reductions in Investment in Reactive Metals, Inc. (Note 2)."

Note 2: Investments at Cost, Less Reserve—

	1960	1959
Reactive Metals, Inc.	$6,756,000	$10,556,000
American Radiator & Standard Sanitary Corporation:		
46,632 and 96,632 shares of $5 par value common stock (quoted market value—$588,729 and $1,401,164)	222,537	461,146
Other	42,128	42,972
	$7,020,665	$11,060,118

After giving effect to certain transactions as of April 30, 1960 between the owners of Reactive Metals, Inc. (formerly Mallory-Sharon Metals Corporation), the corporation's interest in Reactive Metals changed from 33 1/3% to approximately 40%. At the same time, a quasi-reorganization was undertaken to give effect in the accounts of Reactive Metals to a reduction in certain asset values. In recognition thereof, a reserve of $3,800,000 was provided to reduce the carrying value of Sharon's investment to the approximate equity in the net assets of Reactive Metals as shown by the latter's accounts as of April 30, 1960. The corporation's proportionate share of the profit of Reactive Metals for the period May 1, 1960 (date of quasi-reorganization) to December 31, 1960 was approximately $17,000.

Retained Earnings Credits

Transfers Within Stockholders' Equity

DAYCO CORPORATION

CR.—$376,796—"Earned Surplus: Transfer of surplus appropriated for contingencies."

STANDARD OIL COMPANY (INCORPORATED IN KENTUCKY)

CR.—$800,000—"Earned Surplus: Reserve for contingencies transferred to earned surplus."

SWIFT & COMPANY

CR.—$15,000,000—"Accumulated Earnings: General reserve restored to accumulated earnings."

Financial Review

In accord with sound accounting practice, the general reserve of $15,000,000 has been discontinued, the amount being transferred to accumulated earnings.

ANDERSON, CLAYTON & CO.

CR.—$3,230,469—"Earned Surplus: Transferred from Surplus Appropriated for Contingent Tax Liability (Note 4)."

Note 4: The company and its subsidiaries have made full provision as of July 31, 1960, for all known liabilities in respect of U. S. and 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, 1960, this appropriation for theoretical tax liability amounted to $10,307,259 as compared with $13,537,728 as of July 31, 1959, a decrease of $3,230,469 for the current year.

The reserve for contingencies includes as of July 31, 1960, reserves for tax claims, fire losses, lawsuits, etc., aggregating $965,359 provided by foreign subsidiaries.

UNITED FRUIT COMPANY
CR.—$5,000,000—"Unappropriated Retained Earnings: Amount previously appropriated for self-insurance restored to unappropriated retained earnings."

Transfers from Valuation and Liability Reserves

THE MAYTAG COMPANY
CR.—$1,460,000—"Retained Earnings—Note A."

Note A: Inventories—Inventories have been included in the statement of financial condition at the lower of cost (first-in, first-out method) or market. The major classes of inventories were as follows:

	December 31, 1960
Finished products	$ 4,503,363
Work in process and finished parts	6,930,442
Materials	1,825,753
Manufacturing supplies	658,010
Total	$13,917,568

Effective January 1, 1960, the Company discontinued the practice of including an annual adjustment in cost of products sold to reduce inventories to a LIFO basis. Consequently, the reserve of $1,460,000 at that date was transferred to retained earnings and reclassified in the statement of financial condition at December 31, 1959. The effect of this change on net income for 1960 was insignificant.

UNITED STATES SMELTING REFINING AND MINING COMPANY
Earned Surplus:

Amount restored to Surplus from Reserve for Metal Price Fluctuations equal in 1960 to the balance in the Reserve at the end of the prior year, and equal in 1959 to the loss in that year from fluctuations of metal prices subsequent to production or purchase of ores	$165,434

Notes to Financial Statements

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

McGRAW-HILL PUBLISHING COMPANY, INC.
CR.—$907,424—"Income Retained in the Business: Reserves for contingencies and valuation no longer required (Note 1)."

Note 1: On January 25, 1961 the Board of Directors authorized the return of the following reserves considered no longer required to "Income Retained in the Business—Unappropriated."

Reserve for investment in associated company	$150,766
Reserve for revaluation of real estate	256,658
Reserve for contingencies	500,000
	$907,424

The above transfers were effected as of December 31, 1960 and are reflected in the consolidated financial statements.

FINANCING EXPENSES

Retained Earnings

ACME STEEL COMPANY
DR.—$83,900—*"Invested Earnings*: Expenses of sale of Preferred Stock."

NATIONAL GYPSUM COMPANY
DR.—$86,678—*"Retained Earnings*: Expenses in connection with issuance of Common Stock."

Capital Surplus

Amortization of Original Costs of Issue of Debentures

DAYCO CORPORATION
DR.—$6,660—*"Paid-in Surplus*:

Excess of conversion price over the par value of 42,027 shares of common stock issued in exchange for debentures converted (less $6,660, applicable portion of unamortized cost of issuing debentures)	$929,728"

LEAR, INCORPORATED
Statement of Additional Paid-in Capital

Excess of conversion price over par value of common stock issued upon conversion of 4¼% convertible subordinated debentures, less unamortized financing expenses related thereto:	
52,000 shares converted at $10.00 a share and 1,600 shares at $12.50 a share in 1960, and 231,000 shares at $10.00 a share in 1959	$481,768

THE SEEBURG CORPORATION
DR.—$78,866—*"Paid-in Surplus*: Excess of conversion price ($17 per share) over par value of 60,372 shares of common stock issued for conversion of debentures, less applicable unamortized debenture costs."

VANDERBILT TIRE & RUBBER CORPORATION
DR.—$518.04—*"Capital Surplus*: Excess of conversion price of 1,656 shares of Common Stock issued in exchange for debentures converted less $518.04 of Applicable Unamortized Debt Expense.

Expense of Stock Issues

BASIC INCORPORATED
Capital Surplus:

Balance at January 1, 1960	$5,687,419
Excess of conversion price over par value of 99,789 shares of Common Stock issued in conversion of 10,478 shares of Convertible Preference Stock	947,989
Excess of market value over par value of Common Stock held in Treasury, issued pursuant to Old Timers' Stock Bonus Plan	3,496
	$6,638,904
Charge representing expense of registration and preparation of prospectuses in connection with secondary offerings of 76,189 shares of the 99,789 shown above	19,985
Balance at December 31, 1960	$6,618,919

KIMBERLY-CLARK CORPORATION
Notes to Financial Statements

Note 5: Changes in Common Stock and Consolidated Additional Paid-in Capital—

	Common Stock	Additional Paid-in Capital
Shares issued as 2% stock dividend to shareholders of record March 4, 1960 (excess of market value over par value credited to additional paid-in capital) 174,977 shares	$874,885	$10,232,655
Expenses in connection with foregoing stock issue		(13,695)

PIPER AIRCRAFT CORPORATION
Notes to Financial Statements

Note 3: Changes in paid-in surplus during the year were as follows:

Excess of approximate market value over the par value of 45,172 shares of common stock issued as a 5% stock dividend	$1,842,566
Excess of proceeds (less expenses of issue—$40,177) over the par value of 100,000 shares of common stock sold	5,867,823
	$7,710,389

EXTRAORDINARY LOSSES OR GAINS*

Extraordinary Losses

Retained Earnings Charges

FELMONT PETROLEUM CORPORATION

DR.—$1,811,215—"*Earnings Retained*: Net loss ($511,215) from sale of producing properties after deducting estimated expenses of sale and applicable Federal income taxes, and provision for possible loss on nonproducing leases ($1,300,000) (Note 1)."

Note 1: Sale of Certain Oil Producing Leaseholds and Related Equipment—With the approval of the stockholders, the Company sold its oil producing leaseholds and related equipment in the United States and Canada, effective as of January 1, 1961. Sales proceeds of $13,864,903 (agreed price of $14,760,000, less adjustment for interim operations for the six months ended December 31, 1960), were received on February 28, 1961. After providing for estimated expenses of sale ($175,000) and applicable Federal income taxes ($800,000), the Company incurred a loss on the sale of $511,215, which was charged to earnings retained as of December 31. 1960. Also, in recognition of a possible loss on the disposition of certain of its nonproducing leases located in the same areas as the producing properties sold, the Company charged $1,300,000 to earnings retained in order to reduce the carrying values of such leaseholds to estimated realizable values.

Net income for the year ended December 31, 1960, included approximately $800,000 which is attributable to the producing properties sold and exploration and other operations in the areas affected by the sale which will be substantially eliminated in future years.

PHILADELPHIA AND READING CORPORATION
Earned Surplus Statement

Deduct:

Provision for loss on sale of assets of Reading Anthracite Company, net of estimated federal income tax benefit of $2,000,000 (Note 3)	$4,500,000

Note 3: On February 1, 1961 Reading Anthracite Company, a wholly-owned subsidiary, sold substantially all its properties, plants and inventories, retaining the waste coal banks which are carried at no value. This transaction resulted in a net loss of $4,500,000 after estimated federal income tax benefits of $2,000,000. The estimated proceeds, together with the related refundable federal income taxes are included in the balance sheet as a current asset.

*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.

Presentation of extraordinary losses connected with the Cuban situation is discussed at the end of this section.

INDUSTRIAL RAYON CORPORATION
Earnings Retained in the Business

Balance at beginning of year	$40,879,461
Net loss*—income	3,341,389*
	$37,538,072
Special charge for obsolescence of idle plant facilities and other losses incident to consolidation of operations less credit ($2,753,792) from disposal of Covington plant facilities and related items—Note A	3,277,747
Balance at End of Year	$34,260,325

Note A: The Corporation's production facilities are being consolidated at its Painesville, Ohio plant. The Covington plant facilities and certain related items were sold for $7,500,000. The net gain therefrom, after deducting $650,000 provided for possible loss on disposal of the Covington equipment excluded from the sale amounts to $2,753,792. Of the sale price $2,000,000 was paid in 1960 and the balance is to be paid in 1961. The gain from this sale is to be reported on the installment basis for tax purposes. An allowance for possible loss on disposal of the non-operating facilities at the Cleveland, Ohio plant was provided during the year. This allowance and certain other charges incident to the consolidation of operations, less the above-mentioned gain from the sale of the Covington facilities, were charged against earnings retained in the business.

Approximately $1,100,000 of 1960 operating loss will be available as a carry-forward against future taxable income.

KENNECOTT COPPER CORPORATION

DR.—$36,207,581—"*Earned Surplus*: Loss on disposal of South African Investments."

Financial Review

Earned Surplus Adjustment: Stockholders were advised by letter on January 13, 1961, that Kennecott had sold its South African gold mining interests to a company formed by a syndicate of five companies in the South African mining industry.

Under the terms of the sales agreement, Kennecott will receive 3,500,000 South African pounds (U.S. $9,813,125) for its interest in Virginia Orange Free State Gold Mining Company, Limited and Merriespruit (Orange Free State) Gold Mining Company, Limited. This amount is to be paid in five equal annual installments, starting December 1, 1961. In addition, Kennecott has a 20% interest in the future income of the purchasing company, not to exceed 2,500,000 South African pounds (approximately U.S. $7,000,000). Under the agreement with the members of the syndicate, Kennecott will have the right, after receiving the 3,500,000 South African pounds, to acquire, if then deemed advisable, 20% of the outstanding stock of the purchasing company upon cancellation of the above interest in its future profits.

Kennecott's total investment in the two gold mining companies amounted to $46,020,706. The excess of this amount over the fixed payment of $9,813,125 referred to above, namely $36,207,581, has been charged to Earned Surplus.

PHOENIX STEEL CORPORATION
Statement of Retained Earnings

Less:

Costs Connected with the Deactivation of the Harrisburg Plant and Certain Plant Abandonments, Less Related Federal Income Tax Credit of $500,000	$426,728

Notes to Financial Statements

Fixed Assets: During the last quarter of 1960, the Company discontinued operations at its Harrisburg, Pa. plant, transferring these operations to other existing facilities. The property and equipment (exclusive of land) and supplies inventory at the Harrisburg plant were sold on January 16, 1961. The sales contract provides for payment of $1,500,000 to the Company in 1961 plus a share in the net profits to the purchaser, to be determined on or before December 31, 1962 or final disposition of these assets. The 850 acre tract of land in Burlington, New Jersey is also included in fixed assets.

The assets which have been sold and the acreage referred to above which has been retained for future disposition, are included in the accounts at net book value of approximately $7,200,000, representing, in the opinion of management, estimated realizable values.

Extraordinary Gains

Retained Earnings Credits

CLEVITE CORPORATION

CR.—$2,016,059—"Retained Earnings: Profit on sale of investment securities, less Federal income tax."

MASONITE CORPORATION

CR.—$1,861,883—"Earned Surplus: Gain on sale of Foreign Investment, net of applicable taxes $620,628."

McINTYRE PORCUPINE MINES

CR.—$539,732—"Earned Surplus: Profit on sale of investments."

Financial Review

Investments: The indicated market value of McIntyre's investment portfolio as of December 31, 1960, amounted to $81,480,410 or $35.41 per share, compared with $32.95 per share at the end of 1959.

Holdings in certain securities were slightly reduced during the year to provide funds for mining investments and the gain realized is reflected in the credit of $539,732 to the earned surplus account.

SHARON STEEL CORPORATION

CR.—$351,985—"Accumulated Earnings: Gain on disposition of American Radiator & Standard Sanitary Corporation stock, less income taxes $138,000."

Financial Review

During 1960, the Company contributed 50,000 shares of American Radiator & Standard Sanitary Corporation stock to the Trustees of the Company's Pension Funds to apply against 1960 pension costs. The shares so contributed had an aggregate market value of $727,650 and resulted in a gain of $351,985 which has been credited to Accumulated Earnings. At December 31, 1960, the Company held 46,632 shares of American Radiator & Standard Sanitary Corporation stock with a quoted market value of $588,729 acquired at a cost of $222,537.

WEYERHAEUSER COMPANY

CR.—$763,508—"Earned Surplus: Realization in 1960 of March 1, 1913 increase in timber value."

Balance Sheet—Shareholders' Interest:

Increase in value of timber and timberlands resulting from March 1, 1913 revaluation ($763,508 realized and transferred to earned surplus in 1960)	$22,099,799

PRIOR YEAR ADJUSTMENTS—

Fixed Assets and Depreciation

Retained Earnings

ADAMS-MILLIS CORPORATION

DR.—$13,905—*"Retained Earnings*: Adjustments to machinery accounts relating to prior years, net of applicable tax effect."

CANADA DRY CORPORATION

CR.—$1,003,610—"Earned Surplus: Net adjustment of property accounts for prior years less additional Federal income taxes, etc. (Note B)."

Note B: Final determination of the Company's Federal income tax liability through September 30, 1958 was made in October 1960 and resulted, among other things, in increased estimated service lives and salvage values of certain depreciable assets. The depreciation reserves have been adjusted to accord with such increased service lives and salvage values. The straight-line method of computing depreciation is, however, used for book purposes and the sum-of-the-years-digits method is used for tax purposes for certain assets acquired after January 1, 1954. The property accounts have also been adjusted to accord with the tax basis in other respects. The resulting credit, less additional Federal income taxes of $298,000 and interest of $99,000 (net of the tax effect attributable to interest) has been shown as a credit to consolidated earned surplus. The effect of the various adjustments applicable to the property accounts as of and prior to September 30, 1958 on net income for subsequent periods is not material.

EASTERN LIME CORPORATION

CR.—$17,790—"Earned Surplus: Fixed asset and accumulated depreciation adjustment for prior years."

PFEIFFER BREWING COMPANY

CR.—$232,880—"Accumulated Earnings: Add, adjustment to restate amounts of depreciation, accumulated for prior years (Note E)."

Note E: During 1960 the Internal Revenue Service completed reviews of the Company's income tax returns for 1957 and 1958, as a result of which the Company has agreed to certain changes in depreciation rates and other adjustments to amounts of depreciation allowed for 1957 and 1958. The adjustments agreed to have been reflected in the financial statements, resulting in a credit to accumulated earnings of $232,880. The amounts charged to income for the year for depreciation are approximately $23,700 less than the amounts that would have been charged had the Company not made the adjustments referred to above.

PLYMOUTH OIL COMPANY

CR.—$899,939—"Retained Earnings: Adjustment of accumulated depreciation less estimated net additional federal income taxes and accrued interest applicable to prior years (Note 2)."

Note 2: Fixed Assets—In the course of the Internal Revenue Service's audit of the company's federal income tax returns for the years 1955 to 1958, inclusive, salvage values were established for the major portion of depreciable properties.

Depreciation for the years 1955 through 1959 was recomputed, recognizing salvage values, with the result that expense for those years was reduced by approximately $1,726,000 with a corresponding credit to retained earnings. The reduction in allowable depreciation resulted in net additional federal income taxes and accrued interest in the approximate amount of $826,000, which has been charged to retained earnings.

Depreciation for the year 1960 was approximately $162,000 less than it would have been had salvage values not been considered.

Expenditures for turn-arounds of major refining units are being amortized in accordance with an agreement with the Internal Revenue Service. At December 31, 1960, the unamortized balance of 1960 costs approximated $302,000 and is reflected as a part of fixed assets. Previously such expenditures had been charged to expense as incurred.

Prior Year Adjustments—Taxes

Retained Earnings

ALPHA PORTLAND CEMENT COMPANY

Notes to Financial Statements

Note B: A court case bearing on percentage depletion allowed cement companies in computing their Federal income tax was settled during 1960 by the United States Supreme Court. Shortly thereafter, the Internal Revenue Code was amended and legislation enacted which provided cement companies with an election, adopted by the Company, to file the 1960 tax return on the basis that will be required in the future and to pay additional taxes for open years prior to 1960 on the same basis. The amount of such additional taxes and interest included in the tax agent's proposed settlement was approximately $4,046,000, or $3,407,000 more than applicable reserves on the Company's books at the time. Of this excess $197,000, representing interest accrued in 1960 on the additional taxes, has been charged to the tax provision in 1960 and the balance, $3,210,000 applicable to years before 1960 has been charged to earned surplus in 1960.

For comparative purposes the accompanying financial statements for the year ended December 31, 1959 have been restated to give effect to the additional taxes and interest. The adjustment applicable to 1959, which increased the tax provision and accrued taxes and reduced net income was $1,600,000. Taxes and interest for years prior to 1959 amounting to $1,610,000 have been applied to reduce earned surplus at January 1, 1959 from the amount previously reported. The aggregate of these adjustments has also reduced earned surplus at December 31, 1959 by $3,210,000.

BALDWIN-LIMA-HAMILTON CORPORATION

CR.—$2,200,000—"Accumulated Earnings: Unrequired income tax provision resulting from settlement of prior years' tax liabilities."

THE FLINTKOTE COMPANY

DR.—$4,880,502—*"Earned Surplus*: Adjustments relating to percentage depletion (Note 2)."

Note 2: Legislation enacted in 1960 established the basis for calculation by cement producers of percentage depletion deductions for federal income tax purposes for 1961 and subsequent years. Subsequent legislation provided an election to settle percentage depletion deductions allowable for all open tax years on the same basis, which is less favorable to the Company than that claimed in such years. The Company has availed itself of this election because of the probability that a more adverse settlement would result if this election were not made. Accordingly, the Company will be required to pay additional federal and state income taxes and related interest and will withdraw claims in the amount of $2,700,000 (of which only $1,350,000 had been recorded on the books) filed for income tax refunds. Financial statements previously presented for 1959 have been restated to reflect such election, in amounts as summarized below:

	Period Prior to January 1, 1959	Year 1959
Claims for refund of federal income taxes withdrawn	$1,350,000	
Additional state income taxes	242,367	$ 164,373
Additional federal income taxes	3,057,800	1,388,960
Interest on additional taxes	230,335	230,514
Total—charged to opening surplus	$4,880,502	
Total—charged to income		$1,783,847

THE GENERAL TIRE & RUBBER COMPANY

DR.—$751,996—*"Earned Surplus*: General Tire's share of additional 1954 federal income taxes and interest thereon (net) of Aerojet-General Corporation."

HOWELL ELECTRIC MOTORS COMPANY

CR.—$41,027—"Retained Earnings:

Adjustments resulting from examinations of Internal Revenue Service, less related assessments of $34,466 .... $41,027"

THE NATIONAL SUGAR REFINING COMPANY

DR.—$96,050—*"Earnings Retained for General Use in the Business*: Settlement of claim for additional prior years' municipal business taxes, less $65,000 previously provided therefor and income tax reductions of $187,800."

Capital Surplus

HERCULES POWDER COMPANY

CR.—$539,238—"Additional Paid-in Capital: Refund of U.S. capital gains tax on reacquired common stock awarded as Bonus in the years 1948 to 1952 inclusive."

Prior Year Adjustments—Various Other Retained Earnings and Capital Surplus

CONSOLIDATED FOODS CORPORATION

CR.—$117,559—"Earned Surplus: Underwriting discount on original issue of preferred stock applicable to shares converted and retired during the years, originally charged to earned surplus—now offset against credits to paid-in surplus arising through current conversions and retirements."

CR.—$1,543,532—"Paid-in Surplus: Paid-in surplus resulting from conversions of preferred stock."

THE FEDERAL MACHINE AND WELDER COMPANY

CR.—$251,198—"Earned Surplus."

DR.—$251,198—*"Capital Surplus."*

"Transfer of balance of capital surplus after provision for deferred income taxes on revalued war emergency facilities."

CALUMET & HECLA, INC.

Consolidated Statement of Retained Earnings

Retained Earnings Previously Reported	$13,941,924
Adjustments to Prior Years' Income—Notes 5 and 7	126,610
Retained Earnings at Beginning of Year ..	$14,068,534

DR.—$1,176,263—*"Capital Surplus*: Excess of underlying net assets over the cost of acquisition in 1955 of Goodman Lumber Company (now a division of Calumet & Hecla, Inc.) transferred to Deferred Credits."

Note 5: Goodwill—Goodwill, arising from consolidation, represents the unamortized portion of the amount paid by Calumet & Hecla, Inc. for the equity in the net assets of Canada Vulcanizer and Equipment Company, Limited in excess of the book value thereof at the acquisition date. During the year 1960 Calumet & Hecla, Inc. adopted the policy of amortizing such goodwill over a period of ten years commencing at the date of acquisition in 1955. Accordingly, amounts reported in 1959 as goodwill, consolidated net income and retained earnings have been adjusted to reflect annual amortization from date of acquisition through December 31, 1959.

Note 7: Deferred Credits—Other deferred credits at December 31, 1960 include $1,176,263 representing the remaining portion of the excess of the underlying net assets over the cost of acquisition in 1955 of Goodman Lumber Company (now a division of Calumet & Hecla, Inc.). Such excess, formerly carried as capital surplus, is being reduced by transfers to current income over a 20-year period beginning September, 1955. Amounts reported in 1959 as consolidated net income, capital surplus, and retained earnings have been adjusted to reflect the aforementioned accounting treatment of deferred income, and the aggregate of annual transfers to retained earnings for periods prior to 1959.

HARSCO CORPORATION

CR.—$1,058,561—"Earned Surplus."

DR.—$1,058,561—*"Separate Surplus Account."*

"Transfer from separate surplus account, of excess over cost of fair value of assets acquired, relating to properties ultimately disposed of during 1960."

Retained Earnings

AMERADA PETROLEUM CORPORATION

Consolidated Statement of Earnings Retained in Business For the Year Ended December 31, 1960

Balance, December 31, 1959	$156,602,501
Adjustment resulting from change in accounting practice with respect to intangible drilling and development costs on productive wells in the United Kingdom of Libya (Note 2)	2,538,776
Adjusted balance, January 1, 1960	$159,141,277

Note 2: Change in Accounting Practice—The Corporation's accounting practice with respect to intangible drilling and development costs has been changed for productive wells in the United Kingdom of Libya, retroactively to 1957, when drilling operations commenced in Libya. Such costs, heretofore charged against income as incurred, through a 100% reserve, will be amortized and charged against income commencing with the first year in which production and income are obtained from such wells. The Corporation's practice of deducting all intangible drilling and development costs as incurred for wells other than productive wells in Libya has not been changed; nor has the practice of deducting for Federal income taxes all intangible drilling and development costs as incurred. To effectuate this change in accounting practice retroactively to 1957 when drilling operations commenced in Libya, the Reserve for Intangible Drilling and Development Costs as at January 1, 1960 has been reduced by $2,538,776, with a corresponding increase in Earnings Retained in Business. The Consolidated Statement of Income for the year 1960 reflects this revised accounting practice. If the revised accounting practice had not been used, net income reported for the year would have been $24,239,417.

BATH IRON WORKS CORPORATION

CR.—$1,490,000—"Earnings Retained For Use In The Business: Adjustment of estimated retainable earnings on completed contracts applicable to prior years, less Federal income taxes thereon."

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

DR.—$12,563,000—"*Earned Surplus*: Profit deferred, net of Federal taxes on income, on bulk whiskey sold but not bottled and shipped prior to January 1, 1960 (Note 5)."

Note 5: Deferred Income, Net—The Company sells bulk whiskey to certain wholesale distributors holding contracts for bottling at maturity. Prior to 1960, the profit on such sales was recorded as income at the time of sale. Effective as of January 1, 1960, a policy was adopted whereby such profit, net of Federal taxes on income, is deferred until the whiskey is bottled and shipped. This change in accounting policy, which had no material effect on net income for the year ended December 31, 1960, is reflected retroactively by a charge to earned surplus as of January 1, 1960. For comparative purposes only, the accompanying statement of income for the year ended December 31, 1959 has been restated.

SKELLY OIL COMPANY

DR.—$16,081,724—"*Earnings Employed In The Business*: Adjustment of prior years' income in connection with changes in accounting policies (Note 1)."

Note 1: As of January 1, 1960, the Company elected to change retroactively certain accounting policies. These changes were: (1) to provide for the amortization of undeveloped oil and gas properties; (2) to charge to expense the cost of dry holes on producing properties in the year of completion rather than to capitalize such costs and amortize them over the productive life of the properties; and (3) to recognize the loss of future income tax benefit resulting from the use of accelerated depreciation for tax purposes but not for financial reporting. The effect of these changes on the net income for the years ended December 31, 1960 and 1959 is not material.

UNITED ELASTIC CORPORATION

CR.—$129,714—"Earnings Retained For Use In Business: Credit for inter-company profit in inventory charged in prior years against consolidated surplus."

Capital Surplus

ALAN WOOD STEEL COMPANY

Additional Paid-In Capital (increased in 1960 $10,890 excess of par value over cost of 1,500 shares of Preferred Stock retired and $12,500 proceeds from sale of stock option) $4,020,545

Notes to Financial Statements

Note 5: . . . In January, 1960, the Company sold for $12,500 in cash an option to purchase 12,500 shares of its Common Stock at any time prior to January 1, 1970 for $40.00 a share. 12,500 shares of the authorized Common Stock have been reserved for this option.

BURLINGTON INDUSTRIES, INC.

DR.—$2,532,218—"*Capital in Excess of Par Value*: Excess of equity in net assets of subsidiary companies over cost of investments in 1959, transferred to deferred credit in 1960 (Note E-3)."

Note E-3: In accordance with a change in accepted accounting practice which was instituted in the fall of 1959, the excess (in 1959) of equity in underlying book value of net assets of subsidiaries at dates of acquisition over cost of the investments, credited to capital in excess of par value in the 1959 fiscal year, has been reclassified to a deferred credit account and is now being taken into earnings over a period of ten years. If the practice had been in effect during the prior year, $253,222 would have been credited to operations in 1959.

CORN PRODUCTS COMPANY

CR.—$1,116,416—"Capital Surplus: Adjustment of prior period revaluation of assets and cost of investment by international subsidiaries."

GENERAL MOTORS CORPORATION

CR.—$27,190—"Capital Surplus: Increase in carrying value of treasury common stock revalued in accordance with provisions of the Bonus Plan (12,339 shares in 1960)."

CUBAN LOSSES

The nationalization policy of the new government in Cuba caused substantial losses to United States companies with Cuban subsidiaries or branches. In their 1960 reports, 43 of the 600 survey companies disclosed Cuban losses, and the following tabulation shows the accounting treatment of such losses:

Charge to:	Number of Companies
Retained Earnings (*Co. Nos. 48, 149, 150, 166, 308, 417, 498, 500, 519, 559)	14
Income (*Co. Nos. 33, 70, 74, 248, 345, 536)	9
Reserves previously provided (*Co. Nos. 63, 208, 230, 265, 266, 429)	6
Retained Earnings and Income (*Co. Nos. 122, 259, 495)	3
Retained Earnings and Capital Surplus (*Co. No. 469)	1
Account charged not disclosed, though write-off indicated in report (*Co. Nos. 13, 156, 203, 212, 319, 508)	10
Total	43

With reference to the treatment of the related Federal Income Taxes, 22 companies charged off the loss net of tax, 7 companies apparently wrote off the losses in full without tax allocation, and the remaining 14 companies did not clearly indicate their procedure in this connection.

The examples which follow illustrate the disclosures as analyzed above.

Charge to Retained Earnings

FREEPORT SULPHUR COMPANY

DR.—$18,030,000—"*Earnings Retained in the Business*: Write-down of investment in Freeport Nickel Company to a nominal value of $1 (Note 4)."

Note 4: Nonconsolidated wholly owned subsidiaries at December 31, 1960, comprise one minor foreign company, carried at cost, and Freeport Nickel Company and Nicaro Nickel Company, carried at $1 each.

See pages 6 to 8 regarding Freeport Nickel Company and its subsidiary, Moa Bay Mining Company. The Cuban facilities represented approximately 65 per cent of the total consolidated assets of approximately $100,000,000 applicable to these companies. In view of the situation in Cuba and the substantial liabilities of Freeport Nickel Company (approximately $91,000,000 exclusive of amounts owed Freeport Sulphur Company), the investment in and advances to that company were written down to a nominal value of $1 by a charge of $18,030,000 to earnings retained in the business. Certain expenditures made on the development of the project in its early stages had previously been charged to income when incurred.

The investment in Nicaro Nickel Company was written down to $1 in 1946. See page 8 regarding nationalization of its assets in Cuba during 1960. Such assets, carried on the books at $600,494, and representing principally the unamortized cost of nickel properties less Cuban tax liabilities, were charged off by Nicaro in 1960. Its remaining net assets at December 31, 1960, all current and located in the United States, amounted to $1,081,502.

Pages 6 to 8: Not reproduced here.

*Refer to Company Appendix Section.

AIR REDUCTION COMPANY, INCORPORATED

DR.—$2,265,496—"*Retained Earnings*: Net Loss resulting from expropriation of Cuban subsidiaries (Note D)."

Note D: Cuban Subsidiaries—The Company's two Cuban subsidiaries were expropriated by the Cuban Government in October 1960. Accordingly, the financial statements of those subsidiaries are not included in the accompanying consolidated financial statements for the year ended December 31, 1960. The net loss resulting from expropriation, $2,265,496 as shown in the statement of consolidated retained earnings, consists of the undistributed earnings of the Cuban subsidiaries as of January 1, 1960 ($2,496,763), plus the write-off of the investment in and amounts due from such subsidiaries ($633,249), less the related Federal income tax reduction ($864,516). The net income of the Cuban subsidiaries included in consolidated net income for 1959 amounted to $346,434.

THE CUBAN-AMERICAN SUGAR COMPANY
Consolidated Earned Surplus Statement
For the Year Ended September 30, 1960

Consolidated surplus accounts of the company and its subsidiaries (including Cuban subsidiaries) as shown in annual report to shareholders for the year ended September 30, 1959, consisting of:—		
Amount transferred to capital stocks of Cuban subsidiaries from earned surplus thereof	$14,740,240	
Earned surplus	21,843,363	
	36,583,603	
Deduct—Consolidating adjustments to eliminate the company's equity in its Cuban subsidiaries (Note 1):		
Elimination of company's investment in capital stocks of such subsidiaries and the subsidiaries' earned surplus at September 30, 1959, less certain assets of the subsidiaries retained by the company	$24,868,167	
Provision for possible claims and expenses in connection with the seizure of the subsidiaries' assets	2,000,000	
Elimination of reserve carried by the company for compensation and special insurance relating to Cuban subsidiaries	(681,567)	
	26,186,600	
Consolidated earned surplus of the company and its domestic subsidiaries at beginning of year, as adjusted	$10,397,003	

Note 1: In a series of actions culminating in a decree dated August 6, 1960, the Cuban Government confiscated all of the Cuban subsidiaries' assets located in Cuba, as well as all of their accounting records. Since the management no longer has access to these records it has been impossible to prepare consolidated financial statements similar to those furnished to the company's stockholders in prior years, which included the accounts of the Cuban subsidiaries. The accompanying financial statements include the assets, liabilities and operations of the company and its domestic subsidiaries.

According to the resolutions under which the assets of the Cuban subsidiaries were seized, the subsidiaries are entitled to receive compensation but, to date, the company has received no indication that the Cuban Government is taking any steps to arrange such compensation. It is impossible to estimate the amounts, if any, which ultimately may be received. While the company has not written off the investment in Cuban subsidiaries in its books, pending further clarification, management considers that it would not be prudent to assign an estimated value to the investment and, as indicated in the accompanying consolidated statement of earned surplus, its entire equity therein, except for certain subsidiary company assets in the company's possession, has been eliminated from the consolidated statements. The net equity so eliminated was based on the financial statements of the subsidiaries as at September 30, 1959, the last audited statements available, adjusted to reflect subsequent transactions through inter-company current accounts, and does not purport to represent a measure of values appropriate for compensation for the assets seized.

No effect will be given in the consolidated federal income tax return of the company and its domestic subsidiaries for the year 1960 to the seizure of the Cuban subsidiaries' properties by the Cuban Government. The outcome of the company's efforts to obtain compensation for or return of the subsidiaries' properties is, under present circumstances, very uncertain but even if these efforts prove unsuccessful it is not expected that any loss will be established for federal income tax purposes.

F. W. WOOLWORTH CO.

DR.—$4,128,787—"*Earned Surplus*: Loss of Cuban properties, less $4,472,853 related reduction of United States income taxes (Note E)."

Note E: Loss of Assets in Cuba—On October 25, 1960 all of the company's properties in Cuba were expropriated. Accordingly, all amounts related to Cuban operations have been removed from the financial statements for the year 1960. The loss of the assets, less the related reduction in United States income tax, has been charged to earned surplus.

Charge to Income

BASIC INCORPORATED
Statement of Consolidated Income

Net Income	$1,282,318
Special Charge:	
Write-off of Cuban investment of $554,824 less federal income tax credit of $288,508	266,316
Net Income After Special Charge	$1,016,002

UNITED STATES RUBBER COMPANY
Statement of Consolidated Income

Profit Before Income Taxes and Other Charges	$67,314,969
Federal and foreign income taxes, less credit of $1,570,897 in 1960 from reversal of prior years' accruals no longer required; also 1960 before reduction of taxes of $4,498,739 applicable to write off of Cuban investment	32,256,034
Unremitted earnings of foreign operations, net	2,042,748
Minority interests	173,494
	34,472,276
Net Income Before Write Off of Cuban Investment	$32,842,693
Provision for write off of Cuban investment, net	2,105,379
Net Income for the Year	$30,737,314

Financial Review

Cuban properties, which were nationalized in 1960, have been eliminated from the balance sheet.

Charge to Reserve Previously Provided

THE FIRESTONE TIRE & RUBBER COMPANY

DR.—$3,305,564—"*Reserve for Foreign Subsidiaries.*"

Financial Review

Profits of foreign subsidiaries for the fiscal year ended October 31, 1960, totaled $16,894,407. On August 30, 1960, management and control of the Company's tire plant and other properties located in Cuba were taken over by the Cuban Government by an order of "intervention," and on October 24, 1960, these properties were expropriated by a decree of "nationalization." The Company has vigorously protested this action. Operations of our Cuban subsidiary, subsequent to July 31, 1960, have been excluded from the consolidated income statement and its assets and liabilities have been omitted from the October 31, 1960, consolidated balance sheet. After consideration of the related effect of federal income taxes, this resulted in a net charge of $3,305,564 to the Reserve for Foreign Investments, provided from income in prior years. Currency devaluation reduced the value of other foreign assets and resulted in a charge of $1,821,348 to this reserve.

PEPSI-COLA COMPANY
CR.—$121,000—"Reserve for Foreign Activities."
Notes to Financial Statements

Note 1: . . . The Cuban operations are not included in the accompanying financial statements for 1960. The assets in Cuba as of the beginning of the year have been written off against the Reserve for Foreign Activities and such reserve has been credited with the related United States income tax reduction, the net effect being a credit of $121,000 to the reserve.

Retained Earnings and Income

THE GILLETTE COMPANY
DR.—$667,000—*"Earnings retained in foreign businesses of subsidiary companies*: Unrealized prior years' earnings of Cuban subsidiary, excluded from consolidation as of January 1, 1960 (Note 1)."

Note 1: All subsidiaries of the Company, with the exception of the Cuban subsidiary as noted in the succeeding paragraph, are included in the consolidated financial statements. The accounts of foreign subsidiaries have been converted at appropriate U. S. dollar equivalents on a basis consistent with prior years.

The net assets and operations of the Cuban subsidiary have been excluded from the consolidated financial statements. The portion of net assets attributed to the Parent Company's investment and advances has been eliminated by a charge of $315,000 to current earnings, and the portion attributed to accumulated unremitted earnings has been eliminated by a charge of $667,000 to "Earnings Retained in Foreign Businesses of Subsidiary Companies."

Foreign earnings are included in net income and in United States earned surplus to the extent realized in U. S. dollars. In addition, unremitted 1960 earnings of the Company's subsidiary in Panama amounting to $883,000 are also included in net income and in United States earned surplus. Panamanian unremitted earnings for 1959 as well as the aforementioned unremitted earnings of 1960 aggregating $1,258,000 and included in United States earned surplus have been retained in Panama for permanent reinvestment and accordingly no provision for United States income tax has been made with respect thereto.

THE SHERWIN-WILLIAMS COMPANY
DR.—$2,133,215—*"Earned Surplus*: Less undistributed net income of Cuban subsidiary at date of de-consolidation September 1, 1959."
DR.—$870,271—*"Consolidated Income*: Receivable from Cuban subsidiary charged off."
Balance Sheet—Investments and Other Assets

Securities of unconsolidated subsidiaries—principally at cost—Note A	$5,085,807

Note A: Includes investments in partly-owned Canadian subsidiary ($4,183,000) and wholly-owned subsidiaries in Brazil ($757,000), Cuba ($16,000), and Argentina ($120,000). The approximate amounts of the Company's equity in accumulated undistributed net income, based on the records of such subsidiaries, were as follows: Canada—$5,355,000; Brazil—$2,554,000; Cuba—$2,442,000; Argentina—$268,000.

The wholly-owned subsidiary located in Cuba has been excluded from the consolidated financial statements as of September 1, 1959, as the assets of such subsidiary may be expropriated and nationalized, in accordance with the law of the Revolutionary Government of Cuba.

Financial Review

The final consolidated earnings, after all deductions, are $16,006,321 as compared with $17,516,473 for 1959. The Cuban Subsidiary has been eliminated from consolidation as of September 1, 1959 and income for the year ended August 31, 1960 has been charged with $870,271 (a non-recurring expense), representing the Cuban Company's indebtedness to the parent company for raw materials of our manufacture shipped prior to December 1959. No shipments have been made nor payments received from Cuba since December 1959.

Charge to Retained Earnings and Capital Surplus

REYNOLDS METAL COMPANY
DR.—$2,559,204—*"Earned Surplus*: Provision for losses (net of income taxes of approximately $540,000) arising from seizure of Cuban assets—Notes A and J."
DR.—$110,000—*"Capital Surplus."*

Note A: Principles of Consolidation and Equities in Subsidiaries and Associated Companies—The accounts of the Company and wholly owned subsidiaries (except Cuban subsidiaries, which were removed from consolidation as of January 1, 1960, and Reynolds Aluminum Acceptance Corporation) are included in the consolidated financial statements. . . .

Note J: Capital Surplus—Capital surplus decreased in 1960 by $58,601. This amount comprised $111,000 resulting from the removal from consolidation of Cuban subsidiaries less $52,399 for the excess of par value over cost of Series A Preferred Stock purchased for retirement.

Various Other

ALLIED CHEMICAL CORPORATION
Notes to Financial Statements

Investments—

Allied-Kennecott Titanium Corporation (50% owned)	$1,350,000
Allied Mining South Africa, (Pty.) Ltd.	517,686
Miscellaneous: Latin-America	1,333,092
	$3,200,778

Write-off during 1960 of the Company's 50 per cent interest in two Cuban companies was reflected in reduction of $760,000 in amount of investment in Allied Chemical de las Americas, S.A., a Panamanian corporation. Certain of the Company's other Latin-American investments which were formerly held by the Panamanian corporation are now held directly by the Company and shown above as "Miscellaneous: Latin-America."

JONES & LAUGHLIN STEEL CORPORATION
Financial Review

During the fourth quarter we wrote off a $3,000,000 loan to Freeport Nickel Company because the Cuban properties acquired for its operations had been seized by the Cuban government. The purpose of the loan was to assure a source of nickel when it was in short supply for use in the production of stainless steel.

LONE STAR CEMENT CORPORATION
Financial Review—Foreign Subsidiaries

Cuba: The Cuban subsidiary remained under our ownership and management during the first part of 1960, but dividend remittances continued to be prohibited.

On August 18, the revolutionary government seized the subsidiary's assets, acting with the assistance of militia and a show of arms, and an "interventor" replaced the local management. The intervention was a preliminary to the outright "nationalization" of the properties, which took place on October 24.

All appropriate legal steps have been taken to protect the interests of the shareholders. In Cuba, a protest to the Supreme Court was filed through the Minister of Labor. Appropriate representations have also been made to the U. S. State Department.

As no Cuban operating or financial information has been made available since the intervention, the 1960 combined foreign financial summaries include no assets, liabilities, or income for the Cuban subsidiary.

In the Domestic Consolidated Balance Sheet, all amounts receivable from the Cuban subsidiary have been eliminated. The Corporation's aggregate foreign investment, however, has not been reduced or reserved since it is believed that the properties will eventually be recovered, or if they are not, that compensation will be received at least equal to the Corporation's net investment.

In 41 years of successful operation, the Cuban plant has produced more than 50,000,000 barrels of portland cement. As a source of jobs, taxes, and local expenditures, as well as a source of reliable cement, the plant has been an important asset to the island nation. The Mariel plant at the time of intervention represented 40% of that country's total capacity.

F. W. WOOLWORTH CO.

and Consolidated Subsidiaries

Consolidated Statement of Earned Surplus

For the Years Ended December 31, 1960 and 1959

	1960	1959
Balance at beginning of year as previously reported	—	$261,768,949
Credit arising from bringing German and Mexican subsidiaries into consolidation (Note A)	—	19,303,531
Equity in undistributed earnings of F. W. Woolworth and Co., Limited, England to December 31, 1958 not taken up in prior years (Note A)	—	64,610,046
Restated balance at beginning of year	$369,755,490	345,682,526
Net income for the year	46,927,512	48,332,487
	416,683,002	394,015,013
Loss of Cuban properties, less $4,472,853 related reduction of United States income taxes (Note E)	4,128,787	
Dividends paid — $2.50 per share	24,259,512	24,259,523
	28,388,299	24,259,523
Balance at end of year	$388,294,703	$369,755,490

Consolidated earned surplus at December 31, 1960 includes undistributed earnings of foreign subsidiaries in the amount of $188,764,000, of which $74,749,000 has been capitalized on the books of the subsidiaries.

Consolidated Statement of Additional Paid-in Capital

	1960	1959
Balance at beginning of year	$ 87,994,157	$ 85,705,650
Excess of par value over purchase price of 1,730 shares of 4% Preferred Stock acquired	40,562	—0—
Excess of fair value (option price) over par value of Common Stock sold under Restricted Stock Option Plans (1960—54,951 shares; 1959—121,724 shares)	831,659	1,677,340
Excess of principal amount of convertible subordinated debentures over the par value of Common Stock issued upon conversion (1960—13,601 shares; 1959—36,153 shares)	344,547	611,167
Balance at end of year	$ 89,210,925	$ 87,994,157

See notes to financial statements.

FRUEHAUF TRAILER COMPANY AND CONSOLIDATED SUBSIDIARIES

THE RYAN AERONAUTICAL CO.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Year ended October 31, 1960

	NUMBER OF SHARES	COMMON STOCK	ADDITIONAL CAPITAL	RETAINED EARNINGS	TOTAL
Balance at beginning of year	1,633,317	$ 727,635	$13,763,158	$ 9,308,373	$23,799,166
Net income				2,894,055	2,894,055
Cash dividends — $.20 a share				(328,054)	(328,054)
Employees' stock options exercised during the year	12,758	5,103	106,146	—	111,249
Cost of 1,500 shares of common stock purchased and held in treasury				(25,871)	(25,871)
Balance at end of year	1,646,075	$ 732,738	$13,869,304	$11,848,503 (Note 2)	$26,450,545

See accompanying notes.

ALUMINUM COMPANY OF AMERICA *and consolidated subsidiaries*

Source and Application of Funds during 1960 and 1959

Source of Funds:

	1960	1959
Net income	$ 40,044,105	$ 55,570,854
Depreciation and depletion	80,194,803	73,060,312
Reduction in reserve for future taxes on income	(3,148,280)	(1,855,964)
Other	406,422	1,622,123
Total from operations	$117,497,050	$128,397,325
Proceeds from sale of common stock	954,673	1,203,549
Working capital of acquired subsidiaries at dates of acquisitions	6,837,067	11,815,827
Total	$125,288,790	$141,416,701

Application of Funds:

	1960	1959
Additions to properties, plants and equipment, less net retirements of $10,169,140 in 1960 and $10,425,064 in 1959	$ 70,172,161	$ 44,235,928
Payments on long-term debt	27,143,147	35,782,341
Dividends declared:		
Preferred stock	2,474,688	2,474,688
Common stock	25,649,928	25,241,943
Increase in investments, net	5,869,177	2,624,562
Increase in receivables and advances—noncurrent, net	8,512,906	4,537,356
Other	915,882	256,471
	$140,737,889	$115,153,289
(Decrease) Increase in working capital	(15,449,099)	26,263,412
Total	$125,288,790	$141,416,701

Working Capital

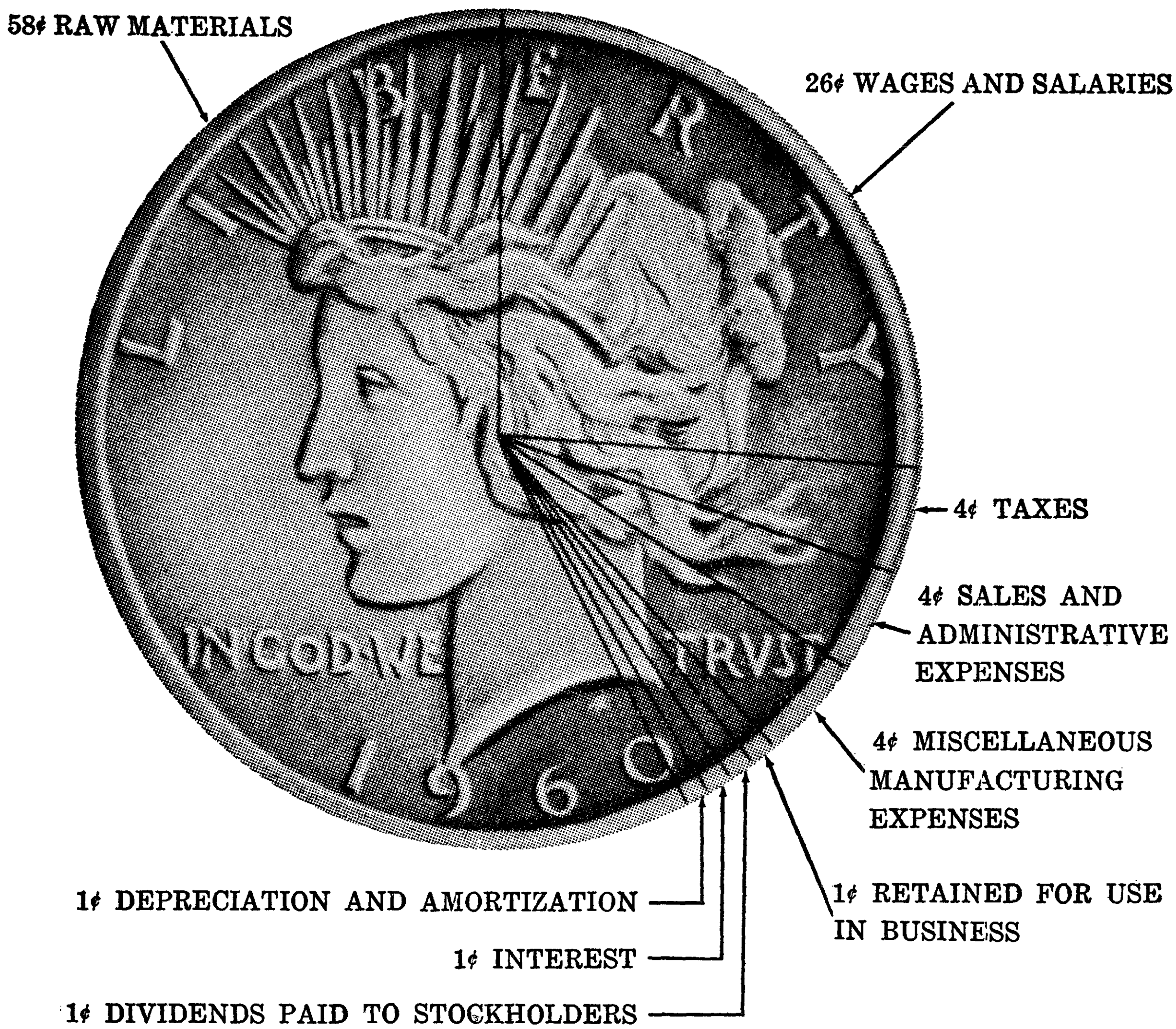
Sources of Working Capital:	1960	1959
From Operations:		
Net earnings for the year	$ 9,477,669	$ 12,971,103
Depreciation of trailers leased to customers	3,272,079	3,731,953
Depreciation and amortization of plant and equipment	3,623,904	3,999,242
Other	37,966	95,868
Total from Operations	$ 16,411,618	$ 20,798,166
From sale of Common Stock to employees under Restricted Stock Option Plans	886,610	1,799,064
	$ 17,298,228	$ 22,597,230
Application of Working Capital:		
Cash dividends—4% Preferred Stock	$ 313,500	$ 314,180
Cash dividends—Common Stock	8,116,128	2,015,145
Sinking fund requirements and payments on debentures	5,838,000	1,780,000
Cost of Preferred Stock acquired	132,438	—0—
Trailers transferred from inventory and leased to customers, less disposals	4,970,812	1,858,273
Additions to property, plant and equipment	4,384,240	4,917,883
Increase (decrease) in investments in and amounts due from subsidiaries not consolidated	(2,653,620)	1,708,081
Decrease (increase) in amounts payable to Fruehauf Trailer Finance Company, secured by pledge of leased trailer rentals	(1,667,942)	1,907,663
Decrease (increase) in deferred taxes on income	(447,461)	245,020
Increase (decrease) in miscellaneous accounts and investments	(412,300)	1,735,485
	$ 18,573,795	$ 16,481,730
Net Increase (Decrease) in Working Capital for the Year	$ (1,275,567)	$ 6,115,500
Working Capital—at beginning of year	85,711,023	79,595,523
Working Capital—at end of year	$ 84,435,456	$ 85,711,023

FRUEHAUF TRAILER COMPANY AND CONSOLIDATED SUBSIDIARIES

SUMMARY OF BLUE BELL OPERATIONS

	1960	1959
What we took in		
From the sale of work and play clothes	$62,518,525	$68,251,299
What we paid out		
For the raw materials we used	$36,200,190	$40,886,878
For wages and salaries	16,436,919	17,494,624
For sales and administrative expenses	2,379,773	2,216,597
For miscellaneous manufacturing expenses	2,178,479	2,191,698
For interest on money we borrowed	657,082	641,077
Came to a total of	$57,852,443	$63,430,874
That left us a balance of	$ 4,666,082	$ 4,820,425
Of the balance		
We paid out in taxes	$ 2,482,387	$ 2,589,960
Allocated toward depreciation and amortization	846,836	728,781
Paid to our stockholders in dividends	554,059	555,812
Retained for use in our business	782,800	945,872
Book Value—Common Stock outstanding at November 30	$26.30	$25.12
Earned per share	$ 1.94	$ 2.16

THE BLUE BELL DOLLAR



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.

Codification of Statements on Auditing Procedure (1951) issued by the committee on auditing procedure of the American Institute of Certified Public Accountants in its discussion of auditors' reports states in part that "While this short-form report is not always appropriate verbatim, it is recommended that the substances of its phrases be used unless inappropriate in the particular case."

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, 1960 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 SHORT-FORM

The survey of the 600 annual reports for the year 1960 indicated that all of the companies contained the recommended short-form auditors' report or its modified version. The various other forms of auditors' reports formerly presented, of which there were 16 in 1950 as shown in Table 1, have now been eliminated

TABLE 1: SHORT-FORM AUDITORS' REPORT

Number of Reports with:	1960	1959	1955	1950
"Recommended Short-Form of Report" with scope set forth in first paragraph and opinion stated in a following paragraph:				
Adopted—				
In full	230	220	234	251
With minor wording variations	269	279	259	265
	499	499	493	516
"Modified Short-Form Report" with *opinion* stated in opening sentence of a single paragraph form	100	97	92	65
"Modified Short-Form Report" with *opinion* stated in first paragraph and *scope* set forth in a following paragraph	1	4	2	3
Various other forms	—	—	13	16
Total	600	600	600	600

in the trend toward uniformity in this respect. The recommended short-form has been used in 499 reports, and 101 used the modified version, in the year under review.

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 269 of the 499 reports which used the recommended short-form for the year 1960. Among these variations were the following items, which are summarized below.

91 reports modified the phrase "for the year then ended" in the scope paragraph to read "for the year ended . . . (date shown)" (*Co. Nos. 86, 163, 298, 412, 444, 462).

104 reports used in the opening sentence of the report the words "at" or "as at" instead of "as of" (*Co. Nos. 202, 232, 343, 348, 441, 478).

63 reports refer to "similar examinations for the preceding year" (*Co. Nos. 27, 156, 214, 310, 371, 408).

56 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. 98, 117, 150, 349, 481, 526).

28 reports used the phrase "for the fiscal year" instead of "for the year then ended" (*Co. Nos. 31, 173, 285, 313, 547, 585).

17 reports shortened the last clause in the opinion paragraph to read "generally accepted principles applied on a consistent basis" (*Co. Nos. 155, 253, 293, 328, 375, 500).

10 reports included in the last clause the words "in all material respects" with regard to the consistency phrase (*Co. Nos. 72, 74, 205, 259, 308, 502).

43 reports substituted "financial statements" or "the accompanying statements" for "balance sheet," etc. (*Co. Nos. 1, 22, 83, 195, 305, 463).

"GENERALLY ACCEPTED AUDITING STANDARDS"

Generally Accepted Auditing Standards—Their Significance and Scope was the subject of a special report (1954) by the committee on auditing procedure of the American Institute of Certified Public Accountants, the introduction to which starts as follows:

> Auditing standards may be said to be differentiated from auditing procedures in that the latter relate to acts to be performed, whereas the former deal with measures of the quality of the performance of those acts, and the objectives to be attained in the employment of the procedures undertaken. *Auditing standards* as thus distinct from *auditing procedures* concern themselves not only with the auditor's professional qualities but also with his judgment exercise in the conduct of his examination and his reporting thereon.

Table 2 indicates that only 1 of the 600 survey companies' annual reports qualified the recommended report statement that the auditors' examination has been made "in accordance with generally accepted auditing standards." In this report (*Co. No. 25) the auditors stated that:

> . . . Our examination of these statements was made in accordance with generally accepted auditing stand-

*Refer to Company Appendix Section.

TABLE 2: AUDITING STANDARDS

Auditors' Report:	1960	1959	1955	1950
States that the examination was made in accordance with "generally accepted auditing standards"	599	599	591	593
States that the examination was made in accordance with "generally accepted auditing standards" with certain exceptions	1	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	—	—	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

ards except that owing to special conditions no confirmations were obtained from customers in certain foreign countries; however, our test check of the records supporting these balances indicated that they were stated properly. The examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 second sentence of the scope paragraph of the independent auditors' report reads as follows:

"Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and *such other auditing procedures* as we considered necessary in the circumstances."

The committee on auditing procedure of the American Institute of Certified Public Accountants in 1956 issued *Bulletin No. 26—Reporting on Use of "Other Procedures"* which states in part:

*Refer to Company Appendix Section.

1. In 1939 the membership of the Institute approved the extension of auditing procedures to require observation of inventories and confirmation of receivables where either of these assets represents a significant proportion of the current assets or of the total assets of a concern.

2. These procedures were thus established as an integral part of generally accepted auditing procedures. Failure to apply them, where they are practicable and reasonable, in general precludes expression of an opinion on the fairness of the financial statements taken as a whole.

As will be noted in Table 3, only one of the auditors' reports of the 600 survey companies omitted reference to "such other auditing procedures." However, 48 of these reports, for the year 1960, also referred to the omission of certain normal auditing procedures, stating in most cases that other procedures were employed.

Omission of Auditing Procedures

Table 4 discloses that 48 auditors' reports of the 1960 survey companies revealed 52 instances of omission of certain normal auditing procedures. Of these, 48 omissions pertained to the confirmation of accounts receivable, including 42 with regard to U.S. Government accounts, in which it was stated that other auditing procedures had been applied.

Eight of the 48 reports mentioned above did not contain the phrase "we have satisfied ourselves by

TABLE 3: AUDITING PROCEDURES

Auditors' Report:	1960	1959	1955	1950
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	551	556	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 (*Co. Nos. 179, 351, 399)	3	1	4	5
B. Refers to the omission of certain normal auditing procedures and the employment of *other* procedures	43	40	52	24
C. Refers to the omission of certain normal auditing procedures, the employment of *other* procedures, and *describes* such procedures (*Co. Nos. 25, 44)	2	2	3	3
	599	599	593	590
Indicates that the examination *included all procedures which were considered necessary*	—	—	4	6
States "have examined or tested accounting records of the company and other supporting evidence by methods and to the extent deemed appropriate"	—	—	2	2
Omits reference to "such other auditing procedures" or phrase similar in meaning thereto (*Co. No. 317)	1	1	1	2
Total	600	600	600	600

*Refer to Company Appendix Section.

means of other auditing procedures." This wording was recommended in Statement No. 26 issued by the Institute's committee on auditing procedure in 1956. Five of these eight reports (*Co. Nos. 25, 44, 92, 378, 509) indicated or implied their satisfaction by the use of other terms. The remaining three reports stated that the auditors omitted certain normal procedures and the reports did not refer to other procedures used (*Co. Nos. 179, 351, 399).

Representative examples are as follows:

Confirmation of Accounts Receivable—U.S. Government

Board of Directors,
Beech Aircraft Corporation:

We have examined the consolidated financial statements of Beech Aircraft Corporation and its subsidiaries for the year ended September 30, 1960. 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 is not the general practice of the United States Government to confirm amounts owing by it; consequently, as to the accuracy of receivables from the Government, we satisfied ourselves by other auditing procedures.

In our opinion the accompanying balance sheet and statement of income and earned surplus present fairly the consolidated financial position of Beech Aircraft Corporation and its subsidiaries at September 30, 1960, 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.—*November 17, 1960.*

To the Board of Directors,
Republic Aviation Corporation:

We have examined the consolidated statement of financial condition of Republic Aviation Corporation and its Subsidiary as of December 31, 1960, and the related statement of income and summary of income retained and 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. It was not practicable to confirm receivables from the United States Government, as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the accompanying statement of financial condition and statement of income and summary of income retained and employed in the business present fairly the consolidated financial position of Republic Aviation Corporation and its subsidiary at December 31, 1960, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—March 3, 1961.*

The Board of Directors and Stockholders,
Textron Inc.:

We have examined the accompanying consolidated balance sheet of Textron Inc. at December 31, 1960 and the related consolidated 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. It was not practicable to confirm amounts due from the U.S. government, as to the substantial accuracy of which we satisfied ourselves by means of other auditing procedures.

*Refer to Company Appendix Section.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Textron Inc. at December 31, 1960 and the consolidated results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 15, 1961.*

Confirmation of Accounts Receivable—Foreign Accounts

To the Board of Directors and the Stockholders of American Bank Note Company:

In our opinion, the accompanying statements present fairly the consolidated financial position of American Bank Note Company and its subsidiary companies at December 31, 1960 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards except that owing to special conditions no confirmations were obtained from customers in certain foreign countries; however, our test check of the records supporting these balances indicated that they were stated properly. The examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Auditors—February 23, 1961.*

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, 1960, 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 praticable 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, 1960, 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' Opinion—February 20, 1961.*

Confirmation of Accounts Receivable—Various Other

To the Stockholders Art Metal, Inc.:

We have examined the consolidated financial statements of Art Metal, Inc. and its consolidated subsidiaries for the five months' period ended May 31, 1960. (The fiscal year was changed from December 31 to May 31). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; however, it was not practicable, because of the elapsed time between May 31, 1960, and the date of our report, to confirm receivables, as to which we have satisfied ourselves by means of other auditing procedures.

In our opinion, the accompanying balance sheet and statements of income, capital surplus and retained earnings present fairly the consolidated financial position of Art Metal, Inc. and consolidated subsidiary at May 31, 1960, and the consolidated results of operations for the five months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 9, 1961.*

Board of Directors The Garrett Corporation:

We have examined the consolidated financial statements of The Garrett Corporation and consolidated subsidiary for the year ended June 30, 1960. 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 consolidated subsidiary at June 30, 1960, 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 19, 1960.*

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 subsidiaries as of December 31, 1960 and the related consolidated statements of earnings, additional paid-in capital, 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.

Inventory quantities and pricing were independently determined and certified by The American Appraisal Company in respect to inventories totaling \$7,608,871 at the beginning of the year and \$7,306,050 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 \$1,539,177 at the beginning of the year and \$1,833,880 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 retained earnings, together with the related notes, present fairly the consolidated financial position of American Seating Company and its subsidiaries at December 31, 1960 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 14, 1961.*

Verification of Investment in Subsidiary

To the President and Directors of
The Cuban-American Sugar Company

We have examined the accompanying statement of consolidated assets and liabilities of The Cuban-American Sugar Company and its domestic subsidiaries at September 30, 1960 and the related consolidated income and earned surplus statements for the year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Attention is directed to the fact that seizure by the Cuban Government of the assets and accounting records of the company's Cuban subsidiaries has precluded us from examining the accounts of such subsidiaries. As indicated in Note 1, it is impossible to estimate what amounts, if any, may be recovered as compensation for the seized properties, and as shown in the consolidated earned surplus statement the company's equity in its Cuban subsidiaries has been eliminated.

In our opinion, with the foregoing explanation, the accompanying statements present fairly the consolidated financial position of The Cuban-American Sugar Company and its domestic subsidiaries at September 30, 1960 and the results of their opeartions for the year, in conformity with generally accepted accounting principles.—*December 6, 1960.*

Explanation of Auditing Procedures

As shown in Table 4, only one company (*Co. No. 470) provided explanation of certain normal auditing procedures, as follows:

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, 1960, 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, 1960, 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 Accountants—January 27, 1961.*

STANDARDS OF REPORTING

In September 1960 the committee on auditing procedure of the American Institute of Certified Public Accountants issued *Bulletin No. 30 . . . Examination of Financial Statements,* from which the following paragraphs are quoted:

1. The objective of the ordinary examination of financial statements by the independent auditor is the expression of an opinion on the fairness of their presentation. The report is the medium through which he expresses such opinion. This examination is made in accordance with generally accepted auditing standards. Such standards require him to state in his report whether, in his opinion, the financial statements are presented in accordance with generally accepted principles of accounting and whether such principles have been consistently observed in the preparation of the financial statements of the current period in relation to those for the preceding period.

3. In the observance of generally accepted auditing standards, the independent auditor must exercise his judgment in determining the auditing procedures which are necessary in the circumstances to afford a reasonable basis for his opinion. His judgment is required to be the informed judgment of a qualified professional person.

The same committee previously issued a special report in 1954—*Generally Accepted Auditing Standards—Their Significance and Scope,* which stated among other things that:

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

In accordance with the recommended standards of reporting all of the auditors' reports included in this survey, contained the statement that the "financial statements were presented in conformity with generally accepted principles of accounting." However, inasmuch as this survey does not cover "regulated" companies, examples of exceptions in the latter field are not presented.

Accounting Principles Consistently Observed

The number of reports revealing exceptions to the

*Refer to Company Appendix Section.

TABLE 4: AUDITING PROCEDURES

Normal Procedures Omitted	1960	1959	1955	1950
Confirmation of Accounts Receivable, with report—				
Stating that other procedures were employed:				
For government accounts (*Co. Nos. 73, 134, 284, 348, 411, 574)	42	42	48	23
For foreign accounts (*Co. No. 249)	1	1	1	3
For other accounts (*Co. Nos. 65, 196, 241, 411)	4	3	2	—
Detailing the other procedures employed for foreign accounts (*Co. No. 25)	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	—	—	3	1
Detailing the other procedures employed (*Co. No. 44)	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. Nos. 179, 351, 399)	3	—	1	2
Total	52	48	60	35
Normal Procedures Explained				
Confirmation of Accounts Receivable or Payable	—	—	2	6
Observation and Test of Inventories (*Co. No. 470)	1	1	6	12
Verification of:				
Cash or securities	—	—	—	5
Investment in subsidiaries or property accounts	—	—	—	2
Total	1	1	8	25
Number of Reports:				
Containing no reference to the omission of auditing procedures and no explanation regarding auditing procedures employed	550	556	534	552
Containing no reference to the omission of auditing procedures with supplementary explanation of certain normal auditing procedures employed	1	1	6	13
Referring to the omission of certain normal auditing procedures	48	43	59	32
Omitting reference to "auditing procedures"	1	—	1	3
Total	600	600	600	600

*Refer to Company Appendix Section.

consistent application of generally accepted accounting principles as set forth in Table 5 indicates that there were 50 in 1960.

Six of these reports stated that generally accepted principles of accounting had been consistently observed in the current period after the restatement of prior years' figures.

Examples selected from 1960 reports illustrating the treatment of these exceptions are set forth in this section under Examples of Qualified Opinions—Principles of Consolidation Consistent After Restatement of Prior Years' Figures.

EXPRESSION OF OPINION

Complementary to the recommendations of the Institute's committee on auditing procedure quoted under "Standards of Reporting" earlier in this section, Regulation S-X of the Securities and Exchange Commission Rule 2-02 requires:

> (c) *Opinions to be expressed.*—The accountant's certificate shall state clearly: (i) the opinion of the accountant in respect of the financial statements covered by the certificate and the accounting principles and practices reflected therein; (ii) the opinion of

TABLE 5: STANDARDS OF REPORTING

Auditors' Report:	1960	1959	1955	1950
Generally Accepted Principles of Accounting				
States that the financial statements are presented in accordance with generally accepted principles of accounting	600	600	599	599
Sets forth exceptions to the presentation of the financial statements in accordance with generally accepted principles of accounting	—	—	1	1
Total	600	600	600	600
Principles Consistently Observed				
States that generally accepted principles of accounting have been consistently observed in the current period in relation to the preceding period	549	548	515	507
States that generally accepted principles of accounting have been consistently observed in the current period after the restatement of prior year's figures (*Co. Nos. 116, 137, 330, 471, 500, 550)	6	5	—	—
Sets forth certain exceptions to the consistent observation of generally accepted principles of accounting in the current period in relation to the preceding period	44	47	85	92
Omits reference to consistent observation of generally accepted principles of accounting (*Co. No. 179)	1	—	—	1
Total	600	600	600	600
Informative Disclosures				
Contains informative disclosures or explanatory remarks	19	21	25	21
Does not contain informative disclosures or explanatory remarks	581	579	575	579
Total	600	600	600	600
Expression of Opinion				
Contains an unqualified expression of opinion	530	526	503	489
Contains a qualified expression of opinion	70	74	97	111
Total	600	600	600	600

*Refer to Company Appendix Section.

the accountant as to any material changes in accounting principles or practices or method of applying the accounting principles or practices, or adjustments of the accounts, required to be set forth . . .; and (iii) the nature of, and the opinion of the accountant as to, any material differences between the accounting principles and practices reflected in the financial statements and those reflected in the accounts after the entry of adjustments for the period under review.

(d) *Exceptions.*—Any matters to which the accountant takes exception shall be clearly identified, the exception thereto specifically and clearly stated, and, to the extent practicable, the effect of each such exception on the related financial statements given.

An unqualified expression of opinion was given in 530 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 in the 70 auditors' reports there were 80 instances of qualifications, 56 of which related to consistency and 24 as to fair presentation. Changes in accounting for depreciation and for various other income and cost items, changes in principles of consolidation and in inventory pricing methods, remained in 1960, as in previous years, the principal reasons for the consistency qualifications; whereas the main cause for qualifications as to fair presentation was specific contingencies with regard to Federal Income Taxes or matters in litigation.

There were no denials of opinion regarding the financial statements of any of the 600 survey companies. The following example illustrates a disclaimer of opinion regarding the financial statements of an unconsolidated subsidiary taken from the report of one of the survey companies (*Co. No. 571).

To The Board of Directors
Crawford Clothes, Inc.:

We have examined the consolidated balance sheet of Crawford Clothes, Inc. and subsidiary companies as at December 31, 1960, and the related consolidated statement of operations and surplus/deficit for the year then ended. These financial statements have been prepared by the Company on a going concern basis. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*Refer to Company Appendix Section.

TABLE 6: AUDITORS' OPINION QUALIFIED

Reason for Qualification*	1960	1959	1955	1950
Changes in Consistent Application of or Deviations from Generally Accepted Principles of Accounting				
A: Lifo inventory method—initial adoption or readoption	—	2	5	47
Lifo inventory method—abandonment or modification	5	7	3	14
B: Other methods of inventory valuation	5	5	7	3
C: Fixed assets	1	2	1	1
D: Other assets	1	5	2	—
E: Liabilities	1	—	—	1
F: Deferred Credit or Surplus adjustments	5	—	—	—
Income and Expense:				
G: Deferred income	3	2	1	—
H: Vacation pay deduction	2	1	7	—
I: Depreciation, depletion, amortization	9	15	48	5
J: Other income and cost items	13	10	14	21
K: Principles of consolidation	11	18	10	6
Total	56	67	98	98
Reasons for Qualification as to Fair Presentation:				
L: Federal Income Taxes	7	16	8	15
M: Contingencies, uncertainty, litigation	15			
N: Scope of examination	—	—	1	2
O: Miscellaneous	2	2	2	1
Total	24	18	11	18
Number of Auditors' Reports Containing:				
An unqualified expression of opinion	530	526	503	489
A qualified expression of opinion	70	74	97	111
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 79, 116, 286, 365, 549
B: Co. Nos. 89, 224, 395, 543, 550
C: Co. No. 549
D: Co. Nos. 121
E: Co. No. 443
F: Co. Nos. 118, 121, 204, 387, 449
G: Co. Nos. 397. 457 483
H: Co. Nos. 276, 579
I: Co. Nos. 82, 129, 140, 232, 420, 447
J: Co. Nos. 127, 152, 196, 413, 559, 574
K: Co. Nos. 39, 137, 215, 330, 372, 561
L: Co. Nos. 21, 235, 255, 262, 272, 278
M: Co. Nos. 100, 216, 272, 410, 507, 571
O: Co. Nos. 159. 341.

Reference is made to the information in Note A with respect to the past and expected operating losses of the companies. As more fully set forth therein, since acquisition of its outstanding capital stock by United Whelan Corporation in February 1959, the Company has been carrying out a program of reorganization, rehabilitation and closing down of unprofitable stores. During that time the Company and its subsidiaries have sustained consolidated net losses (including special items in 1959) in the amounts of $2,537,157 for the period from February 3, 1959 to December 31, 1959 and $1,203,625 for the year ended December 31, 1960, before providing for future rental obligations on certain store premises, where the stores have been closed and no income is being received other than a minor amount of sub-rentals. Unaudited financial statements subsequent to December 31, 1960 indicate that the Company and its subsidiaries have sustained further operating losses, and we have been informed by the management that losses have since continued and are expected to continue. In view of the foregoing matters, the consolidated financial statements of the Company and its subsidiaries as at December 31, 1960, and for the year then ended, may not be adequately indicative of their present consolidated financial position and may not adequately reflect all losses attributable to operations during the year ended December 31, 1960.

In our opinion, the accompanying financial statements have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, other than as may be affected by the matters referred to in the preceding paragraph; however, because of the possible material effect of such matters upon the consolidated financial position and consolidated results of operations, we are precluded from expressing an opinion with respect to the fairness of the overall presentation of the consolidated financial position as at December 31, 1960 and the consolidated results of operations for the year then ended.—*Accountants' Report—March 3, 1961.*

Note A: Operating and Other Losses—Since its acquisition by United Whelan Corporation on February 2, 1959, the Company has been carrying out a program of reorganization, rehabilitation and closing down of unprofitable stores; in this connection, during the period from February 3, 1959 to December 31, 1959, the Company provided $1,066,261 for losses on liquidation of inventories and for other unusual costs and expenses. In addition the Company incurred operating losses of $1,470,896 for the period ended December 31, 1959 and $1,203,625 for the year ended December 31, 1960. Operating losses of substantial amount have been incurred since December 31, 1960 and are expected to continue. The management states that it is continuing intensive studies of the over-all problems of the Company in the light of the foregoing.

As at December 31, 1960, the Company was the lessee of two store locations no longer occupied by it, under leases expiring in 1967 and 1979, for which the aggregate future rental obligations (net of sub-rentals but including estimated real estate taxes) were approximately $1,400,000; the accompanying financial statements do not include any provision for such amount.

Examples of Qualified Opinions

The examples which follow illustrate the presentation of qualified opinions in the 1960 annual reports.

CONSISTENCY IN APPLICATION OF ACCOUNTING PRINCIPLES

Changes in Inventory Pricing

Basic Products Corporation:

We have examined the consolidated balance sheet of Basic Products Corporation and its wholly-owned subsidiaries as of July 31, 1960 and the related statements of consolidated income and income reinvested 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 statements of consolidated income and income reinvested present fairly the financial position of the companies at July 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change in the method of valuing inventories explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.—*Accountants' Opinion—August 31, 1960.*

Note 2: On August 1, 1959, the Company adopted the policy of determining the cost of all malt and grain inventories on the "first-in, first-out" method. Previously, the cost of malt and grain inventories had been determined principally on the "last-in, first-out" method. The restatement of the August 1, 1959 inventories resulted in a credit of $638,168 net of income taxes, which has been recorded as a special income credit in the accompanying financial statements. Had such change not been made, the net income for the current year, before and after income taxes would have been approximately $160,000 and $72,000, greater, respectively.

To the Shareholders and Directors of
Bell & Gossett Company:

We have examined the balance sheet of Bell & Gossett Company and Subsidiary Companies as of November 30, 1960, and the related statements of earnings 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. The comparative figures for the preceding years were taken from statements similarly examined.

In our opinion, the accompanying statements present fairly the financial position of Bell & Gossett Company and Subsidiary Companies as of November 30, 1960, 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 years except for the change, of which we approve, in the method of valuing product in process inventory as described in Note 1 to the financial statements.—*Report of Certified Public Accountants—January 16, 1961.*

Note 1: Prior to the year ended November 30, 1960, the Company had consistently followed the practice of valuing its "product in process" inventory at its material and labor cost only. At November 30, 1960 this inventory was valued on a basis which includes applicable manufacturing overhead costs in addition to the material and labor costs. For the determination of income, this inventory was revalued at the beginning of the year ended November 30, 1960, with no material change in earnings reported as compared to the basis previously followed. As a result of this change in inventory valuation "Earnings Retained" have been increased by $251,261, the net accumulated amount of this adjustment applicable to prior years.

Board of Directors and Stockholders
Hercules Motors Corporation:

We have examined the financial statements of Hercules Motors Corporation for the year ended July 31, 1960. 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 accumulated income retained for use in the business present fairly the financial position of Hercules Motors Corporation at July 31, 1960, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, which, except for the change in accounting procedure as explained in Note A to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—September 30, 1960.*

Note A: The corporation changed its policy of pricing inventories from the last-in, first-out method to the first-in, first-out method, thereby increasing the amount stated for inventories at July 31, 1960 by $675,806. This change had the effect of reducing the net loss for the year ended July 31, 1960 by $130,588. The related adjustment of the value of inventories at August 1, 1959, which amounted to $545,218, is shown in the income statement as a special item.

The Directors
Thompson Ramo Wooldridge Inc.:

We have examined the consolidated balance sheet of Thompson Ramo Wooldridge Inc. and subsidiaries as of December 31, 1960, and the related statements of consolidated income and shareholders' investment 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 all amounts receivable from the United States Government and certain other customers, but we satisfied ourselves as to such amounts by means of other auditing procedures.

We made a similar examination of the consolidated financial statements of Thompson Ramo Wooldridge Inc. and subsidiaries for the year 1959.

In our opinion, the accompanying balance sheet and statements of income and shareholders' investment present fairly the consoliadted financial position of Thompson Ramo Wooldridge Inc. and its subsidiaries at December 31, 1960, 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 method of pricing certain inventories (as explained in Note A) have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 20, 1961.*

Note A: The statement of consolidated income for the year 1960 includes the results of operations for the entire year of Good-All Electric Mfg. Co. and its subsidiaries acquired by Thompson Ramo Wooldridge Inc. (The Company) during the year in a pooling of interests. If the results of operations of Good-All Electric Mfg. Co. for the year 1959 had been combined with those of the Company and its other subsidiaries, the effect on reported net income for that year would have been insignificant.

Net income for the year 1960 includes a non-recurring credit of approximately $980,000 resulting from a change in the method of pricing the inventory of a subsidiary to conform with pricing practices followed by the Company and its other subsidiaries.

TABLE 7: AUDITORS' SPECIFIC APPROVAL OR DISAPPROVAL

of Changes in Consistent Application of or Deviation from Generally Accepted Principles of Accounting

Nature of Change or Deviation**	1960*			1959*			1955*			1950*		
	A	D	N	A	D	N	A	D	N	A	D	N
Lifo inventory method—initial adoption or re-adoption	—	—	—	2	—	—	5	—	—	41	—	6
Lifo inventory method—abandonment or modification	1	—	4	6	—	1	3	—	—	13	—	1
Other methods of inventory valuation	3	—	2	2	—	3	7	—	—	3	—	—
Fixed assets	—	—	1	1	—	1	1	—	—	1	—	—
Other assets	1	—	—	2	—	3	1	—	1	—	—	—
Liabilities	1	—	—	—	—	—	—	—	—	—	—	1
Deferred Credits or Surplus adjustments	5	—	—	—	—	—	—	—	—	—	—	—
Income and Expense:												
Deferred income	2	—	1	2	—	—	1	—	—	—	—	—
Vacation pay deduction	2	—	—	1	—	—	4	—	3	—	—	—
Depreciation, depletion, amortization	8	—	1	13	—	2	37	—	11	4	1	—
Other income and cost items	9	—	4	4	—	6	8	1	5	17	2	2
Nature of Change or Deviation**												
Principles of consolidation	9	—	2	17	—	1	7	—	3	3	—	3
Total	41	—	15	50	—	17	74	1	23	82	3	13

*Summary of Auditors' Approval or Disapproval	1960	1959	1955	1950
A—Approved	41	50	74	82
D—Disapproved	—	—	1	3
N—Neither approved nor disapproved	15	17	23	13
Total	56	67	98	98

*Refer to Table 6 for reference to company numbers.

To the Board of Directors
National Company, Inc.:

We have examined the consolidated balance sheet of National Company, Inc. and subsidiary companies as of December 31, 1960, and the related consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements fairly present the financial position of the companies at December 31, 1960, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting method described in Note 3 to the financial statements, in which we concur.—*Certificate of Auditors—March 9, 1961.*

Note 3: The year 1960 is the first full year in which sales of the parent company were entirely for government use. Because of the advanced technical nature of the products involved, sales of foreseeable future years are expected to follow the same general pattern. Therefore, starting in 1960 the parent company has elected to treat general and administrative expenses (recognized as an element of cost by government procurement regulations) as a part of inventory or development costs of anticipated government orders. The effect of ths modification was to increase reported net income for 1960 by $29,800 after taxes.

Changes in the Accounting for Other Assets and Liabilities

To the Stockholders of
Merritt-Chapman & Scott Corporation:

In our opinion, the accompanying statements present fairly the consolidated financial position of Merritt-Chapman & Scott Corporation and its subsidiaries at December 31, 1960 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 the manner of recording billings on shipbuilding contracts, as described in Note 1 to the financial statements. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Public Accountants—March 1, 1961.*

Note 1: The consolidated financial statements for both years include the financial statements of the company and all majority-owned subsidiaries. The 1959 financial statements include the results of six months of operations of Higgins, Inc. in which New York Shipbuilding Corporation acquired an interest of approximately 90% of the common stock.

Beginning in 1960, billings on shipbuilding contracts have been revised to include amounts retained by customers, primarily the

U. S. Government. This change has no effect on reported income or losses since income and losses on contracts are computed without regard to amounts retained. Comparative statements for 1959 give effect to such change. If this change had not been made, 1960 revenues would have been $5,030,944 more and 1959 revenues $8,677,055 less. Accordingly, retainages receivable at the end of 1960 and 1959 have been included in accounts receivable in the financial statements for the first time.

To the Board of Directors of Continental Materials Corporation:

We have examined the consolidated balance sheet of Continental Materials Corporation, a Delaware corporation, and its wholly-owned subsidiaries as of December 31, 1960 and the related consolidated statement of operations and consolidated statements of 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 related consolidated statement of operations and consolidated statements of surplus present fairly the financial position of Continental Materials Corporation and its wholly-owned subsidiaries at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the special provision for loss referred to in Note 2 of notes to financial statements herein.—*March 30, 1961.*

Note 2: The operations of the company's subsidiaries engaged in the manufacture, development and use of a new building material resulted in an operating loss of $1,042,022 for the year 1960. Because these operations have not proved profitable the properties and inventories of these companies have been written down to estimated liquidating values by a special provision for loss in the amount of $940,000. Total cumulative losses from these operations (including the special provision aforementioned) to December 31, 1960 were $3,496,759.

Balance Sheet—Current Assets

Properties and inventories of companies engaged in the manufacture, development and use of a new building material (Note 2)	$1,166,269.86
Less allowance for loss and liquidating valuation	940,000.00
	$ 226,269.86

To the Stockholders and Board of Directors of Pittsburgh Brewing Company:

We have examined the balance sheet of Pittsburgh Brewing Company as of October 31, 1960 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of the Company at October 31, 1960 and the results of its operation for the year then ended, in conformity with generally accepted accounting principles which except for the appropriate change in the method of accounting for reacquired bonds referred to in Note 2 have been applied on a basis consistent with that of the preceding year.—*November 14, 1960.*

Note 2: 5% Sinking Fund Income Subordinated Debentures Due October 31, 1992—Pursuant to the Plan of Reorganization adopted by the Board of Directors on November 27, 1957, the Company issued $5,227,100.00 par value of 5% Sinking Fund Income Subordinated Debentures due October 31, 1992. In accordance with the provisions of the Trust Indenture for the bonds, the Corporation is required to make annual cash payments to the Sinking Fund agent of an amount equal to 10% of the Consolidated Net Income after Interest and Taxes on Income for the preceding fiscal year; or in lieu of all or any part of such cash payments, the Corporation may deliver to the Sinking Fund agent reacquired Debentures. A Sinking Fund payment of $100,000.00 from reacquired Debentures was made to the Trustee in April 1960. The payment for 1959 was in excess of the minimum as required by the Indenture and an additional payment of at least $97,591.00 for the current year representing 10% of the net income after taxes will be due and payable to the Trustee on or before April 15, 1961.

Under the Indenture for the 5% Debentures, $1,554,212.00 of Earned Surplus, the balance at October 31, 1955, cannot be used for the payment of dividends.

Prior to October 31, 1959, the Company reflected reacquired bonds at cost and recognized the excess of principal amount over cost only as the bonds were retired through the Sinking Fund. During the year ended October 31, 1960, the Company amended its method of accounting for reacquired bonds to reflect such bonds at face value and include in income the excess of principal amount over cost of bonds reacquired less applicable Federal income taxes. Appropriate adjustments were also made for bonds reacquired in 1959 and 1958, and where applicable, the financial statements for 1959 have been restated to reflect this change. The effect of this change has been to state reacquired bonds in treasury in the principal amounts of $1,307,200.00 (cost $1,038,459.86) in 1960 and $294,450.00 (cost $218,392.25) in 1959 as a deduction from long term debt in the Balance Sheet, and to reflect the excess of principal amount over cost ($220,853.00 in 1960 and $42,446.00 in 1959) as well as applicable income taxes ($120,844.00 in 1960 and $23,225.00 in 1959) in the income account.

Deferred Credit or Capital Surplus Adjustments

The Board of Directors Dura Corporation:

We have examined the consolidated balance sheet of Dura Corporation and subsidiaries as of July 31, 1960 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 statements of consolidated earnings and retained earnings present fairly the financial position of Dura Corporation and subsidiaries at July 31, 1960 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, as revised with our approval as explained in note 3 to the financial statements relating to treatment of the excess of equity in net assets of subsidiaries at date of acquisition over cost of the investment.—*Accountants' Report—September 19, 1960.*

Note 3: In accordance with a recent change in accepted accounting practice, the excess of equity in the net assets (at book value) of subsidiaries at date of acquisition over cost of the investment, previously carried as a separate item as part of the stockholders' investment, has been reclassified to a deferred credit account and is now being taken into earnings ratably over the estimated lives of the depreciable properties acquired in the purchases (subject to a limitation of 20 years). Amortization of such excess in the amount of $130,387 (including $67,778 relative to the final liquidation in 1960 of properties of a former subsidiary) has been credited to other income in 1960. The figures for 1959 have been restated to reflect this change, with a resultant increase of $66,526 in the net earnings as previously reported for 1959, and a credit to retained earnings in the amount of $306,924 applicable to the period from the earliest acquisition in 1953 to July 31, 1958.

Board of Directors, Motor Products Corporation:

We have examined the consolidated financial statements of Motor Products Corporation and subsidiaries for the year ended June 30, 1960. 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 operations and retained earnings present fairly the consolidated financial position of Motor Products Corporation and subsidiaries at June 30, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change referred to in Note B, in which we concur, have been applied on a basis consistent with that of the preceding year.—*Certified Public Accountants—August 18, 1960.*

Note B: Deferred Acquisition Credit—The Corporation acquired all the outstanding capital stock of Aermotor Company as of June 3, 1958. From that date until June 30, 1959, consolidated stockholders' equity included $1,641,237.37 representing the excess value of subsidiary net assets at date of acquisition over cost. Effective July 1, 1959, the aforementioned amount was reclassified as a deferred credit which is being allocated to earnings over a period of five years.

The subsidiary was dissolved as of June 30, 1960, and its operations continued as a division.

The Board of Directors and Stockholders
Virginia-Carolina Chemical Corporation:

We have examined the consolidated balance sheet of Virginia-Carolina Chemical Corporation and consolidated subsidiaries as of June 30, 1960 and the related 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 certain receivables from agents and customers by communication with them but we satisfied ourselves as to such accounts by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of earnings and retained earnings present fairly the financial position of Virginia-Carolina Chemical Corporation and consolidated subsidiaries at June 30, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the changes (of which we approve) in the classification of prepaid expenses as current assets as set forth in Note 4 and the adjustment for estimated future tax benefits resulting from an excess of book depreciation over tax depreciation as set forth in Note 5(c) of notes to financial statements, have been applied on a basis consistent in all material respects with that of the preceding year.—*Report of Independent Public Accountants—August 12, 1960.*

Note 4: Prepaid Expenses—At June 30, 1960, certain repair parts; supplies; prepaid insurance, taxes, interest, etc., aggregating $882,199, have been classified in the balance sheet as a current asset whereas in prior years such items (in 1959, $817,220) were included in deferred charges (non-current). No reclassification has been made from deferred charges (non-current) with respect to significant items of machine parts which are carried as spares for major operational repairs.

Note 5(c)· As to the facilities acquired under Certificates of Necessity, the Corporation has consistently provided for the estimated additional tax which will be paid after June 30, 1960, the date at which the certified facilities became fully amortized for tax purposes. However, in the case of those property items for which book depreciation exceeds tax depreciation, no credit was taken prior to July 1, 1959 for possible future tax savings. In view of the settlement during the current year with the Internal Revenue Service of the Corporation's income tax returns for the years 1954, 1955, and 1956, and in contemplation of the possibility of bringing the book and tax depreciation into agreement after examination by the Internal Revenue Service of the Federal income tax returns for 1957, 1958, and 1959, full credit was taken in the current year for estimated future tax savings; accordingly, the tax provision for the year has been reduced by $294,900 for the tax effect of the current year's difference and $1,191,749, shown as a special credit, has been recorded in the accounts for the tax effect of the cumulative difference to June 30, 1959. As a result of this change in accounting practice the accounts now reflect an amount of $504,736 representing estimated future tax benefits (net) which is included in deferred charges in the balance sheet.

Changes in Accounting for Deferred Income

To the Shareholders of
Radio Corporation of America:

We have examined the accompanying statement of financial position of Radio Corporation of America and Consolidated Subsidiaries at December 31, 1960 and the related statements of earnings, reinvested 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 and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm receivables from the United States Government but we satisfied ourselves as to their substantial accuracy by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the financial position of Radio Corporation of America and Consolidated Subsidiaries at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in the method of accounting for profit on installment sales as explained in Note 1.—*Independent Public Accountants' Certificate—February 17, 1961.*

Note 1: Products and Services Sold—Products and services sold in 1960 include: interest, $4,224,000; dividends from Whirlpool Corporation, $1,622,000; dividends from wholly-owned foreign subsidiaries, $2,445,000; undistributed earnings of RCA Credit Corporation, wholly-owned subsidiary, $127,000; and other dividends and miscellaneous income, $278,000.

RCA changed its accounting practice in 1960 so as to record sales and gross profit on installment sales contracts at the time of sale rather than at the time cash was received. The change did not have a material effect on 1960 net profit.

Approximately 37% of product and service sales in 1960 were made under U.S. Government contracts which are subject to renegotiation of profits. No provision for renegotiation refunds is considered necessary for 1960 or prior years. Accounts receivable from the U.S. Government at December 31, 1960 totaled $51,072,000.

To the Board of Directors and the Stockholders of
Schenley Industries, Inc.:

We have examined the consolidated balance sheet of Schenley Industries, Inc. (a Delaware corporation) and domestic and Canadian subsidiary companies as of August 31, 1960, and the related statements of consolidated income and consolidated retained earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and consolidated retained earnings present fairly the financial position of Schenley Industries, Inc. and domestic and Canadian subsidiary companies as of August 31, 1960 and the results of their operations for the fiscal year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent, except for the change referred to in Note 2 to the financial statements, with that of the preceding year.—*Accountants' Report—October 28, 1960.*

Note 2: The Company sells certain whiskey in barrels in bond under agreements which provide for future bottling. In prior years, profits on such transactions were reflected as of the date of sale. The present Company policy, effective as of September 1, 1959, is to treat such profits as deferred income until the whiskey is bottled and shipped. This change in policy has been reflected retroactively in the financial statements by an adjustment of retained earnings as of August 31, 1959. Had the previous policy been in effect for the year ended August 31, 1960, net income reported in such year would have been increased by $2,065,181.

Changes in the Accounting for Depreciation, Depletion, and Amortization

To the Board of Directors
L. S. Ayres and Company:

We have examined the consolidated statement of financial condition of L. S. Ayres and Company and subsidiaries as at January 30, 1960, and the related consolidated statements of earnings and earnings retained in the business for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of a subsidiary company were examined by other public accountants, and have been included in the accompanying consolidated financial statements on the basis of the report of such accountants.

In our opinion, based upon the examination made by us and upon the report of other public accountants referred to above, the accompanying consolidated statements of financial condition, earnings and earnings retained in the business, together with the notes to financial statements, present fairly the consolidated financial position of L. S. Ayres and Company and subsidiaries at January 30, 1960, and the consolidated results of their operations for the years (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as to the change in method of computing depreciation commented upon in Note D, which change we approve.—*Accountants' Report —March 25, 1960.*

Note D: During the year (effective February 1, 1959) the Company adopted, for financial reporting purposes, the straight-line method of recording depreciation on certain new additions to buildings, fixtures, improvements and equipment acquired since January 1, 1954, in lieu of the accelerated methods of recording depreciation on such additions since that date; with the result that the aggregate charge for depreciation for the year ended January 30, 1960, is $348,743 less than it would have been had the rates applied been the same as in the preceding year. The effect of the foregoing was to increase net earnings by $123,199. The Company is continuing accelerated methods of depreciation for tax purposes; accordingly Federal income taxes amounting to $181,347 have been deferred for the year ended January 30, 1960.

To the Board of Directors,
M. H. Fishman Co., Inc.:

We have examined the consolidated balance sheet of M. H. Fishman Co., Inc. and subsidiary companies at December 31, 1960 and the related consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of income and retained earnings present fairly the financial position of M. H. Fishman Co., Inc. and subsidiary companies at December 31, 1960, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in the method of computing depreciation referred to in Note 3 to the Financial Statements.—*Accountants' Certificate—February 23, 1961.*

Note 3: In 1955 the company adopted the sum of the years' digits method of computing depreciation on certain fixed assets for statement purposes and for Federal income tax purposes. In 1960 depreciation has been computed on the straight line method for financial statements. The effect of this change was to reduce depreciation for 1960 by $108,666 and to increase net income for the year by $64,822. The tax credits applicable to the increased depreciation taken for Federal income tax purposes are carried on the balance sheet as Deferred Federal Income Taxes.

The Board of Directors and Stockholders
Celanese Corporation of America:

We have examined the consolidated balance sheet of Celanese Corporation of America and its domestic subsidiary companies as of December 31, 1960 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 consolidated statements of earnings and retained earnings present fairly the financial position at December 31, 1960 of Celanese Corporation of America and its domestic subsidiary companies and the results of their operations for the year then ended, in conformity with generally accepted accounting principles. Except for the change, which we approve, in the depreciation policy with respect to certain plants as explained in Note 3 to the financial statements, such principles have been applied on a basis consistent with that of the preceding year.—*Report of Independent Certified Public Accountants—February 10, 1961.*

To the Board of Directors
The Cuneo Press, Inc.:

In our opinion, the accompanying statements, together with the notes thereto, present fairly the consolidated financial position of The Cuneo Press, Inc. and its subsidiaries at January 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in provisions for depreciation and deferred federal income tax referred to in Note 2 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Auditors' Report—April 19, 1960.*

Note 2: For accounting purposes depreciation is computed on a straight line basis whereas for income tax purposes it is computed on a declining balance method. Starting September 1, 1958 provisions have been made by charges to income for the amounts of deferred federal income tax resulting from the use of the accelerated method of depreciation for tax purposes. Had such provisions been made for the entire fiscal year ended January 31, 1959 the net income for that year would have been reduced by a further amount of $189,000.

Effective February 1, 1959 the estimated life used as a basis for the computation of depreciation of machinery and equipment for financial statement purposes (not for tax purposes) was increased from 15 years to 20 years. This change reduced the provision for depreciation and amortization in the year ended January 31, 1960 by approximately $700,000 and, after providing for deferred federal income tax, increased net income for that year by approximately $322,000.

To the Board of Directors and Stockholders of
General American Industries, Inc.:

In our opinion, the accompanying balance sheet and statements of income and changes in stockholders equity present fairly the consolidated financial position of General American Industries, Inc. and subsidiaries at June 30, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in the amortization of goodwill, as described in Note 3 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Report of Independent Public Accountants—August 5, 1960.*

Note 3: Excess Cost of Investment in Certain Consolidated Subsidiaries—The consideration for the purchase in 1955 of the business operated by Tandy Industries, Inc. and its subsidiaries included contingent payments based on future earnings, such payments representing the portion of the cost of acquiring this business in excess of the book value of underlying net assets at date of acquisition. The contingent payments were payable quarterly in amounts equal to the following percentages of consolidated net earnings of the Tandy companies before federal income taxes: 50% during the four years and nine months ended June 30, 1960, 30¼% during the year ending June 30, 1961, 25% during the four years ending June 30, 1965 and 6¼% during the year ending June 30, 1966. In view of the indeterminate amount of the contingent payments under the purchase agreement, no liabilities for such payments were recorded at the acquisition date.

In accordance with an agreement signed by General American Industries, Inc. and the former owners of the Tandy companies, a final settlement of $1,000,000 was paid to such owners during the current year in lieu of the contingent payments to be based upon net earnings of the companies subsequent to June 30, 1960.

The contingent payments accruing over the four years and nine months ended June 30, 1960 and the $1,000,000 settlement payment have been charged to an intangible asset account as accrued. At the acquisition date the company adopted a policy of amortizing the contingent payments by annual charges to income at the rate of 20% of the consolidated net earnings before federal income taxes of the Tandy companies. During the current year the Board of Directors approved the following revised policy of accounting for the contingent payments:

A. Amortize the contingent payments ($2,647,421) accrued to June 30, 1960 by a charge to income in the year accrued.

B. Capitalize as goodwill the $1,000,000 settlement payment, with the understanding that the Board will review the propriety of the goodwill valuation each year. In the event of a diminution of value, appropriate action will be taken.

Accordingly, an adjustment was recorded during the year ended June 30, 1960 which, on a retroactive basis, charged to retained earnings all contingent payments accrued in prior years and charged to income during the current year the contingent payments accrued as a result of Tandy profits earned during such year. The accompanying prior year's income statement has been restated to give effect to this change. Consolidated net income of the company for all years since date of acquisition of the Tandy business is restated below to give effect to the change in accounting for the contingent payments:

Year ended June 30:	Consolidated net income: As reported	Consolidated net income: Restated	Net effect of change
1956	($3,100,646)	($3,309,077)	($ 208,431)
1957	2,018,440	1,650,981	(367,459)
1958	746,931	452,845	(294,086)
1959	1,174,483	775,978	(398,505)
	$ 839,208	($ 429,273)	($1,268,481)

The effect of the change for the year ending June 30, 1960 was to charge income with $323,364 more than would have been charged under the previous accounting policy.

To the Directors and Stockholders of Paramount Pictures Corporation:

In our opinion, the accompanying statements present fairly the consolidated financial position of Paramount Pictures Corporation and affiliated companies at December 31, 1960 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 the method of amortizing film costs as described in Note B to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Auditors' Opinion—April 5, 1961.*

Note B: The company revised its amortization table during the year to reflect current revenue experience and applied the new table to production and domestic print costs of all pictures released in 1960, including those produced by outside producers. The new table amortizes approximately 46% of the costs within 13 weeks after domestic release, 82% within 52 weeks, and all but a small residual value within 104 weeks. Such residual values have been established for all pictures released since January 1, 1953 in partial recognition of the possible future income from television and to bring the accounts into agreement with the position to be taken by the company for income tax purposes. Advertising, foreign prints and other costs relative to distribution of all pictures are charged to expense as incurred. These changes had no material net effect on income for the year.

Other Income and Cost Items

To the Board of Directors J. I. Case Company

In our opinion, the accompanying statements present fairly the financial position of J. I. Case Company and consolidated subsidiary companies and of J. I. Case Credit Corporation at October 31, 1960 and the related results of their operations for the year then ended, 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 in the method of accounting for engineering and product dvelopment costs to an acceptable alternative method which is explained in Note 5 to the consolidated 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—January 11, 1961.*

Note 5: Engineering and Product Development Costs—In 1960 the company adopted a policy of charging all engineering and product development costs to expense as incurred, a change from its previous policy of deferring major costs relating to products scheduled for future production and amortizing those costs over the two years following the year in which they were incurred. Such costs in the amount of $4,140,964 (included in cost of goods sold), deferred at the beginning of the year, less related deferred income taxes of $1,933,165 (included in credit for taxes on income), were also charged to expense in 1960.

To the Board of Directors of Chock Full O'Nuts Corporation:

We have examined the consolidated balance sheets of Chock Full O'Nuts Corporation and Subsidiaries as of July 31, 1960 and 1959, and the related statements of consolidated income and 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.

In our opinion, the accompanying balance sheets and statements of income and surplus present fairly the consolidated financial position of Chock Full O'Nuts Corporation and Subsidiaries at July 31, 1960 and 1959, and the results of operations for the years then ended, in conformity with generally accepted accounting principles (except for the elimination of pension costs for the current year, as described in the second paragraph of Note 5) applied on a consistent basis, except as described in Note 1 with which change we concur.—*Accountants' Report—September 23, 1960.*

To the Board of Directors and Stockholders of Philco Corporation:

In our opinion, the statements appearing on pages 14 and 15 of this report present fairly the financial position of Philco Corporation and its consolidated subsidiaries at January 1, 1961 and the consolidated results of operations for the year then ended, 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, to which we take no exception, explained in the note "Retirement Plans." 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.—*February 14, 1961.*

Notes to Financial Statements

Retirement Plans: In 1960 the actuarial assumptions with respect to the salaried employees' retirement plan were revised with the result that there were excess assets in the retirement fund and no payment was required for the year 1960. The 1960 contributions to the wage retirement plans were in amounts which in the opinion of the Company's actuary were sufficient to satisfy the actuarial requirements of these plans. If provision for retirement costs had been made in 1960 on the same bases as in 1959, the additional charge against income for 1960 would have been approximately $750,000, after taxes.

The Board of Directors,
Sparton Corporation:

We have examined the accompanying consolidated balance sheet of Sparton Corporation and subsidiaries at June 30, 1960 and the related statements of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due from the U.S. and Canadian governments, as to the substantial accuracy of which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Sparton Corporation and subsidiaries at June 30, 1960 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 in accounting for tooling costs described in Note 2, which we approve.—*September 6, 1960.*

Note 2: Accounting for Production Tooling—The Company has followed the practice of charging against operations the cost of production tooling when incurred, whereas for federal income tax purposes a portion of such costs was deferred to be charged against operations of the following year. During the year a new plant was constructed to produce automotive horns and, in view of the substantial production tooling costs incurred in connection therewith, the Company decided to conform its financial accounting practice to that followed for federal income tax purposes. This change had the effect of increasing net income for the year by $40,000.

Board of Directors
The Thew Shovel Company:

We have examined the statements of consolidated financial position of The Thew Shovel Company and subsidiary as of December 31, 1960, and the related statements of consolidated income 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.

Certain costs and expenses amounting to $150,463 after applicable federal income taxes, relating to the development of two new models added to the product line, were deferred at December 31, 1960. In prior years similar costs and expenses were charged to income in the year incurred.

In our opinion, the accompanying statements of financial position, income, and earnings retained in the business present fairly the consolidated financial position of The Thew Shovel Company and subsidiary at December 31, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for deferring product development expense referred to in the preceding paragraph (with which we concur), have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 25, 1961.*

The Board of Directors and Shareholders
United Fruit Company:

We have examined the consolidated balance sheet of United Fruit Company and subsidiaries as of December 31, 1960 and the related statements of consolidated earnings and consolidated unappropriated 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.

The accounts of the European subsidiaries which are included in the consolidated statements were examined by other independent public accountants. The assets and sales of these subsidiaries constitute 15% and 17%, respectively, of the related consolidated figures.

In our opinion, based on our examination and on the report of other independent public accountants, such financial statements present fairly the financial position of United Fruit Company and subsidiaries at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (of which we approve) in accounting for severance and death benefit payments as described in Note 4 of notes to consolidated financial statements, have been applied on a basis consistent with that of the preceding year.—*Report of Accountants—February 14, 1961.*

Note 4: In 1960 the Company adopted the accrual method of accounting for severance and death benefit payments contingently due to employees in Latin America in accordance with local legislation and labor agreements. Had this change not been made, Net earnings for 1960 would have been less by $849,000.

Changes in Basis of Consolidation

To the Board of Directors,
United Merchants and Manufacturers, Inc.:

We have examined the consolidated balance sheet of United Merchants and Manufacturers, Inc. and subsidiary companies as at June 30, 1960, and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of the principal foreign subsidiary companies were examined by other public accountants, and have been included in the accompanying consolidated balance sheet and related consolidated statements of income and surplus on the basis of the reports of such accountants.

In our opinion, based upon the examination made by us and upon the reports of other public accountants referred to above, the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the notes to consolidated financial statements, present fairly the consolidated financial position of United Merchants and Manufacturers, Inc. and subsidiary companies at June 30, 1960, 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 inclusion in consolidation (which we approve) of the accounts of the Argentine operating subsidiary (see Note A).—*Accountants' Report—September 23, 1960.*

Note A: Not reproduced.

Board of Directors,
American Motors Corporation:

We have examined the accompanying consolidated balance sheet of American Motors Corporation and consolidated subsidiaries as of September 30, 1960, and the related statements of net earnings, earnings retained for use in the business, and additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of American Motors Corporation and consolidated subsidiaries at September 30, 1960, 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 in the basis of stating the investment in unconsolidated subsidiaries, which we approve, as described in Note A to the financial statements.—*Accountants' Report —December 1, 1960.*

Note A: Investments in Unconsolidated Subsidiaries—The policy of the Corporation had been to state its investment in unconsolidated subsidiaries at the lower of cost or its equity in net assets of such subsidiaries. Effective October 1, 1959, the investment in unconsolidated subsidiaries was adjusted to reflect the equity of the Corporation in the net assets of such subsidiaries. For purposes of comparison, the financial statements for the year ended September 30, 1959, have been restated to reflect this change in accounting policy which resulted in increases of $4,101,151 in the recorded investment in unconsolidated subsidiaries and in earnings retained for use in the business and a reduction of $296,063 in the previously reported earnings.

Earnings for the year ended September 30, 1960, include earnings (less losses) of unconsolidated subsidiaries in the amount of $2,858,739, of which $2,387,367 were undistributed.

The equity of the Corporation in the net assets of unconsolidated subsidiaries is summarized as follows:

	September 30	
	1960	1959
Redisco, Inc. (100% owned)—see accompanying balance sheet	$22,270,401	$19,060,109
Kelvinator Limited, England (100% owned)	3,899,773	3,344,247
Kelvinator of Canada Limited (55.81% owned)	3,428,578	3,601,974
American Motors (Canada) Limited (100% owned)	3,818,144	2,523,199
Total	$33,416,896	$28,529,529

To the Stockholders and Board of Directors
Crown Cork & Seal Company, Inc.:

In our opinion, the statements appearing on pages 6 to 9 present fairly the financial position of Crown Cork & Seal Company, Inc. at December 31, 1960 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in the method of recording the investment in its subsidiary, Crown Cork International Corporation, as described in Note B. 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 Certified Public Accountants— February 10, 1961.*

Note B: Investment in Crown Cork International Corporation— Crown Cork International Corporation, through its foreign subsidiaries, conducts world wide business outside of the United States. The Company owns all of the Class "B" common stock of International, which is 50.6 per cent of its total stock outstanding. The Class "B" stock is entitled to elect two-thirds of the members of the Board of Directors. The assets of International principally comprise investments in and receivables from its foreign subsidiaries.

To show more clearly the Company's participation in this foreign business, the carrying value of the investment in International was changed at December 31, 1960, to reflect the Company's equity in the underlying combined net assets of International and its foreign subsidiaries which amounted to approximately $13,215,000 at that date as shown by its published annual report to stockholders for 1960. In prior years, the Company's investment in International was carried at cost of $1,460,000. The excess of the equity over cost, representing the combined earnings retained by International and its subsidiaries from the dates of acquisition to December 31, 1960, amounting to approximately $11,755,000, was credited to surplus. This amount does not include provision for taxes, if any, which may become payable in the event of distribution of these retained earnings.

The income statement reflects only the dividends received from International, which amounted to $700,000 in 1960 and $600,000 in 1959, as compared with the Company's equity in the combined net income of International and its foreign subsidiaries, which amounted to approximately $1,350,000 in 1960 and $1,437,000 in 1959. The accounts of International and its foreign subsidiaries have been examined by independent public accountants through December 31, 1959. The 1960 financial statements are currently being examined.

To the Stockholders of
F. W. Woolworth Co.:

In our opinion, based on our examination and on the reports of other independent accountants on their examinations of the financial statements of the principal subsidiaries, the accompanying consolidated statements present fairly the financial position of F. W. Woolworth Co. and its consolidated subsidiaries at December 31, 1960 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 followed in the financial statements presented in the company's report for the year 1959, except for the changes, which we approve, in consolidation policy and in accounting for the investment in F. W. Woolworth and Co., Limited, England mentioned in Note A. Our examination was made, and other independent accountants have reported that their 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 were considered necessary in the circumstances.—*Report of Independent Certified Public Accountants—February 6, 1961.*

Note A: Changes in Consolidation Policy and in Accounting for the Investment in F. W. Woolworth and Co., Limited, England —Prior to 1960, the consolidated financial statements included only the accounts of the parent Company and its wholly-owned Canadian subsidiary. In recent years, however, the operations of the subsidiaries in Germany and Mexico have been growing in importance and accordingly the consolidation policy has been changed so that all subsidiaries substantially wholly-owned are now included in the consolidated financial statements. The relatively small minority interest in the net assets and annual earnings of the German companies has not been shown separately in these statements.

The Company owns 52.7% of the outstanding ordinary (voting) shares of F. W. Woolworth and Co., Limited, England. In prior years, this investment was carried at cost plus an amount equivalent to the Company's equity in the undistributed earnings of the British company to December 31, 1941, and during the years 1942-1959, the income of the British company was included in consolidated income only to the extent of dividends received. For purposes of the 1960 consolidated financial statements, the carrying value of this investment has been increased to the American Company's equity in the British company's net assets, and the American Company's equity in the earnings of the British company for the year 1960 has been included in consolidated income.

In consolidation, foreign currency accounts have been translated at the following exchange rates (which closely approximate the free rates of exchange in effect at the respective year-ends): Canadian dollar, $1; English pound sterling, $2.80; German Deutschemark, 23.81¢ and Mexican peso, 8¢. With respect to properties of the consolidated companies, such United States dollar amounts do not differ materially from those which would be obtained by applying historical rates of exchange. A summary of the financial position and net income of the Company's foreign subsidiaries and of its equity in their net assets and net income is presented on page 25.

For comparative purposes, the financial statements for 1959 have been restated on the revised basis.

Principles of Consolidation—Consistent after Restatement of Prior Year's Figures

The Board of Directors and Stockholders
Koppers Company, Inc.:

We have examined the accompanying consolidated balance sheet of Koppers Company, Inc., and Consolidated Subsidiaries at December 31, 1960 and the related consolidated statements of income 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.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Koppers Company, Inc., and Consolidated Subsidiaries at December 31, 1960 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles. Such principles have been applied on a consistent basis after giving retroactive effect to the consolidation change, which we approve, as explained in Note 1 to the financial statements.—*Report of Certified Public Accountants—January 24, 1961.*

Note 1: Principles of Consolidation and Investments in Affiliates—Effective January 1, 1960, the Company consolidated all wholly-owned subsidiaries. In prior years two wholly-owned South American subsidiaries were not consolidated. The statements for the year 1959 have been restated on the basis of the present consolidation practice. The effect of this change was to increase consolidated net income for 1960 and 1959 by $650,218 and $406,987, respectively, and to increase consolidated earnings prior to those years retained in the business by $713,221. These amounts are after providing for estimated income taxes payable upon eventual transfer of the earnings of those foreign subsidiaries to the parent company.

The Companies' equity in the net assets of non-consolidated subsidiaries and fifty-percent owned companies at December 31, 1960, exceeds the carrying value of the Companies' investment therein by $826,400. The Companies' equity in the net income of these companies for 1960 amounted to $423,878, of which $258,342 was received as dividends during the year and taken into consolidated income.

Board of Directors
Pepsi-Cola General Bottlers, Inc.:

We have examined the balance sheet of Pepsi-Cola General Bottlers, Inc. as of December 31, 1960 and the related statement of net income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of net income and retained earnings present fairly the financial position of Pepsi-Cola General Bottlers, Inc. at December 31, 1960 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 as restated (see Note 8 to the financial statements).—*Accountants' Report—February 10, 1961.*

Note 8: The statement of retained earnings for 1959 has been restated to include the net credit adjustment of $63,887 in the balance at the beginning of that year, since such adjustment applied to prior years.

During 1960 the Company adopted the practice of excluding from current assets installment receivables, arising from the sale of vending equipment, not due within one year. For comparative purposes, the figures for 1959 have been similarly restated.

To the Board of Directors of
Rheem Manufacturing Company:

In our opinion, based on our examination and on the reports of other independent accountants as to certain companies operating in foreign countries, the accompanying statements present fairly the financial position of Rheem Manufacturing Company and consolidated domestic subsidiaries at December 31, 1960 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 after giving retroactive effect to the adoption, which we approve, of the policy of carrying certain investments at the Company's equity in underlying net assets as explained in Note 1 to the financial statements. Our examination of the consolidated financial statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*March 6, 1961.*

Note 1: Principles of Consolidation—All domestic subsidiaries except for a finance company have been consolidated. During 1960, Rheem changed its method of accounting for its investments in its finance subsidiary, in foreign subsidiaries and in domestic and foreign 50% owned companies from the cost method to the book value method. Under the latter method these investments are carried at Rheem's equity in the underlying net assets and the consolidated statement of earnings includes Rheem's share of undistributed net income. For purpose of comparison, the 1959 financial statements have been restated with respect to foreign companies to reflect this change; as to domestic companies, the effect of the change was insignificant.

The financial statements of companies operating in foreign countries have generally been translated to U. S. dollars by use of current rates of exchange except that as to companies 50% owned or more, property accounts and the related depreciation provisions have been translated at rates prevailing at the dates the properties were acquired.

The 1960 financial statements include the accounts of Ruud Manufacturing Company, substantially all capital stock of which was acquired in January, 1960. At the date of acquisition the underlying net assets were approximately $1,400,000 in excess of the cost of the investment. Such excess, being substantially equivalent to the estimated cost of warranties on Ruud products sold prior to 1960, has been accounted for in the accompanying consolidated statements as a liability for anticipated claims at the date of acquisition.

The Board of Directors and Stockholders,
Sinclair Oil Corporation:

We have examined the accompanying consolidated balance sheet of Sinclair Oil Corporation and Subsidiaries at December 31, 1960 and December 31, 1959 and the related statements of consolidated income, earnings retained in the business and other paid-in capital 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.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Sinclair Oil Corporation and Subsidiaries at December 31, 1960 and December 31, 1959 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change, which we approve, in the policy of accounting for rentals on undeveloped oil and gas leases (see Note 1).—*Report of Certified Public Accountants—March 1, 1961.*

Note 1: Prior to January 1, 1960, the Company followed the policy for financial statement purposes of capitalizing rentals on undeveloped oil and gas leases whereas for tax purposes such rentals were charged to expense as paid. In June 1960, effective as of January 1, 1960, the Company adopted the more generally accepted accounting policy of charging such rentals directly to expense as incurred for financial statement purposes and wrote off by a charge of $28,150,068 to Earnings Retained in the Business the rentals on undeveloped oil and gas leases previously capitalized. The financial statements for 1959 have been restated herein to reflect retroactively the adjustments applicable to that year ($499,468) and to previous years ($27,650,600). Rentals charged to expense during 1960 were approximately $1,500,000 less than the amount which would have been written off under the Company's former policy.

Qualification as to Fair Presentation—Taxes

The Board of Directors and Stockholders of America Corporation:

We have examined the consolidated balance sheet of America Corporation and subsidiaries as of December 31, 1960 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, subject to the final determination of federal taxes on income as described in Note 5, the accompanying consolidated balance sheet and statements of consolidated earnings, capital surplus and retained earnings present fairly the financial position of America Corporation and subsidiaries at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 3, 1961.*

Note 5: Federal Taxes on Income—Net operating losses carried forward from 1959 offset the current year's income resulting in no provision for 1960 federal income taxes.

The Internal Revenue Service has appealed a decision of the Tax Court in favor of Virginia Metal Products, Inc. in connection with a tax deficiency asserted for the year 1952 in the amount of $200,000. It is the opinion of counsel that the Company will sustain its position on appeal.

There are numerous and complex issues of law and fact involved in the federal income tax returns filed for 1956 and subsequent years, all of which are still subject to examination by the Internal Revenue Service. Because of the issues involved, counsel is unable to render an opinion as to the ultimate deficiencies, if any. It is believed that there will be no additional tax liability if all issues are resolved substantially in favor of America.

To the Stockholders of General Refractories Company:

We have examined the financial statements of the General Refractories Company for the years ended December 31, 1960 and 1959. 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, except for the effect of adjustments which will be required upon ultimate settlement of income tax liabilities, as explained in Note 2 to Financial Statements, 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, 1960 and 1959 and the results of its operations for the years 1960 and 1959, in conformity with generally accepted accounting principles applied on a basis consistent with that of the respective preceding years. —*February 15, 1961.*

Note 2: In 1959 the company's Federal income tax returns for the years 1954 through 1958 were examined by the Internal Revenue Service and deficiencies aggregating approximately $3,870,000 (exclusive of interest) have been proposed, arising principally from the complete disallowance of percentage depletion deductions. During these years, approximately $954,000 was provided by the company for additional income taxes and is included in the accompanying balance sheets. The reported net income for the years 1959 and 1960 would be reduced by approximately $700,000 and $550,000, respectively, arising from income tax adjustments which would be required by the complete disallowance of percentage depletion deductions.

The deficiency proposed by the Internal Revenue Service is not acceptable to the company and no settlement has been possible pending clarification of the Service's policy with respect to the application of the percentage depletion provisions of the law to refractory minerals. A decision, involving percentage depletion for nonrefractory minerals, handed down in June 1960 by the United States Supreme Court sets forth certain interpretations of the law which, if generally applicable to all minerals, tends to strengthen the Service's position in the company's case. Until such time as a settlement of this controversy is reached, it continues to be impossible to predict the amount of percentage depletion deductions which may ultimately be sustained for the years after 1953.

Qualification as to Fair Presentation—Litigation

To the Stockholders and the Board of Directors H. K. Porter Company, Inc.:

We have examined the consolidated balance sheet of H. K. Porter Company, Inc. and subsidiaries as of December 31, 1960 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus, with the explanation referred to in the second paragraph on page three, present fairly the financial position of H. K. Porter Company, Inc. and subsidiaries at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the appropriate change referred to in the third paragraph on page three, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 22, 1961.*

Financial Notes—Page three:

During 1960, the Company was indicted for alleged antitrust violations in connection with sales of certain types of electrical apparatus during the past several years. As part of an over-all settlement arranged with the Department of Justice by all the manufacturers involved in the twenty indictments returned, and to avoid protracted and expensive litigation, the Company pleaded guilty to one indictment and entered pleas of nolo contendere to the other three indictments affecting it. No provision has been made in the accounts for possible damage claims that might be asserted by the Company's customers as a result of these four indictments because Management believes that it is impossible to predict the ultimate disposition of any such claim. Management, however, is of the opinion that full disclosure of the facts will convince its customers that they have not been damaged in any way by the Company's engineering, pricing and service policies.

(Third paragraph not reproduced.)

To The Stockholders Wagner Electric Corporation:

In our opinion, the consolidated balance sheet and the related statement of consolidated income and unappropriated retained income, with the explanation regarding the anti-trust situation on Pages 4 and 5 of the accompanying President's message, present fairly the consolidated financial position of Wagner Electric Corporation and Wagner Brake Company Limited at December 31, 1960 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*February 8, 1961.*

President's Message—Pages 4 and 5:

As many have no doubt read in the public press, most of the manufacturers in the Electrical Manufacturing Industry, including the larger companies, were indicted with regard to violation of the Sherman Anti-Trust Act. Provision has been made in our financial statements for the fines recently imposed. Out of the twenty cases, Wagner was a defendant in three involving transformers. Upon advice of counsel in order to avoid wasteful incidents of trial and related legal expense, Wagner followed the action taken by the other defendants in these cases in filing pleas of nolo contendere in two cases (involving no admission of liability) and a guilty plea in the third. The latter plea is not necessarily an admission of all the allegations of the indictment. It is Wagner's belief that its prices charged for transformers of Wagner quality have represented fair value to its customers. However, rather than rest on this belief, executives of the company are making personal visits to the transformer customers to exchange views and explore the facts; and in the event that it is established that there has been any departure from the company's policy of fair pricing, to make proper adjustments.

To the Board of Directors and Stockholders of Cutter Laboratories, Inc.:

In our opinion, except for the effect, if any, of the litigation referred to in Note 7, the accompanying statements present fairly the consolidated financial position of Cutter Laboratories, Inc. and its subsidiary companies at December 31, 1960 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.—*March 10, 1961.*

Note 7: Contingent Liabilities—Since 1955, the Company has been named defendant in 52 lawsuits arising out of the manufacture and distribution of poliomyelitis vaccine, and additional actions against the Company may be filed in this connection. The aggregate amount of damages prayed for by the plaintiffs was approximately $12,514,000, which was $10,514,000 in excess of the product liability insurance then carried by the Company. Thus far, 11 of these suits in which the amount of damages originally claimed aggregated $2,300,998 have been tried, and judgments have been granted to or settlements made with the plaintiffs aggregating $456,365. Details concerning these 11 suits are given in the President's letter on page 4 of this report.

The Company believes that settlement of the remaining cases, by court judgment or otherwise, will be for amounts substantially less than originally claimed by the plaintiffs. However, the amount, if any, by which aggregate judgments or settlements may exceed the Company's product liability insurance is not presently determinable.

The Company also has certain other contingent liabilities in respect of litigation and commitments; officials of the Company are of the opinion that these contingent liabilities will not result in any significant financial liability in relation to the net assets of the Company and its subsidiaries.

To the Board of Directors Gruen Industries, Inc.:

We have examined the consolidated balance sheet of Gruen Industries, Inc. and Subsidiaries as of March 31, 1960 and the related consolidated statement of income and retained earnings (deficit) for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records of the companies and such other auditing procedures as we considered necessary in the circumstances.

Subject to the effect, if any, of the matters referred to in Note 8 of Notes to Consolidated Financial Statements, in our opinion, the accompanying financial statements present fairly the financial position of Gruen Industries, Inc. and Subsidiaries at March 31, 1960 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.—*June 22, 1960.*

Note 8: Contingent Liabilities—The Company is defendant in a suit for alleged damages of approximately $800,000 for alleged breach of certain warranties and guarantees made in the contracts relating to the sale of its former Electronics Division. In the opinion of the Company's counsel and management the Company has meritorious defenses to the claims asserted and should prevail in this litigation.

Federal income tax returns have been examined through the year ended March 31, 1956. An asserted deficiency in the amount of $134,525 is still pending. However, the Appellate Division of the Internal Revenue Service has accepted, subject to approval of the Joint Committee on Internal Revenue Taxation, an offer of settlement of $9,758 with interest, which amount has been paid.

No provision has been made in the accompanying financial statements for the above contingencies.

To the Board of Directors and Stockholders of United States Hoffman Machinery Corporation:

We have examined the consolidated balance sheet of United States Hoffman Machinery Corporation and Subsidiaries as of December 31, 1960 and the related consolidated statements of income and earned surplus (deficit) for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Confirmations of amounts receivable from the United States Government were not obtainable, but other auditing procedures deemed appropriate were followed in respect of such amounts. We did not examine the financial statements for the year ended December 31, 1959, which are included herein for comparison.

In our opinion, except for the effect, if any, of certain matters in litigation referred to in Note 5 to the financial statements, as to which matters we are not in a position to express an opinion, the accompanying balance sheet and statements of income and earned surplus (deficit) present fairly the consolidated financial position of United States Hoffman Machinery Corporation and subsidiaries at December 31, 1960 and the consolidated 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.—*Opinion of Independent Certified Public Accountants—March 23, 1961.*

Note 5: Litigation—The Company 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 Company in 1957 to its president for loans of that amount. The loans were subsequently repaid by the Company to its president but the notes were not returned to the Company having been endorsed by the president and delivered to the former chairman as evidence of certain transactions between these two 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 Company has fully paid the amount due on said notes, and (3) the Company has a good and valid defense.

In February, 1960 and January, 1961, stockholders' derivative actions were instituted against the Company and its directors in connection with the distribution of stock of Anton-Imco Electronics Corp. in 1959 and the sale of the properties and assets of the "Apco Group" in 1960 (Note 8). In these actions, the plaintiffs have asked that the preference stock of the Company be redeemed, that preferred stockholders share in the Anton-Imco stock distribution and that the sale of the "Apco Group" be set aside. In the opinion of counsel, there is no merit to these actions.

An action has been instituted by Industrial Development Foundation of Auburn, New York, Inc. seeking a judgment in the sum of $484,000 claimed for rental and use and occupancy of certain premises previously occupied by the Company in the City of Auburn. It is the opinion of counsel that the Company has a valid defense.

Note 8: Not reproduced.

Qualification as to Fair Presentation— Other Contingencies

To the Shareholders and the Board of Directors, Comptometer Corporation:

We have examined the consolidated balance sheet of Comptometer Corporation (an Illinois corporation) and Subsidiaries as of December 31, 1960, and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As set forth in Note 2 to the financial statements, the consolidated balance sheet includes deferred development, preoperating costs and advance royalties of $2,762,426, inventories of $597,172 and machines in rental service of

$201,921 (net), all of which are related to the Electrowriter; recovery of such costs is dependent upon successful operation of the Electrowriter product line of the company in the future.

Subject to the future realization of the deferred costs and other assets of $3,561,519 referred to above, in our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus present fairly the financial position of Comptometer Corporation and Subsidiaries at December 31, 1960, 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.—*March 31, 1961.*

Note 2: Deferred Development and Preoperating Costs, Advance Royalties, Etc.—The company's Board of Directors has approved an accounting policy to defer, through 1961, research, development and preoperating costs of the company's Electrowriter product line.

Accordingly, research and development costs of $336,343 incurred in 1958 prior to the making of any sales of the items in development, and research, development and net operating costs and expenses (after deducting net sales) of $936,511 incurred in 1959 and $1,301,903 incurred in 1960, have been deferred and, together with $187,669 of advance royalties on the Electrowriter, are to be charged to future operations.

The company plans to amortize such deferred costs and additional costs incurred in 1961 over a ten-year period beginning in 1962, based on the projected number of Electrowriter units to be placed in service during the years 1962 through 1971.

The above costs have been expensed for Federal income tax purposes based on prior elections made to expense research costs, etc. Because of the operating loss carry forward of the company (see Note 6), these costs have not been utilized to date to mitigate Federal income tax provisions. To the extent they are so used in the future, it is the company's intention to reduce the carrying value of the deferred costs by the amount of the tax mitigation resulting from their use.

The accompanying balance sheet also includes $597,172 in inventories for Electrowriters and $223,682 (less reserve for depreciation of $21,761) for Electrowriters in rental service. Management is of the opinion that these deferred costs, advance royalties, inventories and machines in rental service related to the Electrowriter will be fully recovered through successful operation of the Electrowriter product line of the company in the future.

Note 6: Not reproduced.

To the Board of Directors
R. G. LeTourneau, Inc.:

In our opinion, subject to the explanation in the note relating to inventories, the accompanying statements present fairly the consolidated financial position of R. G. LeTourneau, Inc. and its subsidiary company at December 31, 1960, and the results of their operations during the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination was conducted 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 1, 1961.*

Note 1: Inventories—Inventories of work in process, finished parts and equipment at December 31, 1960, include substantial quantities of components and complete units of earthmoving machines, a field which the company re-entered in 1958. The eventual sales potential of this new type of equipment is indeterminable at the present time.

To the Directors and Stockholders of
North American Aviation, Inc.:

We have examined the balance sheet of North American Aviation, Inc. as of September 30, 1960 and the related statement of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; it was not practicable to confirm balances relating to United States Government contracts, but we have satisfied ourselves with respect to such balances by means of other auditing procedures.

In our opinion, subject to such adjustments, if any, as may be necessary in connection with renegotiation (see page 27), the accompanying balance sheet and statement of income and earnings retained for use in the business present fairly the financial position of the Company at September 30, 1960 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' Opinion—October 31, 1960.*

Page 27: Renegotiation—All the company's 1960 sales to the Government are subject to the Renegotiation Act of 1951, as extended and amended, which provides for recovery by the Government of any profits it considers excessive.

The Renegotiation Board has determined that no excessive profits were realized by North American during the 1956 and 1957 fiscal years. Determinations with respect to the 1958 and 1959 fiscal years are pending. The Board has claimed that excessive profits were realized in the 1953, 1954, and 1955 fiscal years. If sustained, this claim would require refunds to the Government of approximately $1,300,000, $5,500,000, and $3,500,000, 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 redetermination thereof, as provided in the Renegotiation Act. The Tax Court is currently hearing the company's petition for the 1953 and 1954 fiscal years.

Since the company believes that no excessive profits have been realized, no provisions for any refunds have been made for any year.

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 *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.)

Where an informative disclosure is made in a report it constitutes necessary explanatory matter added to the statement to accomplish fair presentation by supplying information necessary to make the statements not misleading, and so does not justify an exception or qualification, or provide a reason therefor.

Such informative disclosures or explanatory remarks were included in 19 of the auditors' reports of the 600 survey companies (*Co. Nos. 54, 136, 304, 372, 404, 562).

Examples of the additional information provided in some of the auditors' reports for 1960 follow:

To the Stockholders and Board of Directors,
Ayrshire Collieries Corporation:

We have examined the consolidated balance sheet of Ayrshire Collieries Corporation (a Delaware Corporation) and subsidiaries as of June 30, 1960, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements referred to above present fairly the consolidated financial position of Ayrshire Collieries Corporation and subsidiaries

*Refer to Company Appendix Section.

as of June 30, 1960, and their consolidated net income 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.

Generally accepted principles of accounting for cost of property consumed in operations are based on historical costs and do not recognize the effect of changes in the purchasing power of the dollar since dates of acquisition or construction of the companies' depreciable property. In our opinion, therefore, the consolidated net income for the year is more fairly presented after deducting the provision for price-level depreciation because such provision does recognize the effect of changes in the purchasing power of the dollar. *Auditors' Opinion—August 12, 1960.*

Statement of Income

Net Income	$3,719,322
Provision for price-level depreciation (see Note)	195,585
Net Income, after deducting provision for price-level depreciation	$3,523,737

Note to Income Statement—Reproduced page 167.

To the Stockholders and Board of Directors,
Detroit Steel Corporation:

We have examined the consolidated financial statements of Detroit Steel Corporation and subsidiaries for the year ended December 31, 1960. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note A, the acquisition of Portsmouth Corporation has been accounted for as a pooling of interests and the financial statements therefore include the operations of the subsidiary for the entire year, after elimination of intercompany transactions. The statement of operations for 1959 has been revised accordingly.

In our opinion, the accompanying balance sheet and statements of operations and retained earnings present fairly the consolidated financial position of Detroit Steel Corporation and subsidiaries at December 31, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on bases consistent with those of the constituent corporations for the preceding year.—*Accountants' Report—February 13, 1961.*

Note A: Acquisition and Liquidation of Portsmouth Corporation—During 1960, the Corporation acquired substantially all of the outstanding common stock of Portsmouth Corporation in exchange for 1,602,269 shares of Common Stock. This transaction has been reflected in the consolidated financial statements as a pooling of interests and the accompanying consolidated statement of operations accordingly shows the combined results of operations of both corporations for the year after elimination of intercompany transactions. The statement for 1959 has been restated on a similar basis.

On November 30, 1960, the shareholders of Portsmouth Corporation adopted a Plan of Liquidation and Dissolution and in connection therewith the subsidiary distributed, prior to December 31, 1960, the major portion of its assets to Detroit Steel Corporation and to the minority shareholders. As a result of this distribution, the Corporation reacquired 715,438 shares of its Common Stock, formerly owned by Portsmouth, which had been canceled and restored to the status of authorized and unissued shares.

To the Stockholders of
Ingersoll-Rand Company:

We have examined the balance sheet of Ingersoll-Rand Company at December 31, 1960 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 1960 of foreign subsidiary companies not consolidated, as shown by their books, converted at rates of exchange in effect at December 31, 1960 was substantially in excess of the dividends received from those companies and credited to other income in 1960. 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, 1960 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.—*February 28, 1961.*

To the Board of Directors,
Inspiration Consolidated Copper Company:

We have examined the Statement of Financial Position of Inspiration Consolidated Copper Company as of December 31, 1960 and the related Statements of Income and Income 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.

The practice of the company in computing net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in the copper mining industry, and is in agreement with long established and consistently maintained accounting practices and procedures of the company 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 Statement of Financial Position and Statements of Income and Income Retained, together with explanatory notes, present fairly the financial position of the company at December 31, 1960, 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.—*February 21, 1961.*

The Quaker Oats Company:

We have examined the balance sheet of The Quaker Oats Company and its subsidiary companies consolidated as of June 30, 1960 and the related statements of consolidated income and earnings retained in the business for the year then ended. As to the companies other than the Canadian subsidiaries our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to the Canadian subsidiaries, we examined reports of other accountants, and the accounts of those companies have been included in the accompanying statements as shown by such reports. The total assets, sales, and net income of these subsidiaries amount to approximately 9%, 12%, and 5%, respectively, of the consolidated totals.

In our opinion, which as to the Canadian subsidiaries is based upon the reports of other accountants, the accompanying consolidated balance sheet and statements of consolidated income and earnings retained in the business present fairly the financial position of the companies at June 30, 1960 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' Opinion—August 26, 1960.*

TABLE 8: RELIANCE UPON OTHERS

	Scope Paragraph				Scope and/or Opinion Paragraph			
Reliance*	1960	1959	1955	1950	1960	1959	1955	1950
Upon Other Auditors for Examination of:								
A: Consolidated domestic subsidiary	1	2	1	6	19	15	16	13
B: Consolidated foreign subsidiary	5	7	6	10	32	30	21	17
C: Consolidated domestic and foreign and/or unspecified subsidiaries	1	1	2	—	3	6	4	—
D: Unconsolidated foreign subsidiary and/or affiliated company	—	1	2	3	7	4	4	5
E: Unconsolidated domestic and foreign subsidiaries and/or affiliated company	—	—	—	1	4	2	1	1
F: Domestic branch or division	—	—	—	—	3	1	3	—
G: Foreign branch or division	1	1	1	1	1	2	2	2
H: Subsidiaries merged or liquidated	—	—	—	—	1	—	—	—
Miscellaneous	—	—	—	1	—	—	1	2
	8	12	12	22	70	60	52	40
Upon Client re:								
Consolidated domestic or foreign subsidiary	—	—	2	6	—	—	1	1
I: Unconsolidated domestic or foreign subsidiary and affiliated company	1	1	1	1	—	—	1	—
	1	1	3	7	—	—	2	1
J: *Upon Independent Appraiser*	1	1	2	2	—	—	—	—
Total	10	14	17	31	70	60	54	41

Number of Reports expressing:	1960	1959	1955	1950
Reliance upon other auditors	72	65	58	51
Reliance upon other auditors and client	—	—	4	9
Reliance upon client	1	1	1	3
Reliance upon independent appraiser	1	1	2	2
Not expressing reliance upon others	526	533	535	535
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 112, 134, 254, 327, 405, 435
B: Co. Nos. 96, 150, 222, 349, 401, 519
C: Co. Nos. 310, 450, 548, 597
D: Co. Nos. 37, 317, 351, 471, 515, 595
E: Co. Nos. 71, 256, 355, 399
F: Co. Nos. 372, 496, 576
G: Co. Nos. 33, 485
H: Co. No. 300
I: Co. No. 573
J: Co. No. 44

RELIANCE UPON OTHERS

Table 8 discloses that 74 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 connection with the examination of the accounts of consolidated foreign subsidiaries, and in most cases it was referred to in the opinion paragraph of the auditors' report, although frequently where the recommended short-form of auditors' report was used, it was referred to in both the scope and opinion paragraphs.

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

Brown & Sharpe Manufacturing Company:

We have examined the consolidated balance sheet of Brown & Sharpe Manufacturing Company and consolidated subsidiaries as at December 31, 1960, and the consolidated statements of income and 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. We were furnished with financial statements of Double A Products Company, one of the consolidated subsidiaries, together with the report thereon of other public accountants.

In our opinion, based on our examinations and on the report of other accountants, the accompanying consolidated balance sheet and related consoliated statements of income and earnings employed in the business present fairly the financial position of Brown & Sharpe Manufacturing Company and consolidated subsidiaries at December 31, 1960, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.—*Auditor's Statement.—February 23, 1961.*

The Board of Directors
Jewel Tea Co., Inc.:

We have examined the accompanying consolidated balance sheet of Jewel Tea Co., Inc., as of December 31, 1960, and the related consolidated statements of income and accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of Osco Drug, Inc. have been included in the consolidated financial statements as reported on by other independent accountants.

In our opinion, which as to Osco Drug, Inc. is based on the report of other independent accountants, the financial statements referred to above present fairly the consolidated financial position of Jewel Tea Co., Inc., and wholly-owned subsidiaries at December 31, 1960, and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 20, 1961.*

Foreign Subsidiaries—Consolidated

To the shareholders of
Beech-Nut Life Savers, Inc.:

We have examined the statement of financial position of Beech-Nut Life Savers, Inc. and subsidiaries as of December 31, 1960, and the related statement of earnings 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. We accepted, after review, and assumed responsibility for, the finanial statements of the Canadian subsidiary which were examined by independent auditors.

In our opinion, the accompanying financial statements together with the explanatory notes present fairly the financial position of Beech-Nut Life Savers, Inc. and subsidiaries at December 31, 1960 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 10, 1961.*

To the Share Owners and Board of Directors of
Chas. Pfizer & Co., Inc.:

We have examined the statement of consolidated financial position of Chas. Pfizer & Co., Inc., and subsidiary companies as of December 31, 1960, and the related statement of consolidated earnings and summary of earnings retained and 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. The accounts in foreign countries of foreign subsidiaries are included herein on the basis of reports of other independent accountants which we have accepted.

In our opinion, based upon our examination and upon the reports of other accountants, the accompanying consolidated financial statements present fairly the financial position of Chas. Pfizer & Co., Inc., and subsidiary companies at December 31, 1960, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*February 17, 1961.*

To the Shareholders of
Standard Oil Company (New Jersey):

In our opinion, based on our examinations and on the reports of other independent accountants as to certain subsidiary companies in Great Britain, the accompanying statements present fairly the consolidated financial position of Standard Oil Company (New Jersey) and its subsidiary companies at December 31, 1960, 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. The 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 were considered necessary in the circumstances.—*Opinion of Independent Public Accountants—March 16, 1961.*

Domestic and Foreign Subsidiaries—Consolidated

To the Shareholders of
International Paper Company:

We have examined the consolidated balance sheet of International Paper Company, a New York corporation, and subsidiary companies as of December 31, 1960, 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 subsidiaries (except two transportation companies) and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended December 31, 1959. In the case of the foreign subsidiaries and the two domestic subsidiaries whose accounts were not examined by us, we were furnished with reports of other auditors.

In our opinion, based upon our examination and upon the reports 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, 1960, 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 2, 1961.*

Domestic and/or Foreign Subsidiaries—Unconsolidated

The Board of Directors and Shareholders,
Mack Trucks, Inc.:

We have examined the accompanying consolidated balance sheet of Mack Trucks, Inc. and consolidated subsidiaries at December 31, 1960 and the related statement of consolidated income and accumulated earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of Mack Financial Corporation and its Subsidiary were examined by other independent public accountants and the equity in net assets and earnings of these companies have been included in the above-mentioned statements on the basis of their report.

In our opinion, based upon our examination and the report of other independent public accountants referred to above, the statements mentioned above present fairly the consolidated financial position of Mack Trucks, Inc. and consolidated subsidiaries at December 31, 1960 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Certified Public Accountants—February 6, 1961.*

To the Stockholders and Board of Directors of Standard Brands Incorporated:

We have examined the consolidated balance sheet as of December 31, 1960, of Standard Brands Incorporated (a Delaware corporation) and its subsidiaries operating in the United States and Canada, the combined balance sheet as of November 30, 1960, of its subsidiaries operating outside the United States and Canada, and the related statements of income and retained earnings for the years ended on those dates. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Similar examinations had been made for the years ended in 1959. We have been furnished with financial statements certified by other auditors of two subsidiaries included in the combined financial statements of the subsidiaries operating outside the United States and Canada.

In our opinion, the accompanying consolidated balance sheet and statement of income and retained earnings present fairly the financial position as of December 31, 1960, of Standard Brands Incorporated and its subsidiaries operating in the United States and Canada, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, based upon our examination and upon the certificates of the other auditors referred to above, the accompanying combined balance sheet and statement of income and retained earnings present fairly the financial position as of November 30, 1960, of the subsidiaries of Standard Brands Incorporated operating outside the United States and Canada, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Certificate—February 23, 1961.*

Subsidiaries Merged or Liquidated

To the Shareholders and Board of Directors of Hunt Foods and Industries, Inc.:

We have examined the consolidated balance sheet of Hunt Foods and Industries, Inc. and its subsidiary companies as of June 30, 1960 and the related statements of consolidated income and surplus for the seven months 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 Wesson Oil & Snowdrift Co., Inc., which was merged into Hunt Foods and Industries, Inc. on June 30, 1960 (and whose consolidated assets and revenues constitute approximately 46% and 57% of the respective consolidated totals), we were furnished with the report of other accountants (Price Waterhouse & Co.) on their examination of the financial statements of that company for the seven months ended June 30, 1960.

In our opinion, which in so far as it relates to the amounts included for Wesson Oil & Snowdrift Co., Inc. and its consolidated subsidiaries is based solely upon the report of the other accountants referred to above, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of the companies at June 30, 1960 and the results of their operations for the seven months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Opinion—September 30, 1960.*

Branches or Divisions

Board of Directors and Stockholders Scovill Manufacturing Company:

We have examined the financial statements of Scovill Manufacturing Company and consolidated subsidiaries for the year ended December 31, 1960. 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, 1960, 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 15, 1961.*

To the Board of Directors Shoe Corporation of America:

We have examined the consolidated balance sheet of Shoe Corporation of America and subsidiaries consolidated as of December 31, 1960 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of one division of the company were examined by other certified public accountants, and its financial statements have been incorporated in the accompanying financial statements in reliance on the report of such accountants.

In our opinion, based upon our examination and upon the report of other public accountants referred to above, the accompanying financial statements present fairly the consolidated financial position of Shoe Corporation of America and subsidiaries consolidated at December 31, 1960 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Public Accountants—March 7, 1961.*

IDENTIFICATION OF FINANCIAL STATEMENTS

Both the recommended short-form and the modified form of auditor's report reproduced on the opening page of this section call for the identification of financial statements upon which opinion is expressed by listing separately the title of each such statement.

As will be noted in Table 9, most of the 600 auditors' reports for the year 1960 included in this survey, that is, 520 reports listed the titles of the statements examined. However, 80 reports used group references only, such as "the accompanying financial statements," etc., possibly implying that all of the comparative statements, various schedules and tabulations included in the company's report were examined by the auditors.

One auditor's report (*Co. No. 424) identified as examined, a statement which was omitted in the presentation. Of the total of 113 reports referring to the accompanying footnote or footnotes, 66 reports included references to specific footnotes rather than to the footnotes in general (*Co. Nos. 176, 285, 397).

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.

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 1960 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, three additional examples from the 1960 reports pertaining particularly to Table 10 are given below.

*Refer to Company Appendix Section.

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

	Statements Identified in Auditors' Reports* by:	1960	1959	1955	1950
A:	Title listing of customary statements	399	400	478	469
B:	Title listing of customary statements and specific mention of accompanying footnote(s)	96	96	44	66
	Title listing of customary statements and specific mention of accompanying footnote(s) with:				
C:	Title listing of additional statements	3	4	1	—
D:	Group reference to additional statements	2	1	—	1
	Title listing of customary statements with:				
E:	Title listing of additional statements	16	16	9	12
F:	Group reference to additional statements	4	3	6	7
		520	520	538	555
G:	Group reference to customary statements	63	62	48	35
H:	Group reference to customary statements and specific mention of accompanying footnote(s)	12	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	3	5	1	6
		80	80	62	45
	Total	600	600	600	600
	Number of Reports Referring to:				
	Additional statements	30	31	18	27
	Accompanying footnote(s)	113	112	57	70

*Refer to Company Appendix Section—
A: Co. Nos. 17, 209, 229, 414, 416, 521
B: Co. Nos. 54, 102, 140, 318, 338, 473
C: Co. Nos. 220, 278, 593
D: Co. Nos. 37, 105
E: Co. Nos. 59, 259, 293, 308, 452, 515
F: Co. Nos. 62, 145, 310, 351
G: Co. Nos. 36, 108, 163, 312, 476, 486
H: Co. Nos. 176, 182, 341, 420, 436, 471
I: Co. Nos. 16, 307
J: Co. Nos. 127, 128, 317.

TABLE 10: NAME OF COMPANY

Reference by Use of*	1960	1959	1955	1950
Corporate Name of Company supplemented with—				
A: Names of consolidated subsidiaries	11	13	14	29
B: Names of consolidated and unconsolidated subsidiaries	—	1	—	1
C: Consolidated subsidiaries not named	469	468	423	387
Consolidated subsidiaries not named, and reference to—				
D: Unconsolidated subsidiaries named	14	9	2	5
E: Unconsolidated subsidiaries not named	3	5	8	12
F: Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	1	—	—	1
G: Affiliates, branches, etc.	4	—	2	3
H: "Corporation"**	—	—	1	1
	502	496	450	439
I: Corporate name of company	95	100	145	155
Corporate Name of Company, and reference to—				
J: Unconsolidated subsidiaries named	2	4	2	2
K: Unconsolidated subsidiaries not named	1	—	3	3
L: "Company"**	—	—	—	1
	98	104	150	161
Total	600	600	600	600
Number of Reports				
**Omitting corporate name of company	—	—	1	2
Referring to unconsolidated subsidiaries	21	18	15	24
Referring to affiliates, branches, or divisions, etc.	5	—	2	4
Referring to consolidated subsidiaries	502	496	450	439

*Refer to Company Appendix Section—
A: Co. Nos. 112, 186, 233, 383, 435, 580
C: Co. Nos. 134, 215, 225, 481, 491, 559
D: Co. Nos. 16, 105, 137, 355, 452, 571
E: Co. Nos. 10, 321, 399
F: Co. No. 372
G: Co. Nos. 33, 485, 496, 573
I: Co. Nos. 12, 117, 228, 479, 518, 587
J: Co. Nos. 227, 293
K: Co. No. 69.

The Board of Directors
Borg-Warner Corporation:

We have examined the statement of assets and liabilities of Borg-Warner Corporation and consolidated subsidiary companies as of December 31, 1960 and the related statements of earnings, retained earnings, and capital in excess of par value for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements of B-W Acceptance Corporation and subsidiary for the year ended December 31, 1960.

In our opinion, the accompanying financial statements present fairly (a) the financial position of Borg-Warner Corporation and consolidated subsidiary companies at December 31, 1960 and the results of their operations for the year then ended, and (b) the financial position of B-W Acceptance Corporation and subsidiary at December 31, 1960, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 1, 1961.*

Board of Directors and Stockholders,
Holland Furnace Company:

We have examined the balance sheets of Holland Furnace Company as of December 31, 1960 and 1959, and the related statements of earnings for the years then ended, and the combined balance sheets of its wholly owned subsidiaries Heating Acceptance Corp. and Hofco Industries Ltd. (organized in 1960) as of December 31, 1960 and 1959. 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 were furnished financial statements of the foreign subsidiary together with a report thereon by other accountants.

In our opinion, based upon our examinations and the report of other accountants, the accompanying statements present fairly (a) the financial position of Holland Furnace Company at December 31, 1960 and 1959, and the results of its operations for the years then ended and (b) the combined financial position of Heating Acceptance Corp. and Hofco Industries Ltd., at December 31, 1960 and 1959, all in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—March 7, 1961.*

To The Board of Directors
Van Norman Industries, Inc.:

We have examined the consolidated statement of financial position of Van Norman Industries, Inc. and its subsidiary companies as at December 31, 1960 and 1959, and the consolidated statements of results of operation, additional paid-in capital and reinvestment of income for the years then ended. The accounts of The Bingham-Herbrand Corporation with total assets of $7,809,759 at December 31, 1960 and the accounts of H. W. Butterworth & Sons Company division, The Bingham-Herbrand Corporation and The American Pulley Company, with total assets of $16,047,898 at December 31, 1959, are included in the accompanying statements on the basis of financial statements furnished to us, together with the reports thereon by other public accountants.

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 consider necessary in the circumstances.

In our opinion, based upon our examination and upon the reports of other public accountants referred to above, the accompanying consolidated statement of financial position and consolidated statements of results of operations, additional paid-in capital and reinvestment of income, present fairly the financial position of Van Norman Industries, Inc. and its subsidiary companies as at December 31, 1960 and 1959, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of preceding years.—*Accountants' Report—February 16, 1961.*

PERIOD OF EXAMINATION

In the great majority of cases (as shown in Table 11) the auditors' reports indicated that the examination 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, as may be observed from the following supplementary tabulation:

Period of Examination	No. of Companies
One year	518
52-53 weeks	23
Two years or more (*Co. Nos. 128, 307)	55
Period of less than one year, because of the change of fiscal period (*Co. Nos. 65, 300, 463	3
No period indicated because the opinion was expressed on balance sheet only (*Co. No. 264)	1
Total	600

*Refer to Company Appendix Section.

TABLE 11: PERIOD OF EXAMINATION

Auditors Refer to:	1960	1959	1955	1950
One year in *scope and opinion* paragraphs	386	383	411	443
One year in *scope and opinion* paragraphs, with reference to examination of prior year contained in *scope* paragraph	46	47	43	31
One year in *opinion* paragraph—				
No period mentioned in *scope* paragraph	1	3	4	4
Modified short-form of report	86	85	79	60
Modified short-form of report, with additional comment referring to examination of prior year	—	1	2	2
One year, with reference to *examination of prior year* in *scope* paragraph; two years in *opinion* paragraph	6	7	11	14
Two or three years in *scope and opinion* paragraphs	37	38	20	22
Two or three years in *opinion* paragraph only; in modified short-form of report	7	5	5	3
Four or more years in *opinion* paragraph	2	2	—	1
Period of 52 or 53 weeks in *scope and opinion* paragraphs	18	20	13	12
Period of 52 or 53 weeks in *opinion* paragraph (modified short-form of report)	5	5	3	3
Period of 52 or 53 weeks with two periods referred to in *scope and opinion* paragraph	3	2	—	1
Period of days stated simply as "period from October 3, 19xx to October 1, 19xx" in *scope and opinion* paragraph	—	—	1	—
Changes in Fiscal Years:				
Periods of more than one year in *scope and opinion* paragraphs	—	—	8	4
Period of less than one year in *scope and opinion* paragraphs	3	2		
Total	600	600	600	600

POST BALANCE SHEET DISCLOSURES

Statements on Auditing Procedure, No. 25 issued by the committee on auditing procedure of the American Institute of Certified Public Accountants (1954) dealing with "Events Subsequent to the Date of Financial Statements" contains the following:

> 1. In recent years there has developed an increasing interest in exploring and clarifying the extent of the auditor's responsibility in connection with the disclosure of events occurring or becoming known subsequent to the date of statements concerning which he is expressing an opinion. This interest may be traced to specific happenings in part, but probably rests to a large extent on the general recognition that some such events may have a material effect on the related financial statements and may require disclosure or adjustment to prevent such statements from being misleading. . . .
>
> 15. . . . It is generally agreed that, to the extent the auditor has knowledge of post-balance-sheet events or transactions which may be significant in relation to specific financial statements, it is his duty either:
>
> (a) To see that they are properly considered and, when deemed appropriate, given effect by adjustment or annotation of the statements; or
>
> (b) If, in his opinion, there is, in the financial statements, significant lack of compliance with any of the points covered in (a) above, to qualify his report or present therein appropriate information, depending upon the circumstances.

Post balance sheet disclosures were found frequently in the notes to financial statements (refer to Section 2, Post Balance Sheet Disclosures). However, several of the auditors' reports of the 600 survey companies included direct reference to such notes relating to events which occurred subsequent to the balance sheet date or to matters, the outcome of which was not determinable at that time.

In eight cases the auditors found it necessary to qualify their reports or to present therein appropriate information in the following manner:

Describing the event within the body of the report—2 reports (*Co. Nos. 100, 220)

Referring in the report to a specific footnote or president's letter where the event was described—5 reports (*Co. Nos. 16, 216, 250, 299, 413)

Referring in the report to the notes to financial statements in general, where one of these notes described the subsequent event—1 report (*Co. No. 283)

The post balance sheet disclosures brought out in the auditors' reports were as follows:

*Refer to Company Appendix Section.

Acquisition or disposal of subsidiaries (*Co. Nos. 220, 283, 299)

Antitrust litigation (*Co. Nos. 16, 250)

Contract cancelled (*Co. No. 216)

Increase of market value of investment (*Co. No. 413)

Appropriation of payment for Incentive Compensation Plan (*Co. No. 200)

Representative examples of the above reports follow:

Emerson Radio & Phonograph Corporation:

We have examined the consolidated balance sheet of Emerson Radio & Phonograph Corporation and its consolidated subsidiaries as of October 31, 1960 and the related statements of consolidated income and of consolidated 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, subject to the effects, if any, on the financial statements of the matters mentioned in Note 1 to the financial statements, the accompanying consolidated balance sheet and statements of consolidated income and of consolidated earned surplus present fairly the financial position of the companies at October 31, 1960 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' Opinion—January 6, 1961.*

Note 1: In the course of performance by the Company, of one of its Government contracts, disputes have arisen between the Government and the Company. This contract was cancelled by the Government on December 27, 1960 for alleged failure to meet contract specifications. An appeal therefrom is currently pending. At October 31, 1960, the Company had incurred contract costs of approximately $2,300,000. It is not presently determinable what loss, if any, the Company will incur on this contract. However, the Company and its counsel are of the opinion that the Government's basis for cancellation is without merit, and that the costs incurred will eventually be recovered.

Board of Directors,
Eversharp, Inc.:

We have examined the consolidated balance sheet of Eversharp, Inc. and subsidiaries as of December 31, 1960, including the pro forma balance sheet as of that date and the related statements of earnings and retained earnings and additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

On February 15, 1961, the Company entered into an agreement to acquire certain of its outstanding shares and to dispose of substantial investments and marketable securities, all as more fully described in Note 1 to the financial statements. The pro forma balance sheet reflects the effect of this agreement upon the Company's financial condition at December 31, 1960.

In our opinion, the accompanying consolidated balance sheet, together with the pro forma balance sheet, and the statements of earnings and retained earnings and additional paid-in capital, present fairly the financial position of Eversharp, Inc. and subsidiaries at December 31, 1960 and the results of their operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*February 15, 1961.*

Note 1: Pro Forma Balance Sheet—On February 15, 1961, the Company disposed of its holdings in Durand Corporation, Northtown Shopping Centre, Ltd., and certain marketable securities to the Imperial Trust Company. A director and chairman of the Executive Committee (now resigned) is also executive director and a stockholder of the Imperial Trust Company. The Company received for these assets 83,000 shares of Eversharp common stock and a 5% note receivable, amounting to $3,948,412, due in equal annual instalments over the next three years. The pro forma column of the balance sheet has been prepared to show the effect that these transactions would have had on the balance sheet at December 31, 1960.

To the Board of Directors
Hudson Pulp & Paper Corp.:

We have examined the balance sheet and statement of stockholders' equity of Hudson Pulp & Paper Corp. as at August 31, 1960, and the related statements of income and 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 and such other auditing procedures as we considered necessary in

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Auditors' Report	1960	1959	1955	1950
Accountant's (or accountants') report (*Co. Nos. 137, 140, 212, 223, 316, 401)	179	172	134	114
Accountant's (or accountants') certificate (*Co. Nos. 145, 161, 228, 232, 323, 400)	8	14	59	64
Accountant's (or accountants') opinion (*Co. Nos. 55, 97, 136, 224, 340, 445)	44	42	7	3
Auditor's (or auditors') report (*Co. Nos. 18, 184, 230, 351, 432, 581)	78	80	72	49
Auditor's (or auditors') certificate (*Co. Nos. 56, 195, 210, 342, 439, 510)	46	51	45	43
Report of independent public accountants (*Co. Nos. 16, 120, 254, 381, 442, 539)	16	21	21	12
Opinion of independent public accountants (*Co. Nos. 22, 139, 256, 463, 544, 586)	18	17	15	7
Certificate of independent public accountants (*Co. No. 203)	1	2	7	12
Report of independent certified public accountants (*Co. Nos. 49, 118, 186, 319, 492, 595)	10	9	13	10
Opinion of independent certified public accountants (*Co. Nos. 98, 186, 240, 437, 579)	5	5	5	4
Report of certified public accountants (*Co. Nos. 89, 131, 237, 333, 478, 505)	21	18	6	5
Independent auditor's (or auditors') report (*Co. Nos. 33, 128, 250, 274, 468, 548)	9	11	10	7
Report of independent auditors (*Co. Nos. 117, 451, 570, 597)	4	4	4	3
Report of auditors (*Co. Nos. 26, 76, 155, 208, 393, 404)	6	5	6	8
Report of independent accountants (*Co. Nos. 58, 115, 279, 325, 459, 517)	15	10	6	5
Opinion of independent accountants (*Co. Nos. 206, 213, 484)	3	3	3	1
Various other (*Co. Nos. 57, 112, 282, 332, 420, 513)	40	37	33	29
	503	501	446	376
No title shown	97	99	154	224
Total	600	600	600	600

1960 Reference to Auditor's (s')	Report	Certificate	Opinion	Other Terms	1960 Total
	1960 Reference to Report				
Accountant's (s')	179	8	44	—	231
Auditor's (s')	84	46	—	—	130
Certified public accountant's (s')	21	—	—	—	21
Independent certified public accountant's (s')	10	—	5	—	15
Independent public accountant's (s')	16	1	18	—	35
Independent accountant's (s')	15	—	3	—	18
Independent auditor's (s')	13	—	—	—	13
Various other	—	—	—	40	40
Total	338	55	70	40	503
No title shown					97
Total					600

*Refer to Company Appendix Section.

the circumstances.

In our opinion, the accompanying balance sheet and statements of stockholders' equity, income and retained earnings and capital surplus, together with the notes to financial statements, present fairly the financial position of Hudson Pulp & Paper Corp. at August 31, 1960, 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 . . . October 7, 1960, except for the matter commented on in Note G which is as of November 10, 1960.*

Note G: On November 10, 1960, the Company purchased all of the outstanding shares of Angel Soft Tissue Mills, Inc.

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 1960 annual reports. Although there were many variations in the titles assigned, the word *report* was the usual term of reference. It was used in 338 annual reports in 1960, as compared with 213 in 1950. Against this it may be noted that the use of the word "certificate" has declined to 55 in 1960 from 119 in 1950.

The word "opinion" was used in 70 instances in 1960 compared with 15 in 1950. In this connection the following quotation from *Accounting Terminology Bulletins, Review and Résumé No. 1* prepared by the committee on terminology of the American Institute of Certified Public Accountants in 1953 may be of interest:

> 42. The word *opinion* is also important. In the circumstances described it is not possible for the auditor to state as a literal fact that the statements are true, or that they have been prepared "in conformity with generally accepted accounting principles." All that the circumstances warrant is an expression of opinion; and although it is true that the auditor is expected to have qualified himself to express an opinion, both by his general training and by his examination in the particular case, yet his audit properly results in a statement of opinion, not of fact.

Using the CPA Title

In the January 1961 issue of *CPA*—membership bulletin of the American Institute of Certified Public Accountants—the following item appeared:

> As a matter of good public relations for the CPA himself and for the profession as a whole, the executive committee decided at its last meeting that all firms and practitioners legally entitled to do so should be urged to use "certified public accountant" in connection with the firm name on financial reports and letterheads.
>
> Tests made by the Institute have shown that opinion leaders in a business community know the difference between a CPA and a noncertified accountant, but that they frequently cannot tell whether accountants they know are certified or not. The reason appears to be the failure of many CPAs to identify themselves as they are entitled to, despite the clear benefits to be gained from being known as a certified public accountant.
>
> The Institute's public relations department has pointed out that the surest way for the public to learn to distinguish the CPA from other accountants, and to appreciate what he stands for, is by what people see when they look at CPAs around them. This recognition is retarded if they can't tell a CPA when they see one.
>
> The problem of legal restrictions on the use of the title by multi-office firms is under study by the committee on state legislation.

The preceding chapter discussed the "title of the auditors' report," wherein the question of how the auditor is identified, either by the company or by himself in the stockholders' reports, is explored. In many reports, more than one designation is employed; in such cases if the title "Certified Public Accountant" is used, such title is given preference, to the exclusion of the others in the following tabulations which were compiled in the course of the survey of the 600 annual reports for the year 1960.

Terminology Used	No. of Companies
Certified Public Accountants (*Co. Nos. 30, 37, 106, 184, 280, 292)	276
Auditors (*Co. Nos. 31, 194, 267, 327, 486, 581)	131
Accountants (*Co. Nos. 65, 122, 232, 369, 479, 545)	96
Independent Public Accountants (*Co. Nos. 52, 75, 206, 340, 463, 544)	34
Accountants and Auditors (*Co. Nos. 69, 109, 220, 354, 382, 489)	33
Other (*Co. Nos. 33, 179, 263, 341, 468, 568)	15
No designation (*Co. Nos. 5, 36, 60, 125, 164, 170)	15
Total	600

Location of Reference in Annual Report	No. of Companies
Auditor's letterhead or with signature (*Co. Nos. 13, 62, 154, 216, 329, 455)	285
Title of auditors' report (*Co. Nos. 49, 118, 129, 319, 366, 478)	181
With officers, directors, registrars, etc. (*Co. Nos. 53, 192, 197. 262, 318, 380)	85
President's letter or financial review (*Co. Nos. 12, 94, 201, 222, 336, 464)	34
No reference (*Co. Nos. 272, 347, 416, 431, 501, 555)	15
Total	600

*Refer to Company Appendix Section.

Addressee of the Auditors' Report

Table 13 summarizes the various addressees mentioned in the auditors' reports of the 600 survey companies since 1950. 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."

Examples of the various forms of address used by the auditors in presenting their opinions may be observed from copies of the actual reports included in this section.

TABLE 13: ADDRESSEE OF AUDITORS' REPORT

Combined Addressee	1960	1959	1955	1950
The Company and Its:				
Directors	222	238	283	309
Directors and President	2	3	7	10
Directors and Stockholders	162	158	111	87
Directors and Shareholders	57	51	28	10
Directors and Shareowners	18	10	8	—
Stockholders	67	64	67	85
Shareholders	34	34	34	22
Shareowners	4	6	4	1
Single Addressee				
The Company	33	35	56	72
No Addressee	1	1	2	4
Total	600	600	600	600
Frequency of Reference to:				
Company—with other addressees	566	564	542	524
Company—with no other addressee	33	35	56	72
Directors	461	459	437	416
President	2	3	7	10
Stockholders	229	222	178	172
Shareholders	91	84	62	32
Shareowners	22	16	12	1

Signature on the Auditors' Report

The manner in which the signature on the auditors' report which accompanies the annual financial statements was shown by the various companies is disclosed in Table 14. The printed form still remains the most frequent presentation although the use of handwritten facsimile has increased considerably since 1950.

TABLE 14: AUDITORS' SIGNATURE ON REPORT

Form of Signature	1960	1959	1955	1950
Firm name—printed or typed	362	370	387	452
Firm name—handwritten facsimile	232	225	206	145
Firm name—printed and handwritten facsimile	5	4	4	—
Firm and individual auditors' names—printed or typed	—	—	1	1
Individual auditors' names—printed or typed	1	1	2	2
Total	600	600	600	600

Number of Accounting Firms Represented

There were 57 certified public accounting firms or individual practitioners represented among the 600 companies included in the current survey. This is a net decrease of one for the year 1960 and is accounted for by the elimination of six firms and the addition of five.

NATURAL BUSINESS YEAR

A total of 406 of the survey companies had fiscal year endings in December (or the week-end nearest to the end of the calendar year). Due to the many corporate liquidations and mergers and the necessary company substitutions from year to year it is difficult to cite any definite trend in the number of survey companies adopting the natural business year. The fiscal year-endings other than December are summarized below for the year under review. They are for the most part fairly consistent with those of prior years.

However, as may be noted in Table 11, three companies changed their fiscal years during 1960.

November—20 companies
October—39 companies
September—33 companies
August—16 companies
July—12 companies
June—25 companies
May—6 companies
April—6 companies
March—11 companies
February—10 companies
January—16 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.	Abbott Laboratories	12
3.	Acme Steel Company	12
4.	Adams-Millis Corporation	12
5.	Addressograph-Multigraph Corporation	7
6.	Admiral Corporation	12
7.	Air Reduction Company, Incorporated	12
8.	Alan Wood Steel Company	12
9.	Alco Products, Incorporated	12
10.	Aldens, Inc.	1
11.	Allegheny Ludlum Steel Corporation	12
12.	Allen Industries, Inc.	12
13.	Allied Chemical Corporation	12
14.	Allied Mills, Inc.	6
15.	Allied Stores Corporation	1
16.	Allis-Chalmers Manufacturing Company	12
17.	Alpha Portland Cement Company	12
18.	Aluminum Company of America	12
19.	The Amalgamated Sugar Company	9
20.	Amerada Petroleum Corporation	12
21.	America Corporation	12
22.	The American Agricultural Chemical Company	6
23.	American Air Filter Company, Inc.	10
24.	American Bakeries Company	12
25.	American Bank Note Company	12
26.	American Can Company	12
27.	American Chain & Cable Company, Inc.	12
28.	American Chicle Company	12
29.	American Cyanamid Company	12
30.	The American Distilling Company	9
31.	American Enka Corporation	12
32.	The American Hardware Corporation	12
33.	American Home Products Corporation	12
34.	American Machine & Foundry Company	12
35.	American Machine and Metals, Inc.	12
36.	American Maize-Products Company	12
37.	American Metal Climax, Inc.	12
38.	American Metal Products Company	12
39.	American Motors Corporation	9
40.	American Optical Company	12
41.	American Potash & Chemical Corporation	12
42.	American Radiator & Standard Sanitary Corporation	12
43.	American-Saint Gobain Corporation	12
44.	American Seating Company	12
45.	The American Ship Building Company	6
46.	American Smelting and Refining Company	12
47.	American Stores Company	3
48.	The American Sugar Refining Company	12
49.	The American Tobacco Company	12
50.	American Viscose Corporation	12
51.	American Writing Paper Corporation	12
52.	American Zinc, Lead and Smelting Company	12
53.	Ampco Metal, Inc.	12
54.	The Anaconda Company	12
55.	Anchor Hocking Glass Corporation	12
56.	Anchor Post Products, Inc.	12
57.	Anderson, Clayton & Co.	7
58.	Anderson-Prichard Oil Corporation	12
59.	Archer-Daniels-Midland Company	6
60.	Arden Farms Company	12
61.	Argo Oil Corporation	12
62.	Armco Steel Corporation	12
63.	Armour and Company	10
64.	Armstrong Cork Company	12
65.	Art Metal, Inc.	5
66.	The Arundel Corporation	12
67.	Arvin Industries, Inc.	12
68.	Ashland Oil & Refining Company	9
69.	Associated Dry Goods Corporation	1
70.	The Atlantic Refining Company	12
71.	Atlas Powder Company	12
72.	Automatic Canteen Company of America	9
73.	Avco 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.	Basic Incorporated	12
79.	Basic Products Corporation	7
80.	Bates Manufacturing Company	12
81.	Bath Iron Works Corporation	12
82.	Bausch & Lomb Incorporated	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 & Gossett Company	11
90.	Bell & Howell	12
91.	Bell Intercontinental Corporation	12
92.	The Bendix Corporation	9
93.	Bethlehem Steel Corporation	12
94.	Bigelow-Sanford, Inc.	12
95.	The Billings & Spencer Company	9

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
96.	The Black and Decker Manufacturing Company	9
97.	Blaw-Knox Company	12
98.	Bliss & Laughlin, Incorporated	12
99.	Blue Bell, Inc.	11
100.	Boeing Airplane Company	12
101.	Bohn Aluminum & Brass Corporation	12
102.	Bond Stores, Incorporated	7
103.	Booth Fisheries Corporation	4
104.	The Borden Company	12
105.	Borg-Warner Corporation	12
106.	E. J. Brach & Sons	9
107.	Bridgeport Brass Company	12
108.	Briggs Manufacturing Company	12
109.	Briggs & Stratton Corporation	12
110.	Bristol-Myers Company	12
111.	Brockway Glass Company, Inc.	9
112.	Brown & Sharpe Manufacturing Company	12
113.	Brown Shoe Company, Inc.	10
114.	Brunswick Corporation	12
115.	Bucyrus-Erie Company	12
116.	The Budd Company	12
117.	The Bullard Company	12
118.	Burlington Industries, Inc.	9
119.	Burroughs Corporation	12
120.	California Packing Corporation	2
121.	Calumet & Hecla, Inc.	12
122.	Canada Dry Corporation	9
123.	Cannon Mills Company	12
124.	Capital Records, Inc.	6
125.	Carnation Company	12
126.	Carrier Corporation	10
127.	J. I. Case Company	10
128.	Caterpillar Tractor Company	12
129.	Celanese Corporation of America	12
130.	The Celotex Corporation	10
131.	Central Soya Company, Inc.	8
132.	Century Electric Company	12
133.	Certain-Teed Products Corporation	12
134.	The Cessna Aircraft Company	9
135.	Chain Belt Company	10
136.	The Champion Paper and Fibre Company	3
137.	Chemetron Corporation	12
138.	Cherry-Burrell Corporation	10
139.	Chicago Pneumatic Tool Company	12
140.	Chock Full O' Nuts Corporation	7
141.	Chrysler Corporation	12
142.	Cities Service Company	12
143.	City Products Corporation	12
144.	City Stores Company	1
145.	Clark Equipment Company	12
	Cletrac Corporation (See The Oliver Corporation)	
146.	The Cleveland Builders Supply Co.	9
147.	The Cleveland-Cliffs Iron Company	12
148.	Clevite Corporation	12
149.	The Coca-Cola Company	12
150.	Colgate-Palmolive Company	12
151.	Collins & Aikman Corporation	2
152.	Colonial Stores Incorporated	12
153.	The Colorado Fuel and Iron Corporation	12
154.	The Colorado Milling & Elevator Company	5
155.	Columbia Broadcasting System, Inc.	12
156.	Columbian Carbon Company	2
157.	Combustion Engineering, Inc.	12
158.	Commercial Solvents Corporation	12
159.	Congoleum-Nairn Inc.	12
160.	Consolidated Cigar Corporation	12

Co. No.		*Month in which fiscal year ends
161.	Consolidated Foods Corporation	6
162.	Consolidated Laundries Corporation	12
163.	Consolidated Paper Company	12
164.	Container Corporation of America	12
165.	Continental Baking Company	12
166.	Continental Can Company, Inc.	12
167.	Continental Motors Corporation	10
168.	Continental Oil Company	12
169.	Continental Steel Corporation	12
170.	Cook Paint and Varnish Company	11
171.	Copperweld Steel Company	12
172.	Corn Products Company	12
173.	Craddock-Terry Shoe Corporation	11
174.	Crane Co.	12
175.	Crown Central Petroleum Corporation	12
176.	Crown Cork & Seal Company, Inc.	12
177.	Crown Zellerbach Corporation	12
178.	Crucible Steel Company	12
179.	The Cuban-American Sugar Company	9
180.	The Cudahy Packing Company	10
181.	Cummins Engine Company, Inc.	12
182.	The Cuneo Press, Inc.	1
183.	The Curtis Publishing Company	12
184.	Curtiss-Wright Corporation	12
185.	Cutler-Hammer, Inc.	12
186.	Dan River Mills, Incorporated	12
187.	Dayco Corporation	10
188.	Daystrom, Incorporated	3
189.	Decca Records, Inc.	12
190.	Deere & Company	10
191.	Dennison Manufacturing Company	12
192.	Diamond National Corporation	12
193.	Diana Stores Corporation	7
194.	Dictaphone Corporation	12
195.	Walt Disney Productions	9
196.	Douglas Aircraft Company, Inc.	11
197.	The Dow Chemical Company	5
198.	The Drackett Company	9
199.	Dravo Corporation	12
200.	Dresser Industries, Inc.	10
201.	Drexel Enterprises, Inc.	11
202.	The Duplan Corporation	9
203.	E. I. du Pont de Nemours & Company	12
204.	Dura Corporation	7
205.	The Eagle-Picher Company	11
206.	The Eastern Malleable Iron Company	12
207.	Eastern Stainless Steel Corporation	12
208.	Eastman Kodak Company	12
209.	Eaton Manufacturing Company	12
210.	Elastic Stop Nut Corporation of America	11
211.	The Electric Autolite Company	12
212.	The Electric Storage Battery Company	12
213.	Electrolux Corporation	12
214.	Elgin National Watch Company	2
215.	The Emerson Electric Manufacturing Company	9
216.	Emerson Radio & Phonograph Corporation	10
217.	Endicott Johnson Corporation	11
218.	Erie Forge & Steel Corporation	4
219.	Evans Products Company	12
220.	Eversharp, Inc.	12
221.	Ex-Cell-O Corporation	12
222.	Fairbanks, Whitney & Co.	12
223.	Fairchild Camera and Instrument Corporation	12
224.	Fairchild Engine and Airplane Corporation	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
225.	Falstaff Brewing Corporation	12
226.	Fansteel Metallurgical Corporation	12
227.	Fedders Corporation	8
228.	The Federal Machine and Welder Company	9
229.	Federated Department Stores, Inc.	1
230.	The Firestone Tire & Rubber Company	10
231.	First National Stores Inc.	3
232.	M. H. Fishman Co., Inc.	12
233.	The Flintkote Company	12
234.	Food Machinery and Chemical Corporation	12
235.	Foote Mineral Company	12
236.	Foremost Dairies, Inc.	12
237.	Freeport Sulphur Company	12
238.	Fruehauf Trailer Company	12
239.	Gar Wood Industries, Inc.	10
240.	Garlock, Inc.	12
241.	The Garrett Corporation	6
242.	General American Transportation Corporation	12
243.	General Aniline & Film Corporation	12
244.	General Baking Company	12
245.	General Box Company	12
246.	General Bronze Corporation	12
247.	General Cable Corporation	12
248.	General Cigar Co., Inc.	12
249.	General Dynamics Corporation	12
250.	General Electric Company	12
251.	General Mills, Inc.	5
252.	General Motors Corporation	12
253.	General Plywood Corporation	10
254.	General Railway Signal Company	12
255.	General Refractories Company	12
256.	The General Tire & Rubber Company	11
257.	Genesco	10
258.	Giddings & Lewis Machine Tool Company	12
259.	The Gillette Company	12
260.	Gimbel Brothers, Inc.	1
261.	The Glidden Company	8
262.	Goebel Brewing Company	12
263.	Goldblatt Bros., Inc.	1
264.	Good Humor Corporation	12
265.	The B. F. Goodrich Company	12
266.	The Goodyear Tire & Rubber Company	12
267.	The Grand Union Company	2
268.	Granite City Steel Company	12
269.	W. T. Grant Company	1
270.	The Great Western Sugar Company	2
271.	The Greiss-Pfleger Tanning Company	12
272.	Gruen Industries, Inc.	3
273.	Grumman Aircraft Engineering Corporation	12
274.	Gulf Oil Corporation	12
275.	W. F. Hall Printing Company	3
276.	Haloid Xerox Inc.	12
277.	Hamilton Watch Company	1
278.	Harbison-Walker Refractories Company	12
279.	Harnischfeger Corporation	10
280.	Harris-Intertype Corporation	6
281.	The Harshaw Chemical Company	9
282.	Hart Schaffner & Marx	11
283.	Hat Corporation of America	10
284.	Hazeltine Corporation	12
285.	H. J. Heinz Company	4
286.	Hercules Motors Corporation	7
287.	Hercules Powder Company	12
288.	Hershey Chocolate Corporation	12
289.	Heyden-Newport Chemical Corporation	12
290.	Heywood-Wakefield Company	12
291.	The Hobart Manufacturing Company	12

Co. No.		*Month in which fiscal year ends
292.	Hoffman Electronics Corporation	12
293.	Holland Furnace Company	12
294.	Holly Sugar Corporation	3
295.	Hooker Chemical Corporation	11
296.	Geo. A. Hormel & Company	10
297.	Houdaille Industries, Inc.	12
298.	Howe Sound Company	12
299.	Hudson Pulp & Paper Corp.	8
300.	Hunt Foods and Industries, Inc.	6
301.	Hygrade Food Products Corporation	10
302.	Indian Head Mills, Inc.	11
303.	Industrial Rayon Corporation	12
304.	Ingersoll-Rand Company	12
305.	Inland Steel Company	12
306.	Interchemical Corporation	12
307.	International Business Machines Corporation	12
308.	International Harvester Company	10
309.	International Minerals & Chemical Corporation	6
310.	International Paper Company	12
311.	International Shoe Company	11
312.	The International Silver Company	12
313.	Interstate Bakeries Corporation	12
314.	Iron Fireman Manufacturing Company	12
315.	Jantzen, Inc.	8
316.	Johns-Manville Corporation	12
317.	Johnson & Johnson	12
318.	Jones & Lamson Machine Company	12
319.	Jones & Laughlin Steel Corporation	12
320.	Joslyn Mfg. and Supply Co.	12
321.	Joy Manufacturing Company	9
322.	The E. Kahn's Sons Company	12
323.	Kellogg Company	12
324.	Kelsey-Hayes Company	8
325.	The Kendall Company	12
326.	Kennecott Copper Corporation	12
327.	Keystone Steel & Wire Company	6
328.	Walter Kidde & Company, Inc.	12
329.	Kimberly-Clark Corporation	4
330.	Koppers Company, Inc.	12
331.	S. S. Kresge Company	12
332.	S. H. Kress and Company	12
333.	The Kroger Co.	12
334.	Kuhlman Electric Company	12
335.	Kuner-Empson Company	3
336.	Langendorf United Bakeries, Inc.	6
337.	Lear, Incorporated	12
338.	Lehigh Portland Cement Company	12
339.	Lerner Stores Corporation	1
340.	Leslie Salt Company	12
341.	R. G. LeTourneau, Inc.	12
342.	Libbey-Owens-Ford Glass Company	12
343.	Libby, McNeill & Libby	6
344.	Liggett & Myers Tobacco Company, Inc.	12
345.	Eli Lilly and Company	12
346.	Lily-Tulip Cup Corporation	12
347.	Link-Belt Company	12
348.	Lockheed Aircraft Corporation	12
349.	Loew's Incorporated (now Metro-Goldwyn-Mayer, Inc.)	8
350.	Loft Candy Corporation	6
351.	Lone Star Cement Corporation	12
352.	P. Lorillard Company	12
353.	Lukens Steel Company	12
354.	Macfadden Publications, Inc.	12
355.	Mack Trucks, Inc.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
356.	R. H. Macy & Co., Inc.	7
357.	P. R. Mallory & Co., Inc.	12
358.	Manning, Maxwell and Moore, Incorporated	12
359.	Marshall Field & Company	1
360.	The Martin Company	12
361.	Masonite Corporation	8
362.	The W. L. Maxson Corporation	9
363.	The May Department Stores Company	1
364.	Oscar Mayer & Co., Inc.	10
365.	The Maytag Company	12
366.	McCall Corporation	12
367.	McCormick & Company, Incorporated	11
368.	McGraw-Hill Publishing Company, Inc.	12
369.	McKesson & Robbins, Incorporated	3
370.	The Mead Corporation	12
371.	Medusa Portland Cement Company	12
372.	Melville Shoe Corporation	12
373.	Merck & Co., Inc.	12
374.	Meredith Publishing Company	6
375.	Metal & Thermit Corporation	12
	Metro-Goldwyn-Mayer Inc. (See Loew's Incorporated)	
376.	Midwest Rubber Reclaiming Company	10
377.	Miller Manufacturing Co.	9
378.	Minneapolis-Honeywell Regulator Company	12
379.	Minnesota Mining and Manufacturing Company	12
380.	Mirro Aluminum Company	12
381.	Mohasco Industries, Inc.	12
382.	The Mohawk Rubber Company	12
383.	Monsanto Chemical Company	12
384.	Montgomery Ward & Co., Incorporated	1
385.	Moore Drop Forging Company	6
386.	John Morrell & Co.	10
387.	Motor Products Corporation	6
388.	Motor Wheel Corporation	12
389.	Motorola, Inc.	12
390.	Munsingwear, Inc.	12
391.	G. C. Murphy Company	12
392.	The Murray Corporation of America	8
393.	National Biscuit Company	12
394.	The National Cash Register Company	12
395.	National Company, Inc.	12
396.	National Dairy Products Corporation	12
397.	National Distillers and Chemical Corporation	12
398.	National Gypsum Company	12
399.	National Lead Company	12
400.	National Presto Industries, Inc.	9
401.	National Starch and Chemical Corporation	12
402.	National Steel Corporation	12
403.	The National Sugar Refining Company	12
404.	Neptune Meter Company	12
405.	The New Britain Machine Company	12
406.	The New York Air Brake Company	12
407.	J. J. Newberry Co.	12
408.	Newport News Shipbuilding and Dry Dock Company	12
409.	Nopco Chemical Company	12
410.	North American Aviation, Inc.	9
411.	Northrop Corporation	7
412.	The Ohio Oil Company	12
413.	The Oliver Corporation (now Cletrac Corporation)	10
414.	O'Sullivan Rubber Corporation	12
415.	Otis Elevator Company	12
416.	Outboard Marine Corporation	9
417.	Owens-Illinois Glass Company	12

Co. No.		*Month in which fiscal year ends
418.	Oxford Paper Company	12
419.	Pacific American Fisheries, Inc.	2
420.	Paramount Pictures Corporation	12
421.	Parke, Davis & Company	12
422.	The Parker Pen Company	2
423.	Parkersburg-Aetna Corporation	12
424.	Peden Iron & Steel Co.	12
425.	Penn Fruit Co., Inc.	8
426.	J. C. Penney Company	1
427.	Pennsalt Chemicals Corporation	12
428.	Peoples Drug Stores, Incorporated	12
429.	Pepsi-Cola Company	12
430.	Permanente Cement Company	12
431.	Pfaudler Permutit, Inc.	12
432.	Pfeifer Brewing Company	12
433.	Chas. Pfizer & Co., Inc.	12
434.	Phelps Dodge Corporation	12
435.	Philadelphia and Reading Corporation	12
436.	Philco Corporation	12
437.	Philip Morris, Incorporated	12
438.	Phillips Petroleum Company	12
439.	Phoenix Steel Corporation	12
440.	The Pillsbury Company	5
441.	Piper Aircraft Corporation	9
442.	Pitney-Bowes, Inc.	12
443.	Pittsburgh Brewing Company	10
444.	Pittsburgh Plate Glass Company	12
445.	Pittsburgh Steel Company	12
446.	The Pittston Company	12
447.	Plymouth Oil Company	12
448.	Polaroid Corporation	12
449.	H. K. Porter Company, Inc.	12
450.	Pratt & Lambert, Inc.	12
451.	The Procter & Gamble Company	6
452.	Pullman Incorporated	12
453.	The Pure Oil Company	12
454.	Purolator Products, Inc.	12
455.	The Quaker Oats Company	6
456.	Quaker State Oil Refining Corporation	12
457.	Radio Corporation of America	12
458.	Ralston Purina Company	9
459.	The Rath Packing Company	10
460.	Raybestos-Manhattan, Inc.	12
461.	Rayonier Incorporated	12
462.	The Reliance Electric and Engineering Company	10
463.	Reliance Manufacturing Company	11
464.	Remington Arms Company, Inc.	12
465.	Republic Aviation Corporation	12
466.	Republic Steel Corporation	12
467.	Revere Copper and Brass Incorporated	12
468.	Rexall Drug and Chemical Company	12
469.	Reynolds Metals Company	12
470.	R. J. Reynolds Tobacco Company	12
471.	Rheem Manufacturing Company	12
472.	Richfield Oil Corporation	12
473.	Ritter Company, Inc.	12
474.	H. H. Robertson Company	12
475.	Rohm & Haas Company	12
476.	The Ruberoid Company	12
477.	Jacob Ruppert	12
478.	The Ryan Aeronautical Company	10
479.	Saco-Lowell Shops	11
480.	Safeway Stores, Incorporated	12
481.	St. Croix Paper Company	12

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
482. St. Regis Paper Company	12
483. Schenley Industries, Inc.	8
484. Scott Paper Company	12
485. Scovill Manufacturing Company	12
486. Screw and Bolt Corporation of America	12
487. Seaboard Allied Milling Corporation	12
488. G. D. Searle & Co.	12
489. Sears, Roebuck and Co.	1
490. The 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. The Standard Tube Company	12
523. Stanray Corporation	12
524. The L. S. Starrett Company	6
525. J. P. Stevens & Co., Inc.	10
526. Stewart-Warner Corporation	12
527. Stokely-Van Camp, Inc.	5
528. Struthers Wells Corporation	11
529. Studebaker-Packard Corporation	12
530. Sun Chemical Corporation	12
531. Sun Oil Company	12
532. Sundstrand Corporation	12
533. Sunray Mid-Continent Oil Company	12
534. Sunshine Biscuits, Inc.	12
535. The Superior Oil Company	8
536. Swift & Company	10
537. Symington Wayne Corporation	12
538. Tecumseh Products Company	12
539. Texaco Inc.	12
540. Texas Gulf Sulphur Company	12
541. Textron Inc.	12
542. Thatcher Glass Manufacturing Company, Inc.	12

Co. No.	*Month in which fiscal year ends
543. Thompson Ramo Wooldridge Inc.	12
544. Tidewater Oil Company	12
545. Time Incorporated	12
546. The Timken Roller Bearing Company	12
547. Tobin Packing Co., Inc.	10
548. The Torrington Company	6
549. Trans-United Industries, Inc.	7
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 Merchants and Manufacturers, Inc.	6
562. United Park City Mines Company	12
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. Van Norman Industries, Inc.	12
577. Vanadium-Alloys Steel Company	6
578. Vanderbilt Tire & Rubber Corporation	12
579. Veeder-Root Incorporated	12
580. Wagner Electric Corporation	12
581. Waitt & Bond, Inc.	12
582. Walgreen Co.	9
583. Walworth Company	12
584. Ward Baking Company	12
585. Warner Bros. Pictures, 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 Company	12
591. Wheeling Steel Corporation	12
592. The White Motor Company	12
593. Wilson & Co., Inc.	10
594. Woodall Industries, Incorporated	8
595. F. W. Woolworth Co.	12
596. Worthington Corporation	12
597. Wm. Wrigley Jr. Company	12
598. The Yale & Towne Manufacturing Company	12
599. The Youngstown Sheet and Tube Company	12
600. Zenith Radio Corporation	12

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