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Accounting trends and techniques, 16th annual survey, 1962 edition

American Institute of Certified Public Accountants

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ACCOUNTING TRENDS & TECHNIQUES

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SIXTEENTH EDITION

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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ACCOUNTING TRENDS & TECHNIQUES

Sixteenth 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 1961.

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PREFACE

Accounting Trends and Techniques in Published Annual Reports — 1962 is the Sixteenth 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., Consultant, *Accounting Trends and Techniques,* 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 subsequent 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 1961 reports. *These illustrations are not presented as recommended methods for handling specific items but are of an informative and objective nature.* About 500 additional reports were informally scanned and are referred to, wherever appropriate, throughout the study.

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

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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, the 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 1961.

Of the 600 survey companies, 599 presented two or more of the customary statements. The remaining company (*Co. No. 424) presented only a balance sheet.

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 their 1961 reports and the table shows in comparative form the various combinations for the years 1961, 1960, 1959, 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* issued in 1951 (page 15), discusses the necessity for including in the auditors' 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 with re-

*Refer to Company Appendix Section.

TABLE 1: CUSTOMARY FINANCIAL STATEMENTS

Combination of Statements*	1961	1960	1959	1955	1950	1946
A: Balance Sheet and Combined Income & Retained Earnings Statements	243	239	233	202	168	141
B: Balance Sheet, Income, and Retained Earnings Statements	156	153	153	169	191	157
C: Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	138	144	145	149	149	198
D: Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings Statements	2	2	3	4	15	30
E: Balance Sheet, Income, and Stockholders' Equity Statements	23	23	24	19	15	6
F: Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	23	24	27	22	20	22
G: Balance Sheet and Income Statements	7	7	8	19	21	20
H: Balance Sheet, Income, and Surplus (unclassified) Statements	2	1	1	8	14	15
I: Balance Sheet and Combined Income & Surplus (unclassified) Statements	1	1	1	4	2	2
J: Balance Sheet—alone or in other combinations of statements not mentioned above	5	6	5	4	5	9
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 99, 133, 202, 312, 420, 549; B: Co. Nos. 23, 129, 235, 352, 431, 590; C: Co. Nos. 6, 103, 223, 357, 482, 542; D: Co. Nos. 174, 561; E: Co. Nos. 62, 100, 268, 371, 472, 544; F: Co. Nos. 18, 110, 221, 267, 407, 515; G: Co. Nos. 66, 83, 108, 320, 421, 569; H: Co. Nos. 54, 435; I: Co. No. 318; J: Co. Nos. 128, 164, 298, 424, 529.

spect 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.

NOTES TO FINANCIAL STATEMENTS

Manner of Presentation*	1961	1960	1955
A. Notes with direct reference shown within related statements	461	459	372
B. Notes included by general reference on accompanying statements	82	76	95
C. Notes included by placement within or at the foot of statements	29	35	59
D. No notes as such, but supplementary information provided at foot of statements	4	5	11
E. No reference to notes; however they are provided separately	5	3	4
F. No notes presented	19	22	59
	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 98, 198, 276, 300, 481, 581; B: Co. Nos. 77, 154, 184, 211, 385, 429; C: Co. Nos. 25, 141, 289, 377, 480, 582; D: Co. Nos. 449, 450, 488, 499; E: Co. Nos. 16, 43, 411, 458, 572; F: Co. Nos. 56, 170, 230, 322, 464, 576.

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

TABLE 2: INCOME PRESENTATION IN REPORTS

Manner of Presentation*	1961	1960	1959	1955	1950	1946
A: As a separate statement of income	327	329	335	368	407	427
B: As a combined statement of income and retained earnings	271	267	261	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	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	—	—
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 71, 118, 215, 454, 461, 548; B: Co. Nos. 32, 135, 240, 330, 401, 552; C: Co. No. 318; F: Co. No. 424.

Pension and retirement plans—Funded and unfunded
Post balance sheet disclosures—Materiality
Reserves—Contingency, Employee benefit, Foreign activity, Guarantee or Warranty, Insurance, Inventory, Property, Taxes, and Miscellaneous

INCOME PRESENTATION IN REPORTS

A separate statement of income or a combined statement of income and retained earnings was provided by 598 of the 600 survey companies in their 1961 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 4 companies. Details of the income presentation in the reports are presented in Table 2.

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 1961 annual reports. The increased use of the combined statement of retained earnings and income referred to above continued in the current year, with 271 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 statements.

TABLE 3: RETAINED EARNINGS PRESENTATION IN REPORTS

Manner of Presentation*	1961	1960	1959	1955	1950	1946
A: As a separate statement of retained earnings	294	297	298	320	341	356
B: As a combined statement of retained earnings and income	271	267	261	224	187	164
C: As a combined statement of retained earnings and capital surplus	2	2	3	4	17	30
D: As a section within the statement of stockholders' equity (see Table 15)	23	23	24	19	14	5
E: As a section within the balance sheet	6	7	10	12	19	22
F: As an item within the balance sheet	1	1	1	7	6	4
As a combined statement of income and net worth	—	1	1	2	1	1
Total Retained Earnings	597	598	598	588	585	582
G: Surplus not classified	3	2	2	12	15	18
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 2, 146, 233, 304, 442, 462; B: Co. Nos. 27, 158, 260, 346, 348, 455; C: Co. Nos. 54, 174; D: Co. Nos. 295, 303, 412, 479, 509, 543; E: Co. Nos. 66, 83, 108, 320, 356, 421; F: Co. No. 424; G: Co. Nos. 54, 318, 435.

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 487 of the 600 survey companies. Separate statements of capital surplus either alone or in combination with retained earnings were presented by 162 companies. Capital surplus was shown as an item within the balance sheet by 304 companies, of which 94 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 1961 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 During 1961

Changes made by the survey companies in the terminology used for their income statements for the year 1961 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 maintain its high position. Perhaps the most outstanding trend has been away from the use of the title "profit and loss," from 236 companies in 1946 to 21 companies in 1961. Nine of the companies changing the key word in the title of their income statements for the year 1961 are *Company Numbers 42, 65, 243, 254, 261, 392, 419, 513, 585.

*Refer to Company Appendix Section.

TABLE 4: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation*	1961	1960	1959	1955	1950	1946
A: As a separate statement of capital surplus	160	167	172	183	170	224
B: As a combined statement of capital surplus and retained earnings	2	2	3	4	16	31
Total	162	169	175	187	186	255
C: As a section within the statement of stockholders' equity (see Table 14)	21	20	22	17	17	7
As an item within the balance sheet and changes set forth:						
D: Under balance sheet caption	24	25	30	17	28	12
E: In notes to financial statements	152	148	131	81	17	12
F: In other statements or schedules covered by auditors' reports	1	2	2	4	1	1
G: In letter to stockholders	1	2	2	2	2	—
H: Not set forth in report	32	31	29	32	6	1
As an item within the balance sheet:						
I: Stated to be "Not changed during the year"	15	12	19	36	54	54
J: With identical dollar balances for the current and prior year but no reference to such unchanged status	79	80	86	85	119	88
Total	304	300	299	257	227	168
Number of Companies						
Presenting capital surplus	487	489	496	461	430	430
Not presenting capital surplus	110	108	101	127	156	156
Not classifying surplus (*Co. Nos. 54, 318, 435)	3	3	3	12	14	14
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 5, 32, 55, 59, 508, 542
B: Co. Nos. 54, 174
C: Co. Nos. 268, 303, 412, 479, 551, 572
D: Co. Nos. 8, 15, 346, 354, 579
E: Co. Nos. 28, 64, 70, 250, 463, 514
F: Co. No. 90
G: Co. No. 555
H: Co. Nos. 185, 442, 474, 538, 580
I: Co. Nos. 102, 119, 143, 168, 246, 594
J: Co. Nos. 17, 63, 200, 292, 391, 488

TABLE 5: INCOME STATEMENT TITLE

Terminology Used	1961	1960	1959	1955	1950	1946
Income	387	384	386	361	329	317
Earnings	150	151	146	135	92	10
Profit and Loss	21	23	27	56	127	236
Operations	35	35	33	30	30	10
Income and Expense	3	2	3	5	8	5
Income and Profit and Loss	—	—	—	2	2	10
Income, Costs	—	1	1	1	1	—
Loss	1	1	1	2	1	—
Operating Results	—	—	—	3	3	3
Profit	2	2	2	3	4	1
Profits and Income	—	—	—	—	—	1
Total	599	599	599	598	597	593
No Income statement	1	1	1	2	3	7
Total	600	600	600	600	600	600

Examples

Examples of the various titles of the income statements contained in the 1961 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—(387 Companies):
- Comparative Consolidated Statement of Income (*Co. No. 525)
- Consolidated Income Accounts (*Co. No. 150)
- Consolidated Income Statement (*Co. Nos. 61, 121)
- Consolidated Statement of Income (*Co. No. 131)
- Consolidated Statement of Income and *Retained Earnings* (*Co. No. 119)
- Consolidated Statements of Income, *Earned Surplus, and Common Stock* (*Co. No. 143)
- Consolidated Statement of Income and *United States Earned Surplus* (*Co. No. 260)
- Statement of Consolidated Income (*Co. Nos. 62, 122, 136, 176, 412)
- Statement of Consolidated Income and *Earnings* (*Co. No. 240)
- Statements of Consolidated Income and *Income Retained* (*Co. No. 146)
- 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. 219)

Earnings—(150 Companies):
- Consolidated Earnings (*Co. Nos. 347, 427)
- Consolidated Statement(s) of Earnings (*Co. Nos. 215, 527)
- Consolidated Statement of Net Earnings (*Co. Nos. 216, 421)
- Earnings (*Co. Nos. 154, 374, 448)
- Statement of Comparative Consolidated Earnings (*Co. No. 414)
- Statement of Consolidated Earnings (*Co. Nos. 343, 416, 506)
- Statement of Earnings (*Co. Nos. 295, 403)
- Statement of Net Earnings (*Co. No. 341)

Profit and Loss—(21 Companies):
- Comparative Statement of Profit and Loss (*Co. No. 562)
- Comparative Statement of Consolidated Profit and Loss and *Earned Surplus* (*Co. No. 568)
- Consolidated Statement of Profit and Loss (*Co. Nos. 149, 188, 247, 509)
- Consolidated Statements of Profit and Loss, *Retained Earnings, and Capital Surplus* (*Co. No. 182)
- Consolidated Surplus and Profit and Loss Account (*Co. No. 574)
- Statement of Consolidated Profit and Loss (*Co. Nos. 153, 528, 566)
- Statements of Consolidated Profit and Loss and *Retained Earnings* (*Co. No. 206)
- Statements of Profit and Loss (*Co. No. 334)
- Statements of Profit and Loss and *Earned Surplus* (*Co. No. 409)
- Statement of Profit and Loss and *Net Income Retained in the Business* (*Co. No. 480)
- Statements of Consolidated Profit and Loss and *Reinvested Earnings* (*Co. No. 60)
- Statement of Profit and Loss and *Retained Earnings* (*Co. No. 463)

Operations—(35 Companies):
- Comparative Consolidated Statement of Operations (*Co. No. 218)
- Consolidated Results of Operations (*Co. Nos. 128, 189)
- Consolidated Statement of Operations (*Co. Nos. 26, 37, 388)
- Consolidated Statement of Operations and *Earnings Reinvested in Business* (*Co. No. 134)

*Refer to Company Appendix Section.

Consolidated Statement of Results of Operations (*Co. No. 220)
Results of Operations (*Co. No. 251)
Statement(s) of Operations (*Co. Nos. 67, 263)
Statement of Operations and *Retained Earnings* (*Co. No. 97)

Various Other—(6 Companies):
Comparative Consolidated Profit Statement (*Co. No. 261)
Comparative Statement of Income and Expense (*Co. No. 443)
Consolidated Statement of Income and Expense (*Co. No. 42)
Statements of Consolidated Income and Expense (*Co. No. 402)
Statement of Consolidated Loss and Retained Earnings (*Co. No. 271)
Statement of Profit and of Retained Earnings (*Co. No. 214)

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.

Table 6 also indicates the section of the income statement in which the estimate for the current Federal income tax is presented. Examples of such presentations may be found in Section 3 following Table 10.

As may be noted from Table 6 the use of the single-step form of income statement now predominates in the 1961 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 1961

The survey, this year, reveals that five companies *adopted* the single-step form of the income statement (*Co. Nos. 83, 133, 412, 432, 434).

*Refer to Company Appendix Section.

TABLE 6: INCOME STATEMENT FORM

Form of Statement	1961	1960	1959	1955	1950	1946
Multiple-step form	192	211	217	258	302	263
Multiple-step form with a separate last section presenting:						
Nonrecurring tax items	12	8	11	24	41	63
Nonrecurring tax and nontax items	23	21	22	23	11	57
Nonrecurring nontax items	35	27	30	25	31	85
Total	262	267	280	330	385	468
Single-step form	288	277	266	218	177	76
Single-step form with a separate last section presenting:						
Nonrecurring tax items	6	13	8	22	13	13
Nonrecurring tax and nontax items	21	24	22	9	7	20
Nonrecurring nontax items†	22	18	23	19	15	16
Total	337	332	319	268	212	125
No income statement presented	1	1	1	2	3	7
Total	600	600	600	600	600	600
Current year—Federal income tax estimate:						
Listed among operating items	153	154	153	141	159	100
Presented in separate last section	414	415	419	437	423	450
Total	567	569	572	578	582	550
Current estimate not required	32	30	27	20	15	43
No income statement presented	1	1	1	2	3	7
Total	600	600	600	600	600	600

†Includes minority interest

TITLE OF THE BALANCE SHEET

The term "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity was used by 454 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 141 companies in 1961, has remained fairly constant during the last five 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 increase in the current year (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 1961 reports of the 600 survey companies:

Balance Sheet—(Customary form: 453 Companies)
- Balance Sheet (*Co. Nos. 130, 341, 359, 426, 525)
- Balance Sheets (*Co. Nos. 12, 178, 237, 335)
- Balance Sheet (Consolidated) (*Co. No. 115)
- Comparative Balance Sheet (*Co. No. 244)
- Comparative Balance Sheets (*Co. No. 255)
- Comparative Consolidated Balance Sheet (*Co. Nos. 283, 571)
- Comparative Consolidated Balance Sheets (*Co. No. 510)
- Consolidated Balance Sheet (*Co. Nos. 55, 79, 187, 200, 436, 520, 561)
- Consolidated Balance Sheets (*Co. Nos. 139, 212, 238, 320, 396, 447)

Balance Sheet—(Financial position form: 1 Company)
- Comparative Balance Sheet (*Co. No. 50)

Financial Position—(Customary form: 45 Companies)
- Comparative Statement of Financial Position (*Co. No. 570)

*Refer to Company Appendix Section.

TABLE 7: BALANCE SHEET TITLE

Terminology Applied	1961	1960	1959	1955	1950	1946
Balance Sheet, used with:						
Customary form (*Co. Nos. 23, 141, 237, 300, 474, 551)	453	455	453	467	492	578
Financial position form (*Co. No. 50)	1	—	—	—	—	—
	454	455	453	467	492	578
Financial Position, used with:						
Customary form (*Co. Nos. 4, 87, 112, 210, 340, 589)	45	44	43	33	13	3
Financial position form (*Co. Nos. 49, 63, 120, 327, 484, 558)	60	60	63	59	52	9
	105	104	106	92	65	12
Financial Condition, used with:						
Customary form (*Co. Nos. 3, 62, 144, 280, 332, 424)	23	23	21	19	15	1
Financial position form (*Co. Nos. 31, 75, 209, 344, 511, 587)	13	12	14	16	19	5
	36	35	35	35	34	6
Assets and Liabilities** (*Co. Nos. 105, 180, 184)	3	3	3	3	4	2
"Assets, Liabilities, and Capital Investment"**	—	1	1	1	1	—
"Statement of Ownership"	—	—	—	—	1	—
"Investment"*** (*Co. No. 316)	1	1	1	1	2	1
"Assets, Liabilities and Capital"*** (*Co. No. 192)	1	1	1	1	1	1
	5	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.*

Condensed Consolidated Statement of Financial Position (*Co. No. 56)
Consolidated Financial Position (*Co. Nos. 457, 509)
Consolidated Statement of Financial Position (*Co. Nos. 26, 109, 250, 340, 405)
Statement of Consolidated Financial Position (*Co. Nos. 112, 153, 241, 413, 439)
Statement of Financial Position (*Co. Nos. 87, 172, 202, 337)

Financial Position—(Financial position form: 60 Companies)
Consolidated Financial Position (*Co. Nos. 49, 81, 128, 278, 484)
Consolidated Statement of Financial Position (*Co. Nos. 177, 312, 327, 363, 523, 534)
Financial Position (*Co. Nos. 251, 393, 477)
Statement of Consolidated Financial Position (*Co. Nos. 186, 315, 416, 597)
Statement of Financial Position (*Co. Nos. 15, 53, 313, 328, 386, 403)

Financial Condition—(Customary form: 23 Companies)
Consolidated Statement of Financial Condition (*Co. Nos. 74, 286, 354)
Consolidated Statements of Financial Condition (*Co. Nos. 182, 532)
Statement of Consolidated Financial Condition (*Co. Nos. 62, 96, 280, 308, 372, 454)
Statement of Financial Condition (*Co. Nos. 3, 332, 364, 370, 494)

Financial Condition—(Financial position form: 13 Companies)
Consolidated Statement of Financial Condition (*Co. Nos. 75, 465, 512, 594, 596)
Financial Statement (*Co. No. 448)
Statement of Consolidated Financial Condition (*Co. No. 345)
Statement of Financial Condition (*Co. Nos. 31, 209, 563, 586)

Assets and Liabilities—(Customary form: 3 Companies)
Consolidated Statement of Assets and Liabilities (*Co. No. 184)
Statement of Assets and Liabilities (*Co. No. 105)
Statement of Consolidated Assets and Liabilities (*Co. No. 180)

Other Captions—(Financial position form: 2 Companies)
Assets, Liabilities and Capital (*Co. No. 192)
Investment (*Co. No. 316)

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

*Refer to Company Appendix Section.

TABLE 8: BALANCE SHEET FORM

Customary Form*	1961	1960	1959	1955	1950	1946
A: Assets *equal* liabilities plus stockholders' equity	519	521	516	517	523	584
B: Assets less liabilities *equal* stockholders' equity	5	5	5	5	3	—
Total	524	526	521	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	47	47	51	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)	22	20	19	17	34	9
F: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	—	—	2	2	2	—
Total	76	74	79	78	74	16
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 24, 70, 129, 265, 308, 454; B: Co. Nos. 62, 250, 337, 413, 589; C: Co. Nos. 1, 15, 128, 214, 357, 563; D: Co. Nos. 8, 177, 363, 394, 484, 537; E: Co. Nos. 53, 60, 81, 221, 344, 448.

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 1961 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 1961 reports, 524 of the survey companies presented the customary form of the balance sheet.

The remaining 76 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 1961

There was a decrease of two in the number of companies presenting the customary form of balance sheet in the 1961 annual reports of the 600 survey companies, as will be noted in Table 8 (*Co. Nos. 50 and 540). 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.

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 more than one quarter, or 167 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 the 1961 annual reports of the survey companies:

TABLE 9: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1961	1955	1951
Capital stock and surplus	86	143	164
Capital stock and earned surplus	1	1	4
Capital stock and retained earnings	11	10	10
Capital stock and accumulated earnings	—	1	2
Capital stock and accumulated (earnings, income) (retained, invested)	—	2	3
Capital stock and (earnings, retained profits) (invested, reinvested)	3	3	2
Capital shares and surplus	—	—	2
Capital and surplus	2	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	51	66	72
Capitalization	—	1	1
Capital (accounts, invested, investment, structure)	—	5	7
Derived from	2	3	3
Investment represented by	1	1	1
Investors' equities	—	1	2
Net worth	—	1	10
Ownership	2	1	2
Ownership evidenced by	4	3	3
Ownership (equities, interest, etc.)	1	2	2
Ownership of net assets	3	3	—
Provided by	1	1	1
Represented by	9	16	13
Source from which capital was obtained	3	3	6
Sources from which net assets were obtained	1	1	6
Stockholders' equity	205	123	85
Stockholders' investment	40	44	51
Stockholders' ownership	4	7	10
Stockholders' interest	4	2	3
Stockholders' capital	—	1	1
Shareholders' equity	94	55	19
Shareholders' investment	15	10	6
Shareholders' ownership	2	1	2
Shareholders' interest	2	3	4
Shareowners' equity	23	7	1
Shareowners' investment	1	6	2
Miscellaneous	3	1	1
	587	552	526
No title set forth	13	48	74
Total	600	600	600

Capital (*Co. Nos. 27, 211, 233, 246, 267, 433)
Capital and accumulated earnings (*Co. No. 597)

*Refer to Company Appendix Section.

Capital and retained earnings (*Co. Nos. 7, 49, 107, 182, 444, 470)
Capital and surplus (*Co. Nos. 61, 349)
Capital stock and earnings reinvested (*Co. No. 385)
Capital stock and retained earnings (*Co. Nos. 4, 145, 244, 455, 459, 488)
Capital stock and surplus (*Co. Nos. 34, 55, 122, 143, 236, 576)
Derived from (*Co. Nos. 357, 558)
Equity of Common Stockholders (*Co. No. 293)
Equity capital (*Co. No. 308)
Owners' Investment (*Co. No. 19)
Ownership (*Co. Nos. 128, 144)
Ownership evidenced by (*Co. Nos. 50, 250, 327, 569)
Ownership interest (*Co. No. 274)
Ownership of net assets (*Co. Nos. 16, 209, 448)
Provided by (*Co. No. 484)
Represented by (*Co. Nos. 80, 214, 221, 312, 328, 393)
Shareholders' equity (*Co. Nos. 131, 175, 201, 336, 417, 573)
Shareholders' interest (*Co. Nos. 465, 590)
Shareholders' investment (*Co. Nos. 98, 141, 147, 238, 494, 543)
Shareholders' ownership evidenced by (*Co. Nos. 9, 517)
Shareowners' equity (*Co. Nos. 90, 208, 384, 434, 530, 556)
Shareowners' investment (*Co. No. 71)
Sources from which capital was obtained (*Co. Nos. 120, 394, 523)
Sources from which net assets were obtained (*Co. No. 403)
Stockholders' equity (*Co. Nos. 31, 64, 153, 228, 405, 500)
Stockholders' interest (*Co. Nos. 198, 296, 519, 587)
Stockholders' investment (*Co. Nos. 2, 168, 225, 362, 416, 580)
Stockholders' ownership (*Co. Nos. 135, 240, 313, 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."

As shown in Table 10, in 1961 only 230 of the survey companies used the term "surplus" in their balance sheet captions, as compared with 375 in 1948. It will also be observed from this table that over 50 per cent of the companies included in the survey have now 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 1961 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"—(230 Companies)

Source Indicated

Capital surplus (from redemption of preferred stock) (*Co. No. 478)
Capital surplus (excess of consideration received for common stock over the stated value of $13 per share) (*Co. No. 409)
Capital surplus (excess of market value over par value of common stock issued as dividends) (*Co. No. 475)
Capital surplus (principally arising from stock dividends) (*Co. No. 59)
Capital surplus (arising from sale of treasury stock under the incentive stock option plan) (*Co. No. 20)
Capital surplus paid-in (*Co. No. 294)
Excess over par value—capital surplus (*Co. No. 75)
Initial surplus (*Co. No. 14)
Paid-in surplus (*Co. Nos. 56, 99, 103, 357, 401, 490)
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 paid-in surplus (*Co. Nos. 63, 246)
Capital surplus (*Co. Nos. 1, 95, 171, 289, 334, 510)
Paid-in and other capital surplus (*Co. Nos. 379, 491)

Captions Replacing "Surplus"—(260 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. Nos. 60, 101, 286, 359, 412, 499)
Amount in excess of common stock stated value (*Co. No. 494)
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. 70, 130, 153, 387, 402, 526)
Capital in excess of redemption price and par value of outstanding shares (*Co. No. 64)
Capital resulting from issue of capital stock by a consolidated subsidiary (*Co. No. 588)

*Refer to Company Appendix Section.

TABLE 10: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1961	1960	1955	1950	1948
Including term "surplus"—					
Capital surplus (Note A)	172	180	198	224	257
Paid-in surplus (Note B)	45	49	52	72	92
Capital surplus—paid-in	9	9	9	4	4
Surplus (classified) (Note C)	1	2	2	4	5
Surplus (unclassified) (Note D)	3	2	10	15	17
Surplus reinvested (unclassified)	—	—	1	—	—
Total retaining term "surplus"	230	242	272	319	375
Total replacing term "surplus"**	260	251	201	126	70
Total presenting accounts	490	493	473	445	445
Not presenting accounts	110	107	127	155	155
Total	600	600	600	600	600
Percentage of Companies					
Retaining term "surplus"	47	49	58	71	84
Replacing term "surplus"	53	51	42	29	16
	100%	100%	100%	100%	100%

Note A—Includes three instances where "Capital surplus" and "Paid-in surplus" appeared with separate dollar amounts designated for each (*Co. Nos. 161, 219, 447)
Note B—Also presents "Surplus arising from revaluation" (*Co. No. 204)
Note C—Includes the use of "Initial surplus" each year (*Co. No. 14)
Note D—(*Co. Nos. 54, 318, 435)
*Refer to Company Appendix Section.

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

	1961	1960	1955
Additional paid-in capital	81	70	48
Additional capital	13	15	7
Capital paid-in or Paid-in capital	4	5	5
Other paid-in capital	5	5	5
Other capital	16	15	14
Other contributed capital	2	3	1
Capital contributed by owners	—	—	1
Sundry capital credits	—	—	1
Capital in excess of par or stated values	97	94	65
Amount in excess of par value	6	5	2
Investment in excess of (par, stated) value	3	3	6
Capital (contributed, received) in excess of (par, stated, par or stated) values	8	8	11
Capital paid-in in excess of par value	10	13	11
Amount (paid-in, paid-in or assigned, realized, received) in excess of (par, stated, par or stated values)	9	9	8
Excess of (amounts received, amounts contributed, amounts paid-in, capital paid-in net proceeds) over (par, stated) values	1	2	1
(Paid-in, premium received) in excess of par value	—	—	1
Capital arising from (conversion, retirement, stock dividends)	1	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	1	1
Earnings (segregated, transferred, allocated, capitalized)	1	1	3
Excess of proceeds received from sale of treasury stock over cost thereof	1	1	1
Excess of (net assets, equity in net assets) of subsidiary	—	—	2
Increase in value... resulting from revaluation	—	—	—
Earnings of subsidiary at acquisition	—	—	1
Retained earnings transferred to capital	1	—	1
Excess of value assigned to properties acquired over par value of capital stock issued therefor	—	—	1
Miscellaneous	—	—	2
Total	260	251	201

Conversion, retirements, merger and consolidation, premium on stock issues, and earnings capitalized for stock dividends (*Co. No. 211)

Earnings capitalized and other additions to capital (*Co. No. 317)

Excess of amount paid in over par value of common stock (*Co. No. 237)

Excess of proceeds received from sale of treasury shares over the cost thereof (*Co. No. 331)

Excess of stated value over cost of preferred capital stock reacquired (*Co. No. 509)

Excess of stockholders' investment over par value of common stock (*Co. No. 240)

Other capital (transferred from retained earnings in connection with stock dividends) (*Co. No. 125)

Other capital contributed upon issuance of shares (*Co. No. 486)

Other capital paid-in (principally amount paid in excess of par value) (*Co. No. 573)

Paid by Share Owners (*Co. No. 448)

Paid-in capital (*Co. Nos. 58, 110, 400)

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 (*Co. No. 165)

Source Not Indicated

Additional capital (*Co. Nos. 18, 112, 134, 189, 325, 479)

Other capital (*Co. Nos. 97, 144, 196, 200, 274, 418)

*Refer to Company Appendix Section.

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	1961	1960	1955
Excess (received, paid-in, contributed) over par value	122	119	100
Excess (received) over par or stated value	8	8	11
Excess received over stated value (stated amounts, value shown)	4	7	10
Earnings capitalized	2	3	7
Revision in capital structure	—	—	3
Retirement of capital stock	1	—	2
Conversion of preferred stock	1	—	3
Sale of treasury stock	1	1	4
Revaluation of capital assets	1	—	1
Subsidiary acquisition or merger	—	—	7
Common shareholders' (stockholders') equity	—	—	2
Total	140	138	150
Number of Companies			
Referring to source of capital surplus	140	138	150
Not referring to source of capital surplus	347	353	313
Not referring to capital or unclassified surplus	113	109	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 1961 there were only 163 survey companies that continued to use such terminology.

This table also shows that the 437 survey companies which by 1961 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 1961 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—(381 Companies):
- Accumulated earnings (*Co. Nos. 433, 525, 573)
- Accumulated earnings used in the business (*Co. No. 132)
- Accumulated earnings retained (*Co. No. 69)
- Accumulated retained earnings (*Co. No. 448)
- Earnings employed in the business (*Co. Nos. 29, 63, 160, 231, 413, 555)
- Earnings invested in the business (*Co. Nos. 458, 486, 509, 534, 546)
- Earnings reinvested (*Co. Nos. 25, 137, 316, 535)
- Earnings reinvested in the business (*Co. Nos. 58, 134)
- Earnings retained for use in the business (*Co. Nos. 202, 239, 350)
- Earnings retained in the business (*Co. Nos. 36, 196, 353)
- Earnings used in the business (*Co. No. 570)
- Invested earnings (*Co. No. 3)
- Retained earnings (*Co. No. 482)

Income—(51 Companies):
- Accumulated income retained for use in the business (*Co. No. 31)
- Accumulated net income (*Co. No. 378)
- 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 the business (*Co. Nos. 144, 484, 569, 589, 599)
- Income retained for use in the business (*Co. No. 462)
- Income retained in the business (*Co. Nos. 9, 62, 201, 477)

*Refer to Company Appendix Section.

TABLE 12: TERMS REPLACING "EARNED SURPLUS"

Earned Surplus Replaced:	1961	1960	1959	1955	1950	1948
With "source" words—						
Earnings	381	369	350	301	204	69
Income	51	51	50	43	35	21
Profit	3	4	6	6	8	8
Deficit	2	1	1	1	1	1
Total	437	425	407	351	248	99
Combined with "status" words—						
Retained	342	324	304	250	154	60
Accumulated	26	30	30	37	37	5
Reinvested	36	36	36	26	24	14
Employed	22	22	22	20	17	9
Invested	8	10	12	11	10	6
Undistributed	—	—	—	2	2	2
Undivided	—	—	1	1	2	2
Operations	—	1	1	2	—	—
Other	3	2	1	2	2	1
	437	425	407	351	248	99
Earned Surplus Retained As:						
Earned Surplus	150	163	180	213		
Earned Surplus *combined with—*						
Earnings retained	2	4	4	10		
Earnings reinvested	—	—	—	3		
Earnings employed	—	—	—	1		
Earnings accumulated	—	1	1	1	335	481
Income retained	3	2	2	5		
Income reinvested	—	—	—	1		
Accumulated	—	—	—	1		
Deficit	1	—	—	2		
Surplus*	3	2	2	10	17	20
Surplus, operating	—	1	1	1	—	—
Deficit	4	2	3	1	—	—
	163	175	193	249	352	501
Total	600	600	600	600	600	600
Number of Companies						
Replacing "earned surplus"	437	425	407	351	248	99
Retaining "earned surplus"	163	175	193	249	352	501
Total	600	600	600	600	600	600

*Surplus not classified

Net income invested in the business (*Co. No. 286)
Net income employed in the business (*Co. No. 519)
Retained income (*Co. No. 545)

Profit—(3 Companies):
Profits employed in the business (*Co. No. 128)
Profits reinvested in the business (*Co. No. 189)
Retained profits reinvested (*Co. No. 544)

Earned Surplus—(156 Companies):
Earned surplus (*Co. Nos. 77, 143, 233, 236, 496, 584)
Earned surplus (income retained in the business) (*Co. No. 590)
Earned surplus—representing earnings retained for use in the business (*Co. No. 565)
Earned surplus (retained earnings) (*Co. No. 84)

Income retained for use in the business (earned surplus) (*Co. No. 306)
Net income retained for use in the business (earned surplus) (*Co. No. 252)

Surplus—(3 Companies):
Operating surplus (*Co. No. 524)
Surplus (*Co. Nos. 318, 435)

Deficit—(6 Companies):
Deficit (*Co. Nos. 127, 253)
Deficit from operations (*Co. No. 562)
Earned surplus (deficit) (*Co. No. 188)
Retained earnings (deficit) (*Co. No. 272)
Surplus (deficit) (*Co. No. 563)

*Refer to Company Appendix Section.

TABLE 13: RETAINED EARNINGS TERMINOLOGY IN 1961

	"Source" Words			
"Status" Words:	Earnings	Income	Profit	Total
Retained	181	4	—	185
Retained in the business	54	14	—	68
Retained — Employed in the business	3	1	—	4
Retained — Reinvested	—	—	1	1
Retained — Invested in the business	6	2	—	8
Retained — For requirements in the business	2	—	—	2
Retained — Used in the business	57	14	—	71
Retained exclusive of amounts capitalized	1	—	—	1
Accumulated	8	—	—	8
Accumulated—Employed in the business	3	—	—	3
Accumulated — Retained	3	—	—	3
Accumulated — Retained and used in the business	1	—	—	1
Accumulated — Retained for use in the business	—	1	—	1
Accumulated — Retained in the business	5	—	—	5
Accumulated — Reinvested in the business	2	—	—	2
Accumulated — Used in the business	3	1	—	4
Reinvested	10	1	—	11
Reinvested in the business	15	6	1	22
Reinvested in the company	1	—	—	1
Reinvested — Employed in the business	1	1	—	2
Employed in the business	18	3	1	22
Invested	1	—	—	1
Invested in the business	5	2	—	7
Used in the business	1	—	—	1
Operations	2*	1	—	3
	383	51	3	437
"Surplus" Words:				
Earned Surplus	—	—	—	150
Earned Surplus used with:				
Retained	1	—	—	1
Retained in the business	—	1	—	1
Retained — Used in the business	1	2	—	3
Accumulated	—	—	—	—
Deficit	—	—	—	1
Surplus:				
Surplus not classified	—	—	—	3
Surplus, operating	—	—	—	—
Deficit	—	—	—	4
				163
Total				600

*Deficit

*Refer to Company Appendix Section.

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 14 summarizes the types of data found in stockholders' equity statements for the years 1961, 1960, and 1959, 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 key words used in the titles of stockholders' equity statements by the survey companies that included 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 although only 29 survey companies presented stockholders' equity statements in 1961, there is a slowly increasing trend.

Examples

The exact title of each of the 29 stockholders' equity statements presented in the 1961 annual reports is provided below:

- Changes in Common Stockholders' Equity (*Co. No. 268)
- Changes in Shareholders' Investment Accounts (*Co. No. 212)
- Changes in Stockholders' Equity (*Co. No. 472)
- Common Stock Equity (*Co. No. 164)
- Comparative Statement of Shareowners' Equity (*Co. No. 582)
- Consolidated Statements of Capital (*Co. No. 572)
- Consolidated Statement of Capital Stock and Capital Surplus (*Co. No. 529)
- Consolidated Statement of Income, Earnings Employed in the Business, and Stockholders' Equity (*Co. No. 531)
- Consolidated Statement of Shareholders' Equity (*Co. Nos. 509, 518)
- Consolidated Statement of Stockholders' Equity (*Co. No. 551)
- Consolidated Statement of Ownership Interest (*Co. No. 274)
- Share Owners' Equity (*Co. No. 553)
- Shareholders' Equity (*Co. No. 303)
- 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:	1961	1960	1959	1955	1950	1946
Capital stock, capital surplus, and retained earnings (*Co. Nos. 62, 164, 229, 303, 479, 517)	21	19	21	16	15	5
Capital stock, capital surplus, retained earnings, and appropriated surplus reserves	—	—	—	1	1	1
Capital stock and capital surplus (*Co. No. 529)	1	1	—	—	1	1
Capital stock and retained earnings (*Co. Nos. 100, 128, 371, 472, 484, 582)	6	7	5	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
	29	28	27	19	19	11
Statement not presented	571	572	573	581	581	589
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

Statement of Capital (Surplus for Protection of Policyholders) (*Co. No. 489)
Statement of Consolidated Shareholders' Investment (*Co. No. 543)
Statement of Shareholders' Equity (*Co. Nos. 62, 371, 412, 544)
Statement of Stockholders' Equity (*Co. Nos. 298, 479, 504)
Statement of Stockholders' Investment (*Co. Nos. 100, 295)
Ownership (*Co. No. 128)

*Refer to Company Appendix Section.

COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements

The committee on accounting procedure of the American Institute of Certified Public Accountants, in *Restatement and Revision of Accounting Research Bulletins* issued in 1953 and restated in the *Final Edition* published in 1961 (Chapter 2, Section A) states among other things that:

TABLE 15: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1961	1960	1959	1955	1950	1946
Stockholders' equity	8	10	11	4	6	—
Stockholders' interest	—	—	1	1	1	1
Stockholders' ownership	—	—	1	1	—	—
Stockholders' capital	—	—	—	1	2	—
Stockholders' investment	2	2	2	—	—	—
Shareholders' equity	6	5	5	4	1	1
Shareholders' capital	—	—	—	—	1	—
Shareholders' investment	4	4	3	3	1	—
Shareholders' ownership	1	1	—	—	1	—
Shareowners' equity	4	3	1	1	—	—
Shareowners' investment	—	—	—	—	1	—
Capital	1	—	—	2	2	2
Capital stock and surplus	1	1	—	—	2	5
Ownership interest (net worth)	1	1	1	1	—	—
Ownership or ownership equities	1	1	2	1	1	1
Net worth	—	—	—	—	—	1
	29	28	27	19	19	11
Statement not presented	571	572	573	581	581	589
Total	600	600	600	600	600	600

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 were provided by 528 of the 600 survey companies in their 1961 annual reports. Table 16 summarizes the various combinations of comparative statements presented and the number of companies which provided all or some of the statements in comparative form. It is of interest to note that the tabulation continues to disclose a steady increase in the use of comparative statements in annual reports.

CENTS OMITTED OR PRESENTED

Only 11 of the 600 survey companies included cents in the statements presented in their 1961 annual reports. This is a decrease of 8 companies from 1960, when 19 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 1961 the ratio increased to 98 per cent of the total.

HUNDREDS OMITTED—DOLLARS IN THOUSANDS

Of the 600 companies covered in this survey for 1961, 27 presented their customary statements with figures stated to the nearest thousand dollars. Twenty-one of these companies rounded off to the nearest thousand dollars showing the three zeros; the remaining 6 companies set forth the nearest thousand dollars by omitting the three zeros but stating the figures under a caption signifying "thousands of dollars." The two additions to the list this year were *Co. Nos. 100 and 150.

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

Number of Companies*	1961	1960	1959	1958
A: Presenting "000"	21	20	15	9
B: Presenting the caption "Thousands of Dollars"	6	5	1	1
Total	27	25	16	10

*Refer to Company Appendix Section—A: Co. Nos. 49, 113, 177, 457, 516, 587; B: Co. Nos. 26, 150, 167, 179, 384, 413.

TABLE 16: COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements	1961	1960	1955	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statement	217	208	154	97	51
Balance Sheet, Income, and Retained Earnings Statements	119	113	114	96	53
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	83	81	70	53	43
Balance Sheet and Income Statement	71	73	81	73	53
Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings	—	1	2	2	—
Balance Sheet in combination with various other statements	1	3	5	4	—
Balance Sheet, Income, and Stockholders' Equity Statements	7	9	10	8	1
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	20	20	13	13	4
Balance Sheet, Income, and Unclassified Surplus Statements	2	1	4	6	4
Balance Sheet	3	5	4	4	7
Income Statement in combination with various other statements	1	2	4	8	12
Combined Income & Retained Earnings Statement	1	1	2	6	4
Income Statement	3	3	5	13	24
Total	528	520	468	383	256
Number of Companies Presenting:					
All statements in comparative form	447	437	379	290	164
Some statements in comparative form	81	83	89	93	92
No statements in comparative form	72	80	132	217	344
Total	600	600	600	600	600

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 1961 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 1961 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 1961 survey reports were statements of source and application of funds and changes in working capital, and statements of capital surplus 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 1961, 1960, 1955, and 1950. There were 125 companies that included 172 such additional statements, examples of which are described below.

Reporting Company Statements

Ninety-three "additional statements" applicable to the reporting company were presented by 87 of the 600 survey companies in their 1961 annual reports.

As may be noted from Table 17, the trend here is strongly in favor of the statements of source and application of funds, which frequently include or are supplemented by an analysis of changes in working capital. The "funds statement" is no innovation in the field of accounting, but it is becoming more prominent, and is now to a greater extent taking its place among the statements covered by the auditors' reports.

Cities Service Company acquired the assets and business of Columbian Carbon Company and subsidiaries on January 31, 1962. Because of the importance of this acquisition, consolidated financial statements are presented to reflect the financial position and results of operations of Cities Service and subsidiaries as of December 31, 1961, both before and after giving effect to the merger of Columbian Carbon and subsidiaries.

Mohasco Industries, Inc. presents a pro forma balance sheet which gives effect as of December 31, 1961, to the merger of The Firth Carpet Company into Mohasco Industries, Inc. on January 31, 1962. This balance sheet differs from that referred to above in that it presents the figures for Mohasco, Firth, and pro forma in parallel columnar form.

Pfaudler Permutit, Inc. supplemented the customary financial statements with a statement of sources and disposition of funds together with a comparative (two years) supporting schedule showing details of the related changes in working capital.

Socony Mobil Oil Company, Inc. gave an interesting comparative statement of distribution of income and shareholders' equity, classified as follows—United States, Other Western Hemisphere, and Eastern Hemisphere.

United States Steel Corporation included in its anual report the financial statements of the combined pension trusts administered by United States Steel and Carnegie Pension Fund as trustee.

Parent Company Statements

Parent company statements have not been much in evidence among the 600 companies covered in this survey. In 1960 just one company presented the parent company figures, and then only to illustrate the consolidation, for the first time, of the parent and subsidiary companies which was shown in parallel columnar form. In 1961 parent company statements are conspicuous by their absence.

Domestic Subsidiary Statements

The reports for 1961 covered by this survey contained 45 additional statements applicable to the domestic subsidiaries of 26 companies.

Table 17 indicates a growing trend towards the presentation of additional balance sheets. Such balance sheets comprise, for the most part, those of subsidiary finance or real estate companies, etc., which, because

TABLE 17: ADDITIONAL STATEMENTS COVERED BY AUDITORS' REPORTS

Statements Applicable To:	1961	1960	1955	1950
A: Reporting Company				
Statement of working capital, source and application of funds (*Co. Nos. 26, 60, 178, 442, 444, 513, 537, 565, 587, 588)	41	31	21	13
Capital surplus statement (*Co. Nos. 11, 39, 199, 241, 250)	17	22	2	—
Balance sheet (*Co. No. 128)	1	5	9	7
Income statement (*Co. Nos. 128, 577)	2	5	9	4
Stockholders' equity statement (*Co. Nos. 26, 60, 513, 587, 588)	8	9	2	1
Financial operating data (*Co. Nos. 47, 222, 443)	7	11	11	6
Pro forma statement (*Co. Nos. 142, 382, 572)	4	4	—	—
Employee bonus—retirement or welfare funds (*Co. Nos. 92, 93, 204, 354)	6	5	4	8
Geographical statement (*Co. Nos. 376, 505, 518)	7	8	6	4
Long-term indebtedness	—	—	1	—
Miscellaneous	—	—	3	3
B: Parent Company				
Balance Sheet	—	1	2	4
Income statement	—	1	2	3
Retained earnings statement	—	—	1	1
Capital surplus statement	—	—	1	1
Stockholders' equity statement	—	1	1	1
C: Domestic Subsidiary				
Balance Sheet (*Co. Nos. 69, 72, 89, 134, 575)	32	28	12	13
Combined income and retained earnings (*Co. Nos. 15, 69, 127, 128, 228, 238)	8	11	5	4
Income statement (*Co. Nos. 72, 89, 489)	3	3	2	6
Retained earnings	—	2	—	3
Financial data (*Co. Nos. 307, 587)	2	1	—	—
Shareholders' investment	—	—	1	—
D: Foreign Subsidiary				
Balance sheet (*Co. Nos. 317, 349, 473, 514)	12	10	9	10
Assets and liabilities (*Co. Nos. 2, 119, 252, 508)	4	6	1	2
Combined income and retained earnings (*Co. Nos. 514, 593)	2	2	4	3
Income statement (*Co. Nos. 104, 317, 473, 595)	7	6	4	6
Retained earnings statement (*Co. Nos. 260, 473)	2	2	—	1
Financial data (*Co. Nos. 27, 33, 250, 344)	4	4	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 (*Co. No. 49)	1	—	—	1
Income statement	—	1	—	—
Total	172	181	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
1961:	87	—	31	20	1	125	475	600
1960:	85	1	23	17	1	127	473	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+ Yrs.	Total	Not comparative	Grand Total
1961:	96	—	3	—	1	—	12	112	60	172
1960:	89	—	3	—	2	—	16	110	71	181
1955:	58	1	4	—	2	—	12	77	38	115
1950:	45	1	1	2	—	2	6	57	53	110

*Refer to Company Appendix Section.

their operations are not homogeneous to those of the parent company, are not consolidated.

J. I. Case Company inserted in its annual report the financial statements of its unconsolidated, wholly-owned subsidiary, J. I. Case Credit Corporation.

Clark Equipment Company presented the comparative balance sheet of its wholly-owned, unconsolidated finance subsidiary, Clark Equipment Credit Corporation.

Fedders Corporation showed in comparative form the balance sheet and the combined statement of income and earned surplus of its unconsolidated, wholly-owned subsidiary, Fedders Financial Corporation.

Montgomery Ward & Co., Incorporated included in its annual report the balance sheets of three wholly-owned, unconsolidated subsidiaries—two real estate corporations and a finance company.

Foreign Subsidiary Statements

Thirty-three additional statements applicable to foreign subsidiaries were presented by eleven survey companies in their 1961 reports.

The additional statements presented relating to foreign subsidiaries cover mostly the financial reports of companies which are not consolidated because of their geographic location or other factors, such as percentage of ownership (voting control), lack of activity, or nonhomogeneous operations.

The Borden Company presented in comparative form the combined balance sheets and the combined statements of income of its foreign subsidiaries not consolidated.

Joy Manufacturing Company annual report included the condensed combined statement of financial position and the condensed combined statement of income for its wholly-owned, unconsolidated foreign subsidiaries, both in comparative form.

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

F. W. Woolworth Co. supplements its customary financial statements with a summary of the financial position and earnings of its foreign subsidiaries, segregated as to consolidated and unconsolidated, stated in thousands of dollars. The principles of consolidation and translation of foreign currencies, etc., are explained in notes.

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 257 survey companies that presented 479 supplementary financial schedules in their 1961 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:

Allied Stores Corporation showed two-year comparative analyses of accounts and notes receivable, property and equipment, and long-term debt.

The American Hardware Corporation scheduled its inventories, long-term debt, and stock option plan as supplements to its financial statements.

American Metal Climax, Inc. included comparative schedules of: investments in foreign subsidiaries, short-term investments, investments in mining and metal companies, etc., in addition to schedules of inventory composition, property, plant and equipment and allowances, also reserves and other noncurrent liabilities.

Burlington Industries, Inc. separated the long-term debt due currently and classified as current liabilities, from the long-term debt payable after one year. The periodic instalments due were also disclosed in the notes.

Continental Oil Company presented a schedule of the long-term debt of the parent company and its subsidiaries, with the individual obligations in detail.

Gulf Oil Corporation presented data on its property and plant and equipment in its notes to financial statements.

Lehigh Portland Cement Company presented a comparison of its property, plant, and equipment for two years. The cost of buildings, machinery, and equipment, less depreciation, land and mineral deposits after depletion, and construction in progress were disclosed.

Owens-Illinois Glass Company revealed in detail its holdings of listed securities in addition to presenting two-year comparative schedules of foreign subsidiaries and investments and long-term debt.

Phelps Dodge Corporation gave a two-year comparative schedule of property, plant, and equipment, and disclosed the bases of its valuation of properties, and its depreciation and depletion policies in the notes to financial statements.

Reynolds Metals Company presented in comparative form its long-term debt for two years. The amount maturing within one year was reported as a current liability. Sinking fund requirements and the right of the company to redeem bonds and notes before maturity were disclosed.

Wheeling Steel Corporation supplemented its financial statements with two-year comparative schedules

TABLE 18: SUPPLEMENTARY SCHEDULES COVERED BY AUDITORS' REPORTS

Nature of Schedule*	1961	1960	1955	1950
A: Long-term indebtedness	142	121	66	30
B: Fixed assets, depreciation	76	74	72	61
C: Inventory composition	87	83	62	47
D: Capital stock	42	33	28	21
E: Various balance sheet items	22	29	12	31
F: Various income and operating items	16	22	10	5
G: Accounts, notes receivable	20	17	15	17
H: Investments—securities, subsidiaries, affiliates	16	17	9	5
I: Investments—subsidiaries	10	7	14	21
J: Special funds, reserves, appropriations	8	11	10	17
K: Foreign investments	12	9	22	24
L: Taxes	16	24	5	4
M: Sales, earnings	2	8	2	5
N: Investments—securities	5	3	4	10
O: Capital	3	1	5	8
P: Minority stockholders' interest in subsidiary	—	—	2	—
Q: Dividends	2	2	3	3
R: Employment costs	—	1	—	2
Total	479	462	341	311

Comparative Presentation of Schedules

Year	2 Yrs.	3-9 Yrs.	10 and over Yrs.	Total	Not Comparative	Grand Total
1961:	291	3	5	299	180	479
1960:	281	11	11	303	159	462
1955:	204	8	7	219	122	341
1950:	194	2	5	201	110	311

Number of Companies Presenting:	1961	1960	1955	1950
Supplementary schedules	189	189	148	118
Supplementary schedules and additional statements	68	61	31	25
Additional statements	57	66	40	39
	314	316	219	182
No additional presentations	286	284	381	418
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 115, 176, 249, 338, 395, 447.
B: Co. Nos. 255, 274, 313, 339, 494, 500.
C: Co. Nos. 83, 190, 351, 420, 437, 448.
D: Co. Nos. 80, 84, 138, 195, 365, 386.
E: Co. Nos. 63, 173, 305, 355, 443, 477.
F: Co. Nos. 91, 127, 264, 424, 458, 567.
G: Co. Nos. 86, 114, 133, 189, 394, 489.
H: Co. Nos. 45, 238, 252, 326.
I: Co. Nos. 38, 315, 399, 434, 539.
J: Co. Nos. 28, 144, 351, 541, 569, 581.
K: Co. Nos. 109, 285, 344, 422, 550, 572.
L: Co. Nos. 70, 413, 453, 472, 516, 519.
M: Co. Nos. 477, 518.
N: Co. No. 417.
O: Co. Nos. 187, 395, 591.
Q: Co. Nos. 174, 256.

disclosing the details and the valuation bases of its inventories; the cost and the accumulated depreciation of its land and mineral properties, buildings, machinery, equipment, and construction in progress; also the details of its long-term debt.

Worthington Corporation detailed in comparative form the composition of: investments and other assets, property, plant and equipment, long-term debt, number of shares issuable under stock option plan, and provision for taxes on income.

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORTS

In the annual reports for 1961, there were 1,193 statements, summaries, and highlights, not covered by auditors' reports, presented by 532 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 1961, 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 of the report. The next largest group included summaries of various financial and operating data generally provided on a long-term yearly comparative basis in the nature of statistical tabulations.

Approximately 30 per cent of the companies also included statements or summaries pertaining to working capital or to the source and application of funds. However, the terminology applied by the companies to the title of the summary is not always indicative of the actual content. Therefore, all such statements have been grouped under a single caption in Table 19. The statements of source and application of funds have been discussed previously in connection with the additional statements referred to in Table 17. In this connection perhaps mention should be made of *Accounting Research Study No. 2: "Cash Flow" Analysis and The*

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

Type of Presentation*	1961	1960	1955	1950
A: Summary—Financial and operating data	370	366	243	140
Summary—Balance sheet data	9	7	63	29
Summary—Operating data	40	41	102	76
B: Highlights	345	333	320	200
Year in review—Results in brief	93	90	35	30
Operations at a glance	19	24	14	13
C: Statement of working capital; changes in working capital and source and application of funds	171	178	103	103
D: Condensed balance sheet	39	42	71	61
Condensed income statement	51	50	69	65
Various other condensed statements	8	7	16	6
E: Simplified balance sheet	8	8	14	26
Simplified income statement	18	18	21	40
F: Employee bonus or retirement funds	8	7	5	2
G: Subsidiary balance sheet	5	11	11	6
Subsidiary income statement	4	9	3	3
H: Cash receipts and disbursements	—	—	2	6
I: Detailed balance sheet	1	1	5	6
Detailed income statement	1	1	3	6
Various other detailed statements	3	2	—	4
Total	1193	1195	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
1961:	416	451	163	59	19	8	5	5	532	68	600
1960:	401	435	172	80	23	4	15	3	522	78	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
1961:	493	45	98	24	346	19	12	23	8	1068	125	1193
1960:	478	47	102	24	326	22	13	21	9	1042	153	1195
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. 1, 57, 80, 167, 191, 206, 242, 338, 429, 520
B: Co. Nos. 52, 82, 109, 186, 202, 285, 333, 441, 549, 584
C: Co. Nos. 41, 58, 90, 165, 222, 306, 398, 466, 514, 593
D: Co. Nos. 55, 84, 105, 189, 285, 308, 324, 440, 456, 565
E: Co. Nos. 33, 99, 109, 167, 204, 288, 339, 421, 464, 598
F: Co. Nos. 75, 269, 366, 417, 569
G: Co. Nos. 41, 121, 165, 394, 396
I: Co. Nos. 36, 241, 437, 590

Funds Statement published in 1961 by the director of accounting research of the American Institute of Certified Public Accountants. This tentative study states among other things:

> The funds statement, as a part of the annual report of a corporation, can be characterized as a condensed report of how the activities of the business have been financed, and how the financial resources have been used, during the period covered by the statement. It is an operating statement since it summarizes the financial activities for a period of time, but it performs a different function from the income statement which is also a report on operations but is primarily a presentation of revenue and expense items and the computation of the net income for the period. . . .
>
> The funds statement is not a supporting schedule to the balance sheet, the income statement, and the state-

ment of retained earnings, although it is technically based upon the same accounting data and "ties in" to these financial statements. It is, instead, a complementary statement, an important report in its own right, which presents information which cannot easily be obtained, or cannot be obtained at all, from the other financial statements. . . .

SUPPLEMENTARY SCHEDULES

Supplementary financial charts and summaries, not covered by auditors' reports, were found covering diversified subjects. Of the 600 survey companies, 189 presented 261 such supplementary schedules in their 1961 reports, as compared with presentation of 281 schedules by 200 companies in 1960.

The types of supplementary schedules most frequently used in the 1961 reports were those relating to: the distribution of the sales (or income) dollar; sales; income dollar chart; stock ownership; earnings and dividends; fixed assets and depreciation; employment costs; taxes. Of the 261 schedules presented in the 1961 reports, 152 were not comparative, 56 were comparative for 2 years, 7 showed a 5-year range, 22 evidenced a 10-year range, and the remaining 24 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. 135, 166, 172, 311, 335, 350, 398, 470, 536)
Distribution of income dollar (*Co. Nos. 8, 12, 230, 276, 510, 511)
Distribution of sales or income dollar (charts) (*Co. Nos. 17, 99, 137, 251, 266, 346)
Sales (*Co. Nos. 96, 191, 216, 308, 432, 441, 538)
Earnings and dividends (*Co. Nos. 5, 206, 372, 415, 429, 496)
Fixed assets and/or depreciation (*Co. Nos. 51, 75, 168, 258, 313, 573)
Foreign operations (*Co. Nos. 5, 36, 150, 255, 564)
Stock ownership (*Co. Nos. 104, 118, 167, 226, 533, 543, 552)
Taxes (*Co. Nos. 59, 326, 473, 505)
Employment costs (*Co. Nos. 8, 209, 226, 305, 372)
Effect of price level changes (*Co. No. 286)

*Refer to Company Appendix Section.

Section 2 BALANCE SHEET

CASH

The balance sheets of the 1961 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 542 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 17 companies in 1961 as against 102 in 1951. The reports for 1961 disclose a considerable increase in the number of companies including, or separately presenting, time deposits or certificates of deposit, also short-term notes or securities along with cash. Details provided by other companies are set forth in Table 1.

TABLE 1: CASH—CURRENT ASSETS

Balance Sheet Description	1961	1955	1951
Cash (*Co. Nos. 4, 58, 125, 273, 303, 526)	542	505	435
Cash in banks and on hand (*Co. Nos. 29, 160, 213, 318, 510, 534)	17	57	102
Cash on hand and demand deposits (Co. Nos. 50, 241, 443)	3	14	26
Demand deposits in banks and cash on hand (*Co. Nos. 33, 246)	2	8	19
Cash and demand deposits (*Co. Nos. 38, 461, 527)	3	2	1
Cash including time deposits (*Co. Nos. 24, 102, 196, 316, 380, 392)	13	1	1
Cash including time certificate of deposit and accrued interest (*Co. Nos. 195, 296, 424)	3	1	1
Cash and marketable securities (*Co. Nos. 126, 476, 514)	3	—	1
Cash in banks and offices	—	1	1
Cash and short-term notes or securities (*Co. Nos. 26, 167, 285, 321, 449)	5	—	—
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)	2	1	4
Bank balances and cash funds (*Co. No. 256)	1	2	2
Cash and U. S. Government securities (*Co. Nos. 61, 161, 489)	3	—	—
Various other (*Co. No. 340)	1	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.

Examples

In connection with the excerpts from financial statements presented herein as examples, it should be noted that, for the most part, the statements from which they are taken were prepared in comparative (two-year) form; but, because of space limitations, etc., only the current year's figures are used. Hence, since it is our endeavor to present these excerpts without change, certain parts may not be applicable. The notes or other references cited are reproduced only when they are pertinent to the subject or topic under review.

The following are examples of descriptive captions used for cash and security segregations as disclosed in the 1961 annual reports.

TABLE 2: SEGREGATION OF CASH AND/OR SECURITIES

Purpose and Balance Sheet Presentation	Current Asset	Noncurrent Asset	1961 Total
Plant expansion, improvement, or replacement funds (*Co. Nos. 42, 63, 126, 154, 310, 341, 418, 558, 569)	—	9	9
Insurance, workmen's compensation, or pension funds (*Co. Nos. 28, 44, 47, 104, 174, 247, 250, 349)	—	8	8
Debentures or preferred stock retirement or redemption (*Co. Nos. 193, 425, 449, 578)	1	3	4
Restricted to performance under contracts (*Co. Nos. 237, 266)	—	2	2
Foreign currency deposits (*Co. No. 343)	—	1	1
Security under leases (*Co. Nos. 144, 374)	—	2	2
Customers' funds (*Co. Nos. 131, 446)	1	1	2
Working or other funds (*Co. Nos. 164, 252)	—	2	2
Total	2	28	30

Number of Companies with:	1961	1960	1955
Cash segregated in noncurrent assets	14	22	39
Cash segregated in current assets	2	6	9
Cash excluded from the balance sheet (*Co. Nos. 273, 281, 443)	3	3	6
Cash offsetting a liability account (*Co. Nos. 78, 223)	2	1	4
Securities segregated in current and noncurrent assets (*Co. Nos. 28, 44, 63, 104, 144, 237, 247, 374, 569)	9	8	6
Both cash and/or securities segregated in current and noncurrent assets (*Co. Nos. 47, 154, 164, 252, 341)	5	2	—
Total	35	42	64
No reference to cash segregation or exclusion	565	558	536
Total	600	600	600

*Refer to Company Appendix Section.

Plant Expansion, Etc.

LIBBY-OWENS-FORD GLASS COMPANY
Noncurrent Assets:

Plant Improvement and Replacement Fund	
Cash	$ 19,751.93
U. S. Government securities, at cost and accrued interest (quoted market $53,879,481.00)	53,239,015.94
Other marketable securities, at cost and accrued interest (quoted market $2,367,198.00)	2,456,543.16

CARRIER CORPORATION
Noncurrent Assets:

Prepaid Expenses, Segregated Funds, Investments, etc.	
Prepaid expenses and deferred charges	$2,160,622
Funds segregated for expansion	2,900,000
Funds segregated for retirement of preferred stock	353,000
Net assets of Distribution Credit Corporation	4,055,647
Investments, advances, etc., at cost less reserves	
Subsidiaries not consolidated	1,209,281
Other	8,966,125

THE COLORADO FUEL AND IRON CORPORATION
Noncurrent Assets:

Cash and Short-term U.S. Government Securities, at cost, set aside for Plant Modernization	$4,072,308

INTERNATIONAL PAPER COMPANY
Noncurrent Assets:

Capital Assets (Note 4):	
Plant and properties	$1,025,293,549
Less: Reserves for depreciation	552,123,943
Net plants and properties	$ 473,169,606
Woodlands—net	102,820,900
Funds segregated for U. S. capital expenditures	36,207,072
Investments	18,089,113

Insurance Funds, Etc.

LONE STAR CEMENT CORPORATION
Noncurrent Assets:

Special Funds and Other Investments:	
Self-insurance funds—cash and investments	$2,977,491
Other investments	4,530,575
	$7,508,066

Noncurrent Liabilities:

Non-current Accounts with Foreign Subsidiaries:	
Self-insurance deposit	$ 102,188
Other	79,139
	$ 181,327
Reserves:	
Contingent management compensation	442,433
Self-insurance	2,875,303
	$3,317,736

CRADDOCK-TERRY SHOE CORPORATION
Noncurrent Assets:

Other Assets:		
Customers' notes—deferred maturities		$129,322.75
Corporate stock, notes, real estate investments and sundry assets		57,421.37
Cash value of life insurance policies (maturity value $1,250,000.00)		90,853.00
Pension Fund: (Note 3)		
Cash	$ 13,562.17	
U. S. and Virginia bonds	49,590.55	
Corporate securities and real estate mortgages	325,275.32	388,428.04

Notes to Financial Statements

Note 3: The funds and securities deposited with the trustees of the pension trust fund, a revocable trust with no restrictive covenants, are available for general corporate purposes at the pleasure of the Board of Directors.

THE AMERICAN SHIP BUILDING COMPANY

Noncurrent Assets:

Investments and Other Assets:	
United States Treasury Bonds on deposit in connection with workmen's compensation guarantees—at cost, quoted market $171,759 (1960—$169,913)	$197,000
Miscellaneous securities, accounts receivable, and advances	469,024

GENERAL CABLE CORPORATION

Noncurrent Assets:

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 (Note 4, page 11)	—
Other	2,761,428

Debentures or Preferred Stock Redemption

DIAMOND NATIONAL CORPORATION

Noncurrent Assets:

Cash set aside for redemption of preferred stock	$3,400,000

H. K. PORTER COMPANY, INC.

Noncurrent Assets:

Other Assets:	
Preferred stock sinking fund	$ 374,940
Notes receivable from officers and employees (secured by H. K. Porter Company, Inc. common stock, 7,470 shares in 1961)	385,557
Miscellaneous investments and sundry	1,218,517
	$1,979,014

VTR INCORPORATED

Current Assets:

Cash		$ 737,653
Due from The B. F. Goodrich Company		2,392,674
Accounts Receivable—Trade (Less Allowance for Losses)		
Assigned	$1,153,523	
Unassigned	543,194	1,696,717
Inventories—At Lower of Cost or Market		
Finished Goods	$ 471,300	
Raw Materials and Work in Process	66,675	537,975
Notes Receivable (Note 2)	$1,529,092	
Less: Amounts Due After One Year	1,248,717	280,375
Cash in Sinking Fund—Reserved for Redemption of 6% Convertible Subordinated Sinking Fund Debentures Due May 1, 1974 (Note 4)		683,379
Prepaid Expenses		216,682
Total Current Assets		$6,545,455

Current Liabilities:

Accounts Payable—Trade		$3,390,757
Loans Payable (Secured by Assigned Accounts Receivable)		972,526
Notes Payable		
Banks (Note 2)	$ 903,541	
Other	349,892	1,253,433
6% Convertible Subordinated Sinking Fund Debentures Due May 1, 1974 (Called for Redemption on March 29, 1962)	$ 640,000	
Less: Debentures Converted to Common Stock—January 1, 1962 to March 23, 1962 (Note 4)	301,000	339,000
Accrued Expenses and Other Liabilities		382,660
Current Portion of Long-Term Debt		169,433
Total Current Liabilities		$6,507,809

PENN FRUIT CO., INC.

Noncurrent Assets:

Investments and Other Assets:	
Loans secured by mortgages on leased premises	$ 291,428
Cash surrender value of insurance on life of officer	52,990
Cash balances held in sinking, purchase and conversion funds for Preferred stocks	7,753
Investments in and advances to affiliated and associated companies — at cost (Note 3)	3,002,970
	$3,355,141

Various Purposes

CENTRAL SOYA COMPANY, INC.

Current Assets:

Cash (includes customers' segregated funds —$1,025,911 in 1961 and $16,234 in 1960)	$ 8,190,473
Receivables	$18,578,713
Less—Provision for possible losses	901,004
Receivables (net)	$17,677,709
Inventories (Note 1)—	
Finished goods	$16,029,847
Raw materials	6,526,595
Containers and supplies	1,278,700
Total inventories	$23,835,142
Other current assets—	
Margin deposits on commodity futures contracts	$ 1,323,985
Prepaid expenses and sundry advances	804,373
Total other current assets	$ 2,128,358
Total current assets	$51,831,682

Current Liabilities:

Accounts payable	$ 2,671,716
Accrued wages, taxes, etc.	1,881,046
Customers' equities in commodity accounts	1,038,980
Construction and equipment commitments	1,557,000
Serial notes due within one year	600,000
Federal and state income taxes	3,530,000
Total current liabilities	$11,278,742

CONSOLIDATION COAL COMPANY

Noncurrent Assets:

Investments and Other Assets:	
Investments in and receivables from:	
Associated companies—at cost	$15,217,334
Other companies—at cost (approximate market value 1961, $35,923,205; 1960, $30,750,000)	23,673,052
	$38,890,386
Cash and securities in miscellaneous funds	7,313,662
Miscellaneous receivables	1,328,464
Total Investments and Other Assets .	$47,532,512

THE GOODYEAR TIRE & RUBBER COMPANY

Noncurrent Assets:

Cash and Expenditures under U. S. Government contracts, per contra	$1,387,231

Noncurrent Liabilities:

Advances and Accounts Payable under U. S. Government contracts, per contra	$1,387,231

LIGGETT & MYERS TOBACCO COMPANY

Noncurrent Assets:

Other Assets:	
Brands, trade-marks and good will	$ 1
Investments in unconsolidated subsidiary companies: 1961, at equity in net assets; 1960, at cost (Note 1)	1,631,396
Investment in foreign tobacco company, at cost	4,000
Foreign currency deposits subject to withdrawal restrictions	946,731
Prepaid expenses and deferred charges .	1,253,644
Total Other Assets	$3,835,772

MEREDITH PUBLISHING COMPANY

Noncurrent Assets:

Segregated marketable securities	$500,000

Notes to Financial Statements

Segregated Marketable Securities: Marketable securities have been segregated to secure the payment of rentals under the amended terms of a subsidiary's lease.

THE PITTSTON COMPANY

Noncurrent Assets:

Segregated Currency and Cash Items and Change Funds Advanced by Customers—contra	$3,854,402

Noncurrent Liabilities:

Amounts Payable to Banks under Special Agreements and Liability for Change Funds Advanced by Customers—contra	$3,854,402

CASH ADVANCES

Of the 600 survey companies, 68 disclosed cash advances in their 1961 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:

TABLE 3: CASH ADVANCES

Balance Sheet Description*	Current Asset	Noncurrent Asset	1961 Total
A: Advances to outside growers, packers, planters, producers .	7	3	10
B: Advances to suppliers and subcontractors	4	2	6
C: Advances on purchase commitments for raw materials .	7	1	8
D: Advances on purchase contracts	3	1	4
E: Advances on construction or purchase of fixed assets ...	—	3	3
F: Advances for leasehold improvements	—	1	1
G: Advances to employees for selling, travel, and other expenses	—	1	1
H: Advances — loans to employees	—	2	2
I: Advances to sales agents or vendors	1	1	2
J: Advances to joint venture or logging operations	4	—	4
K: "Advances" — other, or not identified	7	26	33
Total	33	41	74

Number of Companies showing:	
Advances in current assets	29
Advances in current and noncurrent assets	2
Advances in noncurrent assets ..	37
Total	68
No reference to advances	532
Total	600

*Refer to Company Appendix Section—
A: Co. Nos. 19, 21, 57, 120, 161, 251, 418, 527
B: Co. Nos. 184, 252, 294, 347, 359, 360
C: Co. Nos. 79, 155, 298, 440, 458, 481, 487, 540
D: Co. Nos. 28, 197, 482, 525
E: Co. Nos. 194, 414, 540
F: Co. No. 102
G: Co. No. 92
H: Co. Nos. 250, 342
I: Co. Nos. 10, 250
J: Co. Nos. 66, 200, 220, 461
K: Co. Nos. 35, 36, 131, 190, 206, 220, 314, 318, 439, 519, 562

Current Assets

ST. CROIX PAPER COMPANY

Current Assets:

Inventories (Note 1)	$3,628,942

Note 1: Inventories—

Pulpwood at mill and in storage area	$ 655,638
Pulpwood operations (including advances to contractors)	1,228,577
Materials and supplies	1,352,646
Newsprint and pulp	392,081
	$3,628,942

THE ARUNDEL CORPORATION

Current Assets:

Cash	$ 868,498
U. S. Treasury obligations	3,150,000
Accounts receivable:	
Contracts and trade	3,008,833
Miscellaneous	9,084
Advances to, and amounts due from, joint ventures (a portion of which will be collected after a year)	2,908,429
Repair parts, etc., at cost or market whichever lower	408,491
Prepaid insurance and other expenses	152,683
Total Current Assets	$10,506,018

THE COLORADO MILLING & ELEVATOR COMPANY

Current Assets:

Cash	$ 2,246,545
Trade receivables (less allowance for losses: $335,000 at each date)	7,957,980
Inventories:	
Wheat, other grains, flour, and millfeed—at market after appropriate adjustment with respect to open commodity contracts, etc.	8,768,567
Formula feeds, beans, and other merchandise—at lower of cost or market	1,155,701
Advances on commodity purchases	283,218
Containers and supplies—at lower of cost or market	601,053
Total inventories	10,808,539
Other current assets	467,053
Deposit for payment of dividend June 1—see contra	193,369
Total current assets	$21,673,486

CONSOLIDATED FOODS CORPORATION

Current Assets:

Cash—1961 includes U. S. Treasury Bills, $357,877	$10,144,997
Accounts and notes receivable, less allowance for doubtful accounts—1961, $429,595; 1960, $410,450	16,608,731
Inventories—merchandise, finished product, raw materials and supplies, at lower of cost or market (Note 2)	54,948,069
Advances to growers and costs in connection with growing crops	937,695
Properties under construction, to be sold and leased back, at cost	331,581
Prepaid insurance, taxes, and expenses	1,635,988
Total current assets	$84,607,061

THE CURTIS PUBLISHING COMPANY

Current Assets:

Cash	$12,887,716
Marketable Securities, at Cost, less reserve to amortize premium on Bonds	353,375
Notes and Accounts Receivable	19,193,557
Inventories:	
Raw Material (Including Manuscripts)	10,802,896
Work in Process	3,521,690
Other	7,295,114
Advances to Pulpwood Contractors	1,406,753
Other	1,263,796
Total Current Assets	$56,724,897

GENERAL MILLS, INC.

Current Assets:

Cash	$ 12,541,467
Receivables (Note 1)	44,825,179
Inventories (Note 2)	69,512,815
Total current assets	$126,879,461

Note 2: Inventories—

Grain for processing, flour and soybean products, at market, after appropriate adjustment for open cash trades, unfilled orders, etc.	$29,893,219
Package foods, poultry flocks, electronic and testing equipment, formula feeds, etc., at lower of cost or market	27,882,461
Containers, supplies, mechanical equipment contracts, etc., at cost	9,333,447
	67,109,127
Advances on grain and other commodities	2,403,688
	$69,512,815

MARTIN MARIETTA CORPORATION

Current Assets:

Inventories and costs on contracts in progress—Note B	$75,327,297

Note B: Inventories and Costs on Contracts in Progress—

Finished and in-process products ($42,912,566) and raw materials and supplies—at lower of cost (principally first-in, first-out) or market	$64,857,889
Materials, labor, advances to subcontractors, and other costs incurred on contracts in progress less estimated costs applicable to deliveries—not in excess of realizable value, less progress payments of $7,314,389	10,469,408
	$75,327,297

Title to inventories in the amount of approximately $10,300,000 had passed to the United States Government as consideration for progress payments at December 31, 1961.

PHOENIX STEEL CORPORATION

Current Assets:

Cash	$ 2,737,721
United States Government short-term securities	1,796,024
Accounts and notes receivable-trade, less reserve for doubtful accounts	3,959,648
Inventories of raw materials, work in process, finished goods and supplies, at cost or market, whichever lower	16,138,719
Advances and prepaid expenses	423,120
Total Current Assets	$25,055,232

Noncurrent Assets

IRON FIREMAN MANUFACTURING COMPANY

Long-term Receivable and Advance:

Long-term receivable, less $54,250 included in accounts receivable	$102,594
Advance to Warren Webster & Company, Inc. (Note 6)	426,226
	$528,820

Note 6: Subsequent to December 31, 1961 the Company issued 44,000 shares of common stock to acquire all of the outstanding common stock of Warren Webster & Company, Inc.

ST. REGIS PAPER COMPANY

Other Assets:

Advance payments under land and timber purchase contracts	$ 6,853,471
Non-current receivables and miscellaneous investments	9,512,816
Total other assets	$16,366,287

AMERICAN MAIZE-PRODUCTS COMPANY

Other Assets:

Inventories of mechanical stores	$1,276,036
Miscellaneous investments and advances	288,185
	$1,564,221

BOND STORES, INCORPORATED

Deferred Charges:

Prepaid rent and advances to landlords on improvements to leased properties	$786,491
Unexpired insurance and other prepaid expenses	701,672

CALIFORNIA PACKING CORPORATION

Other Assets, net (details on page 15) $5,842,363

Page 15:

Other Assets, net:

Capital stock of California Packing Corporation, 13,909 shares, owned by a subsidiary company, at cost, less than market quotations	$ 165,668
Advances to producers	448,825
Past service annuity costs, less amortization	
Intangible assets carried on books of Canadian subsidiary	3,329,082
Unrealized gain arising from conversion of foreign currencies	
Other miscellaneous receivables, deferred charges, etc.	1,898,788
	$5,842,363

TEXAS GULF SULPHUR COMPANY

Investments and Advances net of reserve for exploration costs (1961—$960,248, 1960—$925,433) $12,893,991

Notes to Financial Statements

Also included are advances of $5,000,000 to The Denver & Rio Grande Western Railroad Company for building the branch line to the Utah potash property, which is recoverable from revenues derived from the use of the line; and $1,583,333 representing advance payments to Delhi-Taylor Oil Corporation of net profits to be derived from the sale of minerals extracted from this property.

UNITED PARK CITY MINES COMPANY

Investments—at cost:

Investments in and advances to affiliated companies	$274,707.06
Other investments and advances	156,430.93
Total investments	$431,137.99

CASH DEPOSITS

Deposits of cash and/or securities for specific purposes were segregated in the balance sheets of 80 of the 600 survey companies. The presentations and descriptions of these deposits are summarized in Table 4. Of the 92 presentations only 18 appeared as current assets.

The following examples illustrate some of the presentations in the annual reports for 1961:

Current Assets

BASIC INCORPORATED

Current Assets:

Prepaid insurance and insurance deposits ... $157,609

TABLE 4: DEPOSITS CASH AND/OR SECURITIES

Balance Sheet Description	Current Asset	Noncurrent Asset	1961 Total
Deposit for "insurance" (*Co. Nos. 27, 28, 44, 69, 78, 182, 446, 478)	1	10	11
Deposit with mutual insurance company (*Co. Nos. 289, 406, 460, 561)	—	4	4
Deposit with insurance company (*Co. No. 247)	—	1	1
Deposit with "public agencies" (*Co. Nos. 28, 162, 218, 247, 467)	—	5	5
Deposit with "escrow" agent (*Co. Nos. 297, 340, 535)	1	3	4
Deposit with surety company (*Co. No. 18)	—	1	1
Deposit for preferred stock or bond retirement (*Co. Nos. 376, 425)	—	2	2
Deposit for dividend payments (*Co. No. 155)	1	—	1
Deposit for fixed asset commitment (*Co. Nos. 4, 404)	—	2	2
Deposit for purchase commitment (*Co. Nos. 131, 220, 487)	2	1	3
Deposits with lessors (*Co. Nos. 144, 194, 302, 368, 454, 535)	—	6	6
"Deposits" — not identified (*Co. Nos. 78, 177, 183, 197, 273, 276, 305, 340, 344, 350, 404)	12	34	46
Other types of deposits (*Co. Nos. 18, 25, 174, 194, 343, 521)	1	5	6
Total	18	74	92

Number of Companies with:	
Deposits in current assets	14
Deposits in current and noncurrent assets	3
Deposits in noncurrent assets	63
Total	80
No reference to deposits	520
Total	600

*Refer to Company Appendix Section.

CENTRAL SOYA COMPANY, INC.

Other current assets—

Margin deposits on commodity futures contracts	$1,323,985
Prepaid expenses and sundry advances	804,373
Total other current assets	$2,128,358

CROWN CORK & SEAL COMPANY, INC.

Current Assets:

Prepaid expenses, deposits, etc. $1,463,000

STANDARD PRESSED STEEL CO.

Current Assets:

Cash	$1,102,910
Tax anticipation deposits and marketable securities	354,379

ELI LILLY AND COMPANY
Current Assets:

Claims, deposits, and other accounts	$2,347,853

Noncurrent Assets

ADAMS-MILLIS CORPORATION
Property, Plants, and Equipment:

Land—at cost		$ 226,915
Buildings, machinery, etc.—at cost	$10,985,092	
Less allowances for depreciation	6,547,612	4,437,480
Deposits on machinery and machinery in process of construction		89,763

ALUMINUM COMPANY OF AMERICA
Other Assets and Deferred Charges:

Indemnity and surety deposits	$ 1,277,603
Receivables and advances—noncurrent	25,860,333
Deferred exploration and mining expenses	4,148,522
Other deferred charges	9,206,760
Total Other Assets and Deferred Charges	$40,493,218

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	143,535
Total Investments and Other Assets	$304,505

DIANA STORES CORPORATION
Other Assets:

Rental and service deposits, rents paid in advance and other deferred charges	$283,226
Advances on construction in progress	41,174
Cash value of life insurance policy	18,507
Sundry investments	2,903
	$345,810

HOWE SOUND COMPANY

Deposit with escrow agent—Note G	$1,000,000

Note G: Restrictions on Retained Earnings, Maintenance of Consolidated Net Working Capital, and Escrow Requirements—In addition, the Note Agreement requires the maintenance of consolidated net working capital of $18,000,000 and provides that the Company will deposit $3,000,000 in escrow in 1962 and $1,500,000 in 1963 (in addition to the $1,000,000 deposited in escrow on December 1, 1961) to be applied, subject to certain conditions, toward retirement of the non-interest bearing mortgage notes.

INDIAN HEAD MILLS, INC.
Other Assets:

Patents and trademarks, at cost less $197,791 accumulated amortization	$3,453,588
Insurance and rental deposits	639,252
Mortgages and notes receivable due after one year	489,782
Investment in foreign subsidiaries at cost	105,136
Sundry other assets	150,162
Total Other Assets	$4,837,920

THE NEW BRITAIN MACHINE COMPANY
Investments and Other Assets:

Investment in and accounts with foreign subsidiary—Note A	$1,036,207
Deposits with mutual insurance companies	145,471
Miscellaneous assets and receivables	361,339

XEROX CORPORATION
Other Assets:

Non-current receivables, insurance premiums and deposits	$199,923
Product engineering costs deferred	—
Unamortized financing costs and other deferred charges	488,879
Total other assets	$688,802

MARKETABLE SECURITIES—Current Assets

BASIS OF VALUATION

The "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 1961 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 or below 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-nine companies listed marketable securities among the noncurrent assets (*Co. Nos. 4, 95, 132, 205, 272, 454, 482, 533).

Examples—Marketable Securities

The following examples, taken from the 1961 reports, show the valuation of marketable securities as presented in the current asset section of the balance sheets surveyed:

Cost—Market Value Not Stated

AMERICAN MACHINE & FOUNDRY COMPANY
Current Assets:

Cash	$20,742,535
Marketable securities, at cost	150,271

*Refer to Company Appendix Section.

TABLE 5: MARKETABLE SECURITIES—CURRENT ASSETS

Basis of Valuation	A: Government	B: Non-government	1961 Total	A: Government	B: Non-government	1955 Total
Cost—market value not stated (*Co. Nos. A: 24, 216, 539; B: 34, 427, 590)	46	51	97	81	28	109
Cost—stated as approximate market (*Co. Nos. A: 1, 70, 580; B: 86, 144, 306)	56	96	152	35	22	57
Cost plus accrued interest (*Co. Nos. A: 142, 195, 280; B: 105, 110, 141)	29	46	75	66	21	87
Cost—market value stated below cost (*Co. Nos. A: 25, 57, 562; B: 139, 209, 365)	13	14	27	24	15	39
Cost—market value stated above cost (*Co. Nos. A: 524, 527, 552; B: 77, 443, 577)	6	28	34	8	23	31
Cost less amortization or reserves (*Co. Nos. A: 243; B: 80, 184, 243, 463)	1	4	5	1	3	4
Amortized cost (*Co. Nos. A: 243, 367, 493; B: 109, 204, 250)	6	10	16	7	7	14
Cost or below cost (*Co. No. B: 446)	—	1	1	1	—	1
Less than cost (*Co. No. B: 221)	—	1	1	—	1	1
Cost—not in excess of market value (*Co. Nos. A: 396; B: 49, 396, 574)	1	3	4	1	1	2
Lower of cost or market (*Co. Nos. A: 307, 444, 455; B: 123, 421, 518, 564)	4	8	12	6	7	13
Market value (*Co. No. B: 57)	—	1	1	2	1	3
Approximate market value (*Co. Nos. A: 242, 304, 465; B: 7, 221, 393)	6	12	18	6	2	8
Redemption value (*Co. No. B: 468)	—	1	1	6	—	6
Face value (*Co. No. B: 405)	—	1	1	2	—	2
Lower of cost or principal amount	—	—	—	1	1	2
	168	277	445	247	132	379
Basis of valuation not set forth (*Co. Nos. A: 50, 61, 266; B: 167, 211, 442)	24	18	42	61	17	78
Total	192	295	487	308	149	457
Number of Companies presenting:						
Government securities in current assets	102	—	102	216	—	216
Government and nongovernment securities in current assets	79	79	79	81	81	81
Nongovernment securities in current assets	—	167	167	—	59	59
Total	181	246	348	297	140	356
No marketable securities in current assets			252			244
Total			600			600

*Refer to Company Appendix Section.

Cost—Stated as Approximate Market

ACF INDUSTRIES, INCORPORATED

Current Assets:

Cash	$ 5,041,000
U. S. Government securities and certificates of deposit, at cost which approximates market	26,451,000

Cost Plus Accrued Interest

BORG-WARNER CORPORATION

Current Assets:

Cash	$25,171,865
Marketable securities, at cost and accrued interest	26,004,783

Cost—Market Value Stated Below Cost

AMERICAN BANK NOTE COMPANY

Current Assets:

Cash	$3,374,032
Government securities, at cost (market $477,000—1961 and $854,000—1960)	484,134

Cost—Market Value Stated Above Cost

BARBER OIL CORPORATION

Current Assets:

Cash	$2,257,874
Marketable securities, at cost (at market quotations, $422,000)	301,686

Cost Less Amortization or Reserves

GENERAL ANILINE & FILM CORPORATION

Current Assets:

Cash	$ 3,911,937
U. S. and other government securities, at amortized cost less allowance for market decline	36,821,631

Amortized Cost

E. I. du PONT de NEMOURS & COMPANY

Current Assets:

Cash	$ 92,892,528
Marketable Securities (Note 1-a)	258,389,251

Notes to Financial Statements

Note 1a: Securities and Investments—
a. Marketable securities are carried at amortized cost plus accrued interest, which approximates market value.

FRANK G. SHATTUCK COMPANY

Current Assets:

Cash	$3,915,867
United States Government and other securities, at cost or amortized cost (quoted market, 1961, $237,446)	265,269

Cost or Below Cost

THE PITTSTON COMPANY

Current Assets:

Cash	$12,827,985
Short term investments—at cost or less (quoted value, 1961, $2,394,005; 1960, $2,830,047)	2,396,349

Less than Cost

EVERSHARP, INC.

Current Assets:

Cash	$715,940
Marketable securities, at approximate quoted market which is less than cost	907,811

Cost, Not in Excess of Market

NATIONAL DAIRY PRODUCTS CORPORATION

Current Assets:

U. S. Government and other short-term securities at cost, not in excess of market	$1,231,886

Lower of Cost or Market

INTERNATIONAL BUSINESS MACHINES CORPORATION

Current Assets:

Marketable securities, principally U. S. Treasury, valued at lower of cost or market	$246,741,779

Market Value

ANDERSON, CLAYTON & CO.

Current Assets:

Foreign government securities—at quoted market (Note 8) (cost 1961, $2,229,286; 1960, $283,675)	$2,220,257

Approximate Market Value

GENERAL AMERICAN TRANSPORTATION CORPORATION

Current Assets:

Cash	$19,749,934
United States Government, municipal, and other short-term securities, at amortized cost (approximately market)	27,885,442

Redemption Value

REXALL DRUG AND CHEMICAL COMPANY

Current Assets:

Cash	$21,880,114
Short term securities at cost and redemption amount	1,554,154
	$23,434,268

Basis of Valuation Not Set Forth

AMERICAN WRITING PAPER CORPORATION

Current Assets:

Cash on hand and demand deposits	$ 889,618.79
U. S. Gov't. securities and interest	2,404,994.00

ELASTIC STOP NUT CORPORATION OF AMERICA

Current Assets:

Cash	$2,370,400.90
Marketable securities	4,035.92

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

Special Feature	No. of Companies
Assigned receivables (*Co. Nos. 152, 220, 283, 289, 318, 412)	12
Discounted (*Co. Nos. 94, 117, 131, 173, 289, 308)	9
Pledged (*Co. Nos. 133, 263, 299, 340, 404, 512)	11
Secured (*Co. Nos. 103, 221, 257, 311, 366, 441)	16
Contingent liability (*Co. Nos. 34, 592)	2
Factored or hypothecated (*Co. Nos. 57, 463, 563)	3
Sold (*Co. Nos. 34, 194, 213, 280, 408, 473)	16
Various other (*Co. Nos. 9, 39, 70, 82, 571)	5
Total	74

The following examples selected from the 1961 reports are illustrative of the various types of accounts receivable presentations:

Accounts Receivable or Receivables

INLAND STEEL COMPANY

Current Assets:

Cash	$15,939,208
Short-term securities, at cost and accrued interest	71,605,791
Receivables, less provisions for allowances, claims and doubtful balances of $1,904,110 at December 31, 1961 and $1,726,815 at December 31, 1960	60,088,491
Inventories, valued at the lower of cost, principally on lifo basis, or market:	
Raw materials and supplies	50,551,994
Finished and semifinished steel products	81,527,072

SQUARE D COMPANY

Current Assets:

Cash	$ 9,240,205
United States Treasury securities—at cost	5,979,213
Accounts receivable from customers, less allowances for losses, adjustments, and discounts (1961 — $200,000; 1960 — $200,000)	13,898,834
Inventories (Note A)	27,886,987
Insurance and other expenses paid in advance	416,576

Accounts and Notes Receivable

UNITED ELASTIC CORPORATION

Current Assets:

Cash	$1,725,746
Marketable securities with maturity dates in 1962, at cost and accrued interest	386,421
Accounts and notes receivable less reserves	3,885,763

*Refer to Company Appendix Section.

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1961	1955
Accounts receivable or receivables (*Co. Nos. 38, 50, 259, 305, 393, 511)	432	439
Accounts and notes receivable combined (*Co. Nos. 6, 55, 72, 164, 260, 557)	166	153
Notes receivable (*Co. Nos. 76, 191, 279, 361, 369, 490)	18	18
Installment accounts receivable (*Co. Nos. 10, 269, 290, 394, 473, 489)	21	14
Installment notes receivable (*Co. Nos. 15, 52, 86, 113, 238, 280)	7	4
Trade acceptance—bills—drafts (*Co. Nos. 26, 414, 456, 473, 561)	6	14
Employees—receivables (*Co. Nos. 174, 245, 368, 424, 463, 504)	6	2
Deferred receivables (*Co. Nos. 39, 69, 264, 389)	7	5
Foreign receivables (*Co. Nos. 82, 321, 349, 373)	4	2
Contracts receivable (*Co. Nos. 75, 86, 212, 246, 290, 404)	14	11
Trading exchange accounts (*Co. No. 57)	1	4
Equity in (installment) accounts sold (*Co. Nos. 15, 229, 269, 280, 354, 408)	6	5
Joint venture accounts receivable	—	1
Claims receivable (*Co. Nos. 11, 222, 241, 269, 344, 469)	6	2
Accounts receivable—vendors, suppliers (*Co. Nos. 15, 69, 424)	3	6
Reimbursable expenditures (*Co. Nos. 249, 412, 503)	3	1
Customers' balances on layaway merchandise sales (*Co. No. 194)	1	1
Revolving credit accounts (*Co. No. 15)	1	1
Receivable from factor for accounts receivable sold	—	2
Total	702	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.

AUTOMATIC CANTEEN COMPANY OF AMERICA

Current Assets:

Cash	$11,233,875
Notes and accounts receivable:	
Customers and distributors—including current portion of installment accounts (Note 3)	12,801,538
Sundry	2,659,742
Less allowance for losses	(498,000)
Inventories, at the lower of cost (first-in, first-out) or market:	
Merchandise for resale	8,535,493
Manufactured merchandising equipment	3,537,621
Work in process, parts, materials, and supplies	7,918,863
Prepaid expenses	811,607

ANCHOR HOCKING GLASS CORPORATION

Current Assets:

Cash	$10,815,327
United States and Canadian government securities, at cost (approximate market)	8,629,125
Customers accounts and notes receivable, less allowance for doubtful items	11,630,664
Miscellaneous accounts and notes receivable	603,921
Inventories, at lower of cost or market:	
Raw materials and manufacturing supplies	5,675,344
Semi-finished and finished stock	14,074,983
Prepaid insurance, etc.	399,492

THE GILLETTE COMPANY

Current Assets:

Cash		$10,325,000
United States Government and other marketable securities at cost (market value $54,602,000)	$54,689,000	
Less amount allocated against Federal taxes	20,400,000	34,289,000
Notes and accounts receivable—less allowance of $153,000 for doubtful receivables		10,533,000
Inventories at the lower of cost or market value		20,259,000

Notes Receivable

MAXSON ELECTRONICS CORPORATION

Current Assets:

Cash	$ 946,514
Short term securities, at cost plus accrued interest	1,696,098
Accounts receivable (including $1,648,274 from the U. S. government)	2,149,993
Notes receivable	655,537
Inventories, at lower of cost or market (Note 2):	
U. S. government contracts and subcontracts in process, less $267,569 progress payments (Note 3)	468,495
Commercial products	706,056
Prepaid expenses	110,146

DEERE & COMPANY

Current Assets:

Cash	$ 13,194,372
Receivables:	
Accounts—Dealers and other	219,303,626
Notes—Farmers, dealers, and other, less unearned interest of $3,034,539 in 1961 and $5,194,863 in 1960	32,473,849
Note and accounts receivable from John Deere Credit Company	12,737,143
Total	264,514,618
Less reserves for returns and allowances and doubtful receivables	11,500,000
Receivables—net	253,014,618
Inventories (Note 3)	139,069,418

McKESSON & ROBBINS, INCORPORATED

Current Assets:

Cash		$ 15,619,361
Short-term commercial paper, including accrued interest		8,548,149
Accounts and notes receivable:		
Due from customers:		
Accounts	$62,245,496	
Notes	1,190,559	
	63,436,055	
Other accounts and notes receivable	3,523,759	
	66,959,814	
Less: Reserves	3,917,149	63,042,665
Inventories—at the lower of cost or market—Note 1:		
Drugs, drug sundries and chemicals	72,550,509	
Wines and liquors	37,819,979	110,370,488

Installment Accounts Receivable

ALDENS, INC.

Current Assets:

Cash Resources—	
Cash on deposit and on hand	$ 4,179,423
U. S. Government securities plus accrued interest	47,068
	$ 4,226,491
Accounts Receivable—	
Customers' installment accounts	$66,584,093
Less—Accounts sold	—
	$66,584,093
Other customers' accounts	967,274
Miscellaneous accounts	691,278
	$68,242,645
Less—Reserve for doubtful accounts	3,517,277
	$64,725,368
Inventories (at lower of cost or market)	$16,665,263
Advances on Spring season catalogs and expenses	$ 3,730,817

THE NATIONAL CASH REGISTER COMPANY

Current Assets:

Receivables:	
Current accounts	$36,421,826
Installment accounts	48,415,148
Defense contract accounts	443,209
	85,280,183
Less—provision for estimated doubtful accounts	1,101,797
	$84,178,386

Deferred Receivables

AMERICAN OPTICAL COMPANY

Current Assets:

Cash	$ 2,585,261
Marketable securities, at cost (same as market) and accrued interest	5,959,102
Notes and accounts receivable, including $2,951,100 of deferred payment con-	

tracts due after one year ($2,913,600 in 1960), less allowance for possible losses	20,056,714
Inventories at the lower of cost (substantially "first-in, first-out") or market:	
Finished goods	15,632,068
Work in process	13,393,745
Raw materials	3,071,060
	32,096,873
Prepaid expenses	280,045

ASSOCIATED DRY GOODS CORPORATION

Current Assets:		
Cash, including certificates of deposit		$12,666,365
Municipal notes and other short-term bonds—at cost plus accrued interest		5,188,494
Accounts and notes receivable—customers:		
Regular accounts	$33,717,655	
Deferred payment accounts	16,224,797	
	$49,942,452	
Less allowance for doubtful accounts	1,782,997	48,159,455
Accounts receivable—suppliers and miscellaneous		2,203,556
Merchandise inventories—at the lower of cost (first-in, first-out) or market as determined by the retail inventory method		47,789,390
Prepaid rent, taxes, insurance, supplies, etc.		2,751,981

Contracts Receivable

THE ELECTRIC AUTOLITE COMPANY

Current Assets:	
Cash	$11,291,010
Marketable securities, principally U. S. Government obligations and commercial paper, at cost (approximates market)	12,538,093
Notes and accounts receivable, less allowance for uncollectible accounts, returns and allowances of $375,000 in 1961 and $650,000 in 1960	22,675,970
Unbilled amounts due under Government and other contracts	1,425,356
Inventories, priced at the lower of cost (principally first-in, first-out method) or market	37,036,983
Prepaid insurance and other expenses	892,428

FMC CORPORATION

Current Assets:	
Cash	$20,522,158
U. S. Government and other marketable securities, at cost plus accrued interest, which approximates market	44,718,383
Customers' notes, contracts and accounts receivable, less allowance for doubtful receivables ($1,437,291 in 1961 and $1,319,358 in 1960)	56,362,795
Amounts receivable from U. S. Government	3,621,947
Sundry receivables	4,156,219
Inventories, at lower of cost or market	88,956,357
Prepaid expenses	3,243,965

GENERAL BRONZE CORPORATION

Current:	
Demand deposits in banks and cash on hand	$2,765,881
Accounts and contracts receivable, less allowance of $110,072 for doubtful accounts	4,484,376
Estimated federal and state income tax refunds arising from carrybacks	725,000
Unreimbursed costs and fees on CPFF contracts	641,896

Claims Receivable

ALLEGHENY LUDLUM STEEL CORPORATION

Current Assets:	
Cash in banks and on hand	$13,458,482
Marketable securities—at cost (approximately market) and accrued interest	4,806,449
Notes and accounts receivable—trade, less estimated allowances of $449,500 (1960—$399,500)	19,414,234
Claims and miscellaneous accounts receivable	348,682
Inventories (Note 1):	
Raw material	12,217,752
Semi-finished	43,493,246
Finished	12,295,003
Supplies	1,213,239
	69,219,240
Prepaid expenses	527,012

REYNOLDS METALS COMPANY

Current Assets:	
Cash	$ 32,032,872
Receivables:	
Customers—notes and accounts, less allowances for losses	79,885,188
Unconsolidated subsidiaries and other associated and related companies	11,436,695
Trustee for reimbursement of plant expenditures	—
Other notes, accounts, and claims	4,827,112
	$ 96,148,995
Prepaid expenses	3,061,040
Inventories of products, materials, and operating supplies—Note C	157,551,087

Accounts Receivable Assigned

HEYWOOD-WAKEFIELD COMPANY

Current Assets:	
Cash	$ 174,872
Notes and accounts receivable (Allowances for doubtful 1961—$48,218; 1960—$54,142)	2,912,257
Inventories—at lower of cost or market:	
Finished products	$ 577,460
Work in process	2,747,525
Raw materials	1,925,654
	$5,250,639
Prepaid expenses	278,838

Notes to Financial Statements

Note 1: The revolving credit arrangement is secured by assignment of accounts receivable in the amount of $2,476,084 and by pledge of inventories in the amount of $4,370,827, and real estate and equipment carried at $1,806,922.

JONES & LAMSON MACHINE COMPANY

Current Assets:

Cash in banks and on hand		$1,158,147
Accounts receivable—trade		2,941,770
Notes receivable—advances, etc.		46,311
Federal income tax refundable		—
Marketable securities—at cost		10,987
Material and supplies, work in process and finished parts and machines—at cost or standard cost	$4,466,114	
Less: Reserve for obsolescence	150,000	4,316,114
Deferred charges—insurance, etc.		96,329

Notes to Financial Statements

Note 4: The Company was contingently liable under assignments to banks of various chattel mortgages, conditional sales contracts and other customer paper in the amount of $739,128 at December 31, 1961 and $474,442 at December 31, 1960.

Accounts Receivable Pledged

R. G. Le TOURNEAU, INC.

Current Assets:

Cash (Note 1)	$ 874,140
Notes and accounts receivable (Note 3)	2,024,669
Inventories—at lower of cost or market—	
Raw materials (principally steel)	1,948,967
Work in process, finished parts and equipment (Notes 2 and 3)	6,571,265
Supplies (small tools, etc.)	357,328
Prepaid expenses and deposits	114,486

Note 3: Accounts receivable, inventory and machinery and equipment recorded at a total value of $2,880,761 and land carried at a cost of $60,625 are pledged to secure various notes payable aggregating $2,280,662. Rental income from equipment pledged may be claimed by the note holder in the event of default.

STAHL-MEYER, INC.

Current Assets:

Cash	$ 171,264
Accounts receivable (substantially all pledged), less allowance of $125,500 in 1961 and $35,000 in 1960 for doubtful accounts (Note 2)	921,177
Accounts receivable from affiliate in Venezuela (substantially all pledged) (Notes 2 and 4)	651,907
Inventories (partially pledged) at lower of cost (first-in, first-out basis) or market (Note 2)	1,090,586
Prepaid expenses	39,227

Notes Receivable Secured

BOOTH FISHERIES CORPORATION

Current Assets:

Cash		$ 885,724
Receivables—		
Customers' accounts	$2,782,808	
Warehouse customers' notes (collateralized)	1,591,110	
Other	542,244	
Less—Reserves	(216,844)	4,699,318
Inventories, at the lower of cost (first-in, first-out basis) or market—		
Fish, seafoods & other frozen foods	$7,576,679	
Supplies	1,370,654	8,947,333

PIPER AIRCRAFT CORPORATION

Current Assets:

Cash	$ 2,603,265
Short-term securities, at cost plus accrued interest (approximating market)	—
Notes receivable (secured short-term aircraft financing)	1,626,644
Accounts receivable	905,872

Accounts Receivable Sold

ALLIED STORES CORPORATION

Current Assets:

Cash	$24,754,102
Trade accounts and notes receivable:	
Customers—Note B	69,895,044
Suppliers and others	6,426,801
Merchandise inventories—Note C	95,607,800
Prepaid expenses	4,889,844

Note B: Accounts and notes receivable—customers—

Regular accounts	$51,923,158
Installment accounts and notes	3,262,822
Equity in installment accounts sold (1961—$26,201,885; 1960—$28,312,782)	3,144,469
Revolving credit accounts	12,207,263
Equity in revolving credit accounts sold (1961—$35,163,882; 1960—$30,534,924)	4,277,554
	$74,815,266
Less allowances for losses on collection and for deferred carrying charges	4,920,222
	$69,895,044

FEDERATED DEPARTMENT STORES, INC.

Current Assets:

Cash	$ 30,225,310
Accounts receivable (See Page 17)	128,855,232

Page 17: Accounts Receivable—

Due from customers:	
Thirty-day charge accounts	$ 51,087,843
Deferred payment accounts	125,563,536
Other accounts receivable	4,451,243
	$181,102,622
Less:	
Provision for possible future losses and deferred service charges	$ 7,124,827
Accounts sold without recourse (less Company's equity therein of $5,679,727 at January 18, 1961)	45,122,563
	$ 52,247,390
Net	$128,855,232

J. J. NEWBERRY CO.

Current Assets:

Cash	$15,318,811
Short-term Government securities, at cost plus accrued interest (approximate market)	498,935
Customers' accounts receivable, including equity of $772,514 in accounts receivable sold, less provision of $513,000 for doubtful accounts	4,511,664
Miscellaneous accounts receivable	2,623,709
Merchandise, at the lower of cost or market:	
At stores and warehouses	68,873,866
In transit	6,103,801
Total merchandise	74,977,667
Prepaid expenses	2,121,846

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 current 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 140 presentations of noncurrent receivables presented by the survey companies in their annual reports for 1961, and is supplemented by selected examples.

Noncurrent Asset Description	No. of Companies
Accounts receivable or receivables (*Co. Nos. 54, 76, 131, 341, 494, 559)	52
Notes receivable (*Co. Nos. 123, 134, 201, 361, 419, 490)	28
Notes and accounts receivable combined (*Co. Nos. 68, 237, 369, 446, 500, 598)	24
Employees receivables (*Co. Nos. 92, 139, 200, 369, 381, 399, 412)	13
Deferred receivables (*Co. Nos. 20, 26, 36, 85, 248)	8
Installment accounts receivable (*Co. Nos. 72, 473)	2
Contracts receivable (*Co. Nos. 61, 135, 161, 205, 292, 522)	6
Various other (*Co. Nos. 4, 26, 36, 122, 424, 473, 590)	7
Total	140

In Noncurrent Asset Section

Notes and Accounts Receivable

ASHLAND OIL & REFINING COMPANY

Investments and Other Assets:	
Capital stock of other corporations—at cost	$ 3,133,267
Notes and accounts receivable, and advances, less reserve	14,604,527

FREEPORT SULPHUR COMPANY

Other Assets:	
Notes and accounts receivable due after one year	$2,660,187
Prepaid and deferred items chargeable to future operations (Note 6)	5,851,636
	$8,511,823

THE YALE & TOWNE MANUFACTURING COMPANY

Notes and Accounts Receivable, Long-term (mostly secured by real estate mortgages)	$1,516,810

Employees Receivables

DRAVO CORPORATION

Investments and Other Assets:	
Notes receivable—trade, due after one year	$523,268
Notes from officers and employees for common stock purchases	349,608
Miscellaneous	38,510

MIRRO ALUMINUM COMPANY

Receivable from officers and employees under employees' incentive stock option plan	$233,177

Deferred Receivables

AMERADA PETROLEUM CORPORATION

Deferred Receivables, etc.	$3,221,747

AMERICAN CAN COMPANY

Deferred accounts and bills receivable	$1,558,000

BEAUNIT MILLS, INC.

Other Assets:	
Deferred receivables and charges	$809,821

Installment Accounts Receivable

AUTOMATIC CANTEEN COMPANY OF AMERICA

Other Receivables and Investments:	
Installment and other receivables	$4,752,632

RITTER COMPANY, INC.

Long-Term Receivables and Other:	
Accounts, installment contracts and notes receivable (Net after allowance for losses)	$ 805,375
Equity in installment contracts sold	1,436,935

*Refer to Company Appendix Section.

Contracts Receivable

CHAIN BELT COMPANY

Other Assets:

Investments and advances—unconsolidated subsidiaries (Note 1)	$4,033,631
Mortgage and land contract receivable, etc.	329,798

THE STANDARD TUBE COMPANY

Investments and Other Assets:

Investment in 51% owned subsidiary, at cost (Note 1)	$25,500
Cash surrender value of life insurance	60,881
6% land contract receivable	65,660
Sundry investments, at cost	13,362

Various Other

CANADA DRY CORPORATION

Other Assets:

Deposits receivable from customers on returnable containers—estimated	$1,821,000
Prepaid expenses and deferred charges	2,347,600
Goodwill, trade-marks, etc.	1

PEDEN IRON & STEEL CO.

Other Assets:

Club Memberships and Other Investments	$23,613
Railroad Claims	3,940
Other Real Estate	15,947
Deposits Refundable	3,911

WEYERHAEUSER COMPANY

Investments, Other Receivables, etc.	$6,950,217

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 to the soundness of this recommendation.

Table 7 is a tabulation in comparative form of the terminology used by the 600 survey companies; it 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 1961 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 1961 survey reports, are illustrative of the balance sheet terminology used in presenting uncollectible accounts:

Allowance—(293 Companies):

Allowances (*Co. Nos. 65, 85, 171, 303, 364, 583)
Allowance(s) for doubtful (*Co. Nos. 95, 132, 289, 552)
Allowance(s) for doubtful accounts (*Co. Nos. 74, 106, 161, 207, 404, 476)
Allowance for doubtful balances and discounts (*Co. No. 325)
Allowance for doubtful items (*Co. Nos. 55, 233, 510)
Allowance for doubtful items and unearned finance charges (*Co. No. 452)
Allowance for doubtful notes and accounts (*Co. Nos. 238, 272, 592)
Allowance(s) for doubtful receivables (*Co. Nos. 201, 206, 226, 234, 276, 504)
Allowance for doubtful receivables, discounts, etc. (*Co. Nos. 454, 521)
Allowance of $xxx for doubtful accounts (*Co. No. 421)
Allowance of $xxx for doubtful accounts and discounts (*Co. No. 301)
Allowance for doubtful accounts of $xxx (*Co. No. 486)
Allowance of $xxx for doubtful receivables (*Co. No. 260)
Allowance for uncollectible accounts (*Co. No. 80)
Allowance for uncollectible accounts, returns and allowances of $xxx (*Co. No. 212)
Allowances for bad debts (*Co. Nos. 288, 424)
Allowances for bad debts, returns and discounts (*Co. No. 160)
Allowance(s) for loss(es) (*Co. Nos. 24, 72, 155, 296, 469, 578)
Allowances for losses, adjustments, and discounts (*Co. No. 511)
Allowance for losses and unearned finance charges (*Co. No. 86)
Allowance(s) for losses and discounts (*Co. Nos. 417, 473)
Allowances for losses in collections (*Co. No. 322)
Allowances for losses on collection and for deferred carrying charges (*Co. No. 15)
Allowances for losses on collection (*Co. No. 211)
Allowance for losses on receivables (*Co. No. 92)
Allowance(s) for collection losses (*Co. Nos. 280, 317, 547)
Allowance of $xxx for losses in collection (*Co. No. 168)
Allowance for credit losses (*Co. No. 456)

*Refer to Company Appendix Section.

TABLE 7: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	1961**	1960	1955	1950
"Allowance"—used alone	55	50	31	169
Allowance, etc.	238	234	217	
"Reserve"—used alone	106	113	122	248
Reserve, etc.	33	39	59	
Provision, etc.	36	37	31	37
Estimated, etc.	20	22	27	36
Deduction, etc.	3	3	4	3
Other terms	9	6	7	4
	500	504	498	497
No "uncollectible accounts" indicated	100	96	102	103
Total	600	600	600	600

*Combined with:	1961	1960	1955
Doubtful accounts	198	198	197
Doubtful notes and accounts	5	6	9
Doubtful amounts	1	1	2
Doubtful balances	2	3	4
Doubtful items	10	11	12
Doubtful receivables	14	13	17
Doubtful	4	4	4
Uncollectible accounts	6	5	5
Uncollectible amounts	3	3	4
Uncollectible items	—	—	1
Uncollectibles	1	2	2
Loss(es)	34	37	28
Collection losses	11	10	14
Carried forward	289	293	299

	1961	1960	1955
Brought forward	289	293	299
Credit losses	1	1	2
Receivable losses	1	1	1
Possible losses	24	23	17
Possible collection losses	4	4	7
Possible credit losses	1	1	1
Possible future losses	1	1	1
Bad debts	9	12	10
Other phrases	4	1	1
"Allowance"—used alone	55	50	31
"Reserve"—used alone	106	113	122
Other terms used alone	5	4	6
No "uncollectible accounts"	100	96	102
Total	600	600	600

**1961 Descriptive Terms Combined As:	Primary Descriptive Term Above: Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	173	29	16	10	6	234
Uncollectible	3	—	2	5	—	10
Losses	56	3	14	4	—	77
Bad debts	3	1	4	1	—	9
With other phrases	3	—	—	—	1	4
Used alone	55	106	—	—	5	166
Total	293	139	36	20	12	500

Allowance for possible losses (*Co. Nos. 39, 133, 251, 365, 482, 559)
Allowance for possible losses and cash discounts (*Co. No. 114)
Allowance for possible losses in collection (*Co. Nos. 242, 440, 506)
Allowance for possible credit losses (*Co. No. 222)
Allowance of $xxx for possible losses (*Co. Nos. 462, 528)
Allowances for discounts and possible losses of $xxx (*Co. No. 43)
Allowance for discounts and doubtful accounts (*Co. No. 414)
Allowance for collection expense and losses (*Co. No. 489)
Allowance of $xxx for discounts and losses (*Co. No. 381)
Allowances for discounts and possible losses (*Co. No. 344)

Reserve—(139 Companies):
Reserve(s) (*Co. Nos. 28, 88, 386, 395, 450, 496, 534)
Reserve(s) for doubtful accounts (*Co. Nos. 10, 14, 79, 102, 217, 360)
Reserves for doubtful accounts and unearned carrying charge income of $xxx (*Co. No. 385)
Reserves for doubtful accounts of $xxx at the end of each year (*Co. No. 358)
Reserve for doubtful accounts and allowances (*Co. No. 170)
Reserve of $xxx for doubtful accounts at each date (*Co. No. 53)
Reserves of $xxx for doubtful accounts, deferred income taxes on installment sales and unearned carrying charges (*Co. No. 264)
Reserve for doubtful items (*Co. No. 535)
Reserve for doubtful notes and accounts (*Co. No. 490)

*Refer to Company Appendix Section.

Reserves for returns and allowances and doubtful receivables (*Co. No. 191)
Reserve for bad debts (*Co. No. 400)
Reserve(s) for losses (*Co. Nos. 6, 308)
Reserves for unearned interest and possible losses (*Co. No. 113)
Reserve(s) for discounts and doubtful accounts (*Co. Nos. 174, 283)

Provision—(36 Companies):
Provision for doubtful accounts (*Co. Nos. 152, 196, 261, 426, 474)
Provision for doubtful items (*Co. No. 427)
Provision of $xxx for doubtful accounts (*Co. No. 408)
$xxx provision for doubtful accounts and discounts (*Co. No. 83)
Provision for allowances and doubtful accounts (*Co. No. 224)
Provisions for allowances, claims and doubtful balances (*Co. No. 305)
Provision for estimated doubtful accounts of $xxx (*Co. No. 558)
Provision for estimated doubtful accounts (*Co. No. 394)
Provisions for uncollectible accounts, unearned finance charges (*Co. No. 537)
Provision for bad debts (*Co. Nos. 142, 266)
Provision for bad debts of $xxx (*Co. No. 98)
After provision for bad debts (*Co. No. 564)
Provided for losses (*Co. No .190)
Provision for loss of $xxx (*Co. No. 21)
Provision against losses (*Co. No. 40)
Provision for losses (*Co. Nos. 67, 475)
Provision for discounts and losses (*Co. No. 64)
Provision for collection losses (*Co. No. 137)
Provision for possible losses (*Co. Nos. 105, 131, 372)
Provision of $xxx for possible losses in collection (*Co. No. 218)
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 allowances of $xxx (*Co. No. 11)
Estimated doubtful accounts (*Co. Nos. 180, 348, 505)
Estimated doubtful accounts, discounts and allowances (*Co. No. 551)
Estimated doubtful amounts (*Co. No. 518)
Estimated uncollectibles (*Co. No. 519)
Estimated uncollectible accounts (*Co. No. 585)
Estimated uncollectible amount(s) (*Co. Nos. 354, 431)
Estimated bad debts (*Co. No. 569)
Estimated losses (*Co. No. 444)
Estimated losses in collection (*Co. Nos. 492, 515)
Estimated collection losses (*Co. No. 413)

Various Other Terms—(12 Companies):
Net of reserves for doubtful accounts and book returns (*Co. No. 367)
Net of doubtful accounts and allowances (*Co. No. 299)
$xxx for doubtful accounts and allowances (*Co. No. 306)
$xxx . . . for doubtful accounts and cash discounts (*Co. No. 350)
Stated on basis of realizable values (*Co. No. 128)
After deductions for allowances, discounts and doubtful accounts (*Co. No. 109)
After deduction of $xxx . . . for doubtful accounts and allowances (*Co. No. 580)
After deduction of $xxx for returns, allowances, discounts, and doubtful accounts (*Co. No. 117)
Receivable(s), net (*Co. Nos. 27, 121, 208, 549)

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 200 during the year under review. There were 67 companies which made specific reference to U. S. Government contracts or defense business within the balance sheet, and 133 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 United States 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	37, 146, 215, 281, 305, 316
U. S. Government contracts	6, 97, 182, 198, 209, 239
Cost-reimbursement type contracts	250, 273, 347, 359, 389, 475
Prime contracts	81, 134, 213, 409, 441, 515
Subcontracts	43, 160, 405, 415, 506, 538
Fixed-price type or fixed-fee contracts	100, 197, 246, 399, 412
Cost-plus-fixed-fee contracts	1, 9, 246, 411, 464, 479
Incentive type contracts	197, 359, 411, 465
Contracts subject to price redetermination	216, 250, 300, 314, 395
Research-development type contracts	13, 73, 128, 147, 284, 303
U. S. Ordnance contracts	7, 71, 222, 286, 357, 379

*Refer to Company Appendix Section.

TABLE 8: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1961	1955
Current Asset Section		
Accounts receivable due from government (*Co. Nos. 6, 34, 100, 152, 225, 308)	43	62
Inventory less billings or progress payment received (*Co. Nos. 9, 217, 224, 291, 502, 554)	37	42
Unbilled costs or fees (*Co. Nos. 1, 119, 212, 409, 510)	18	14
Recoverable costs (*Co. Nos. 97, 168)	2	5
Reimbursable expenditures (*Co. Nos. 241, 246, 249, 307, 347, 543)	6	10
Fees or costs less progress payments received (*Co. Nos. 97, 284, 300, 389, 395)	5	4
Advances or payments to subcontractors less progress payments received from government (*Co. No. 359)	1	2
Deferred general and administrative expenses applicable to contracts (*Co. No. 361)	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. Nos. 152, 241)	2	9
Advances received (*Co. Nos. 92, 528)	2	2
Advance payments received in excess of expenditures (*Co. No. 197)	1	2
Refunds due—U. S. Government (*Co. Nos. 197, 411)	2	4
Unearned billings (*Co. Nos. 409)	1	—
Estimated costs to be incurred (*Co. No. 197)	1	2
Liability under incentive type government contracts (*Co. No. 411)	1	2
Noncurrent Liability Section		
Advances received (contra to asset account) (*Co. No. 266)	1	1
Refunds due—U. S. Government (*Co. No. 359)	1	—
Notes payable due to government	—	1
Funds for payments under U. S. Government contracts	—	1
	130	181

Number of Companies referring to government contracts or defense business	1961	1955
In balance sheet presentation	67	88
In report, but not including balance sheet presentation	133	190
Not referring to contracts, defense business, etc.	400	322
Total	600	600

*Refer to Company Appendix Section.

The amount and nature of the information given in the 1961 reports of the survey companies with respect to their United States Government contracts and defense business differed widely. Some of the survey companies gave specific information as to the nature of the contracts while others indicated that contracts existed only by reference to accelerated depreciation of emergency facilities, or by stating that certain sales were subject to renegotiation.

Many companies disclosed special features applicable to United States Government contracts, some of which are listed below:

Special Feature	*Company Numbers**
Government-owned plant and equipment operated by company	219, 351, 438, 552
Price redetermination or contract adjustment clause	34, 134, 216, 300, 409
Clause covering incentive feature	411, 465
Certain assets pledged as collateral or security for loan or financial aid from government	92, 347, 359, 555
Certain receivables due to company from government pledged to secure loans obtained from nongovernment sources	152, 225, 412
Contract completed during year	297, 397, 543, 562,

The following examples selected from the 1961 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

REPUBLIC AVIATION CORPORATION

Current Assets:	
Cash	$16,869,129
United States Treasury bills, at approximate market	4,009,670
Accounts receivable, principally from United States Government	19,128,425
Unbilled costs and fees under United States Government cost reimbursement type contracts	6,026,243
Contracts in progress (see page 6)	43,662,825
Sundry inventories, materials and supplies, at average cost	1,602,715
Prepaid expenses	1,065,176
Current assets	$92,364,183

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

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Income Statement Presentation

Income:	
Sales, including costs and fees under cost-reimbursement type contracts (Note 3)	$316,714,782
Other income	592,071
	$317,306,853

Note 3: A substantial portion of the sales for 1960 and 1961 are subject to the Renegotiation Act of 1951, and proceedings with the Government, pursuant to this act, have not been completed for these years. The Company believes that no excessive profits exist; however, the policy of providing reserves has been continued.

MOTOROLA, INC.

Current Assets:	
Cash	$ 8,794,244
Receivables:	
Accounts:	
United States government	7,773,137
Other	47,714,344
Notes and contracts:	
Lease and conditional sales contracts—net (Note 2)	32,725,036
Other	8,011,781
Allowance for doubtful accounts	(1,801,559)
Costs recoverable under United States government contracts, less progress billings	8,440,774
Inventories, at the lower of average cost or market	39,958,980
Other current assets	2,865,560
Total current assets	$154,482,297

Fixed-Price Type Contracts

THE BOEING COMPANY
Notes to Financial Statements

Inventories:
Inventories are composed of:

Fixed-price type contracts in process	$482,356,000
Commercial spare parts	21,121,000
General stock materials	9,009,000
	$512,486,000
Less advances and progress payments	316,343,000
	$196,143,000

Military fixed-price incentive type contracts in process are stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work in process on straight fixed-price contracts (principally commercial programs) is stated in the same manner, except that applicable research, developmental, administrative, and other general expenses are charged directly to earnings as incurred.

To the extent that estimated costs of units scheduled for production, determined in the above manner, are expected to be greater than total sales price, the portion of such excess related to work in process is currently charged to earnings. The resultant inventory is stated at estimated proportionate sales value.

Commercial spare parts and general stock materials are stated at average cost, not in excess of realizable value.

DOUGLAS AIRCRAFT COMPANY, INC.

Current Assets:	
Cash	$ 27,201,603
Accounts receivable from U.S. Government	20,542,664
Trade and other receivables	20,555,346
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts, less allowance (1961—$547,207; 1960—$915,719) for adjustments	45,710,028
Estimated recoverable federal taxes on income, arising from carry-back of operating loss	
Inventories of fixed-price contracts in process, materials, etc., less advance and progress payments received—Note B	116,989,856
Taxes, insurance, and other prepaid expenses	8,576,266
Total Current Assets	$239,575,763

Note B: *Inventories*—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 (including for 1960 all tooling applicable to the DC-8 aircraft program—see Note C)	$119,559,864
Materials, spare parts, etc.	37,443,667
Advances under material purchase agreements	4,162,621
	$161,166,152
Less advance and progress payments received	44,176,296
	$116,989,856

Contracts Subject to Price Redetermination

AMERICAN MACHINE & FOUNDRY COMPANY

Current Assets:	
Cash	$ 20,742,535
Marketable securities, at cost	150,271
Accounts and notes receivable (Note 3)	125,157,688
Inventories, at cost ("first-in, first-out" or average) or market, whichever is lower:	
Raw materials and supplies	10,387,430
Work in process and finished goods	41,373,059
Total inventories	51,760,489
Prepaid expenses	3,627,062
Total current assets	$201,438,045

Note 3: *Receivables*—Accounts and notes receivable include accounts with the U. S. Government of $36,781,433 at December 31, 1961 and $17,120,257 at December 31, 1960, customers' installment obligations due beyond one year of $20,530,959 at December 31, 1961 and $16,894,357 at December 31, 1960, and accounts with unconsolidated foreign subsidiaries of $6,474,610 at December 31, 1961 and $5,774,981 at December 31, 1960.

Note 5: *Renegotiation*—A substantial portion of the sales during 1961 were under defense contracts which are subject to renegotiation and, in some cases, to price redetermination. Renegotiation proceedings through the year 1960 were completed with no refund required. It is believed that the amount, if any, refundable for 1961 will not materially affect reported net income or financial position.

THE EMERSON ELECTRIC MANUFACTURING COMPANY
Notes to Financial Statements

Note 5: *Contingent Liabilities*—Proceedings under the Renegotiation Act of 1951 have been concluded for all years to and including the year 1959 with no refund required. No refund is anticipated with respect to the fiscal years 1960 and 1961. Appropriate recognition has been given in the accounts for anticipated amendments with respect to contracts containing price redetermination clauses.

HUPP CORPORATION
Notes to Financial Statements

Note F: Contingencies and Commitments—Under an agreement covering the acquisition of certain companies in 1959, the Corporation has agreed to make additional payments not exceeding $1,000,000 (which, at the option of the Corporation, may be paid in cash or shares of its Common Stock valued at average market prices) on the basis of earnings of the companies in excess of stipulated minimums for the next five years. Sufficient shares of Common Stock were reserved for this purpose at December 31, 1961.

The Corporation has agreed to make payments not exceeding $1,215,000, over a period of 14 years, based on royalties received by a company acquired in 1960.

The Corporation is contingently liable under dealer finance repurchase agreements aggregating approximately $6,730,000 at December 31, 1961.

A portion of the Corporation's sales for 1961 and prior years is subject to renegotiation and price redetermination. Refunds, if any, are not expected to have a material effect on the consolidated financial statements.

IRON FIREMAN MANUFACTURING COMPANY
Notes to Financial Statements

Note 4: Renegotiation under government contracts and subcontracts and price redetermination have been settled through 1960. A substantial portion of the net income for 1961 was attributable to renegotiable business. The return on such business was reasonably comparable to the years settled and management is of the opinion that no refund will be required.

NATIONAL COMPANY, INC.
Notes to Financial Statements

Note 3: Sales for the year 1961 include $95,000 (equivalent to $45,600 after taxes), representing an amount to be included in an anticipated appeal for an increase to the ceiling price of a government contract. The company believes that such relief is obtainable under the applicable provisions of the Armed Services Procurement Regulations, but it is not now possible to determine the amount thereof or when a final determination will be made.

Other government contracts provide for price redetermination. Estimates have been made of the effect thereof and the accounts have been adjusted accordingly. Renegotiation clearance has been received for all years through 1960 and the company believes that no renegotiation liability exists for 1961.

Cost-Plus-Fixed-Fee Contracts

NORTH AMERICAN AVIATION, INC.
Current Assets:

Cash	$ 31,301,157
Accounts receivable—principally from the United States Government	245,649,576
Inventories, generally at cost, not in excess of market—less progress payments on contracts under which title to related inventories vests in the United States Government: 1961—$129,420,359; 1960—$94,192,848	184,061,729
Prepaid expenses—taxes, insurance, retirement plan costs, etc.	6,247,217
Total current assets	$467,259,679

Notes to Financial Statements

Nature of Contracts: Government cost-type contracts that provided for the reimbursement of allowable costs and for specified fees accounted for approximately 65 per cent of the company's 1961 sales. Almost all the company's other contracts were under Government incentive-type contracts, wherein target costs and sales prices are set by negotiation on the basis of related cost experience. After final establishment of incentive targets, the Government and the company participate within the limits provided in the contract in the savings or additional costs experienced. Under these contracts, sales are recorded at cost together with the estimated profit as deliveries are made. Profit is estimated as a proportion of the profit expected to be realized on the contract.

DOUGLAS AIRCRAFT COMPANY, INC.
Current Assets:

Cash	$ 27,201,603
Accounts receivable from U.S. Government	20,542,664
Trade and other receivables	20,555,346
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts, less allowance (1961—$547,207; 1960—$915,719) for adjustments	45,710,028
Estimated recoverable federal taxes on income, arising from carry-back of operating loss	
Inventories of fixed-price contracts in process, materials, etc., less advance and progress payments received—Note B	116,989,856
Taxes, insurance, and other prepaid expenses	8,576,266
Total Current Assets	$239,575,763

GENERAL BRONZE CORPORATION
Current:

Demand deposits in banks and cash on hand		$ 2,765,881
Accounts and contracts receivable, less allowance of $110,072 for doubtful accounts		4,484,376
Estimated federal and state income tax refunds arising from carrybacks		725,000
Unreimbursed costs and fees on CPFF contracts		641,896
Inventories, at lower of cost or market:		
Raw materials, work in process, finished goods and supplies	$1,193,022	
Contracts in process	1,757,183	2,950,205
Prepaid expenses		98,937
Total current assets		$11,666,295

NORTHROP CORPORATION
Current Assets:

Cash	$ 3,438,703
Accounts receivable (including due from U.S. Government 1961—$4,300,661; 1960—$3,472,557)—Note B	10,582,411
Unreimbursed costs and fees under cost-plus-fee contracts (including due from U.S. Government 1961—$14,604,713; 1960—$25,594,524) less allowances (1961—$1,906,965; 1960—$1,660,220)—(Note B)	45,068,773
Inventories of fixed price contracts in process, materials, etc., less progress payments received (1961—$28,182,770; 1960—$20,516,632)—Notes B and C	33,080,060
Prepaid expenses	2,711,824
Total Current Assets	$94,881,771

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 United States Government as advance payments on uncompleted contracts or work in progress, etc. In some cases a government-owned plant is operated by the company or certain assets are pledged as collateral for government loans.

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

ATLAS CHEMICAL INDUSTRIES, INC.
Financial Review

Volunteer Ordnance Works: We continue to maintain the Volunteer Ordnance Works, Chattanooga, Tennessee, in standby condition for the Government. Funds for this purpose were further reduced during the year.

COLLINS RADIO COMPANY
Notes to Financial Statements

The Regulation V loan agreement provides a revolving credit of $45,000,000 extending to October 31, 1961, under which borrowings are evidenced by 90-day notes. An extension of the agreement to April 30, 1963, is now being negotiated, and it is expected that cash dividends will initially be limited to 25% of earnings subsequent to July 31, 1961. At July 31, 1961, the balance sheet includes approximately $54,900,000 of accounts receivable and inventories relating to certain United States Government contracts, the proceeds of which are assigned as collateral security under the agreement.

E. I. du PONT de NEMOURS & COMPANY
Financial Review

Activities under our contract with the Atomic Energy Commission are centered at the Du Pont-operated Government-owned Savannah River Plant in South Carolina. During the year the operating force averaged about 6600 employees and the construction force about 1100. The primary purpose of the plant is the production of nuclear materials for national defense.

FAIRCHILD STRATOS CORPORATION

Current Assets:	
Cash	$ 3,007,592
Accounts and notes receivable:	
Military contracts and sub-contracts (including unbilled items) (Note 1)	8,544,766
Commercial (including installment notes of $1,983,000 due after one year)	4,774,333
Materials, labor and other costs incurred on work in progress (Note 2):	
Government contracts, less amounts applied to billings and less partial payment of $2,801,648	4,875,270
F-27 commercial program	3,111,213
Miscellaneous inventories	418,378
Prepaid expenses, etc.	458,074
Total Current Assets	$25,189,626
Current Liabilities:	
Loans payable to banks (Note 1)	$ 2,400,000
Accounts payable	5,188,618
Accrued wages, salaries and other liabilities	4,940,306
Advances on commercial sales contracts	140,395
Taxes other than federal income taxes	251,224
Total Current Liabilities	$12,920,543

Note 1: Loans payable to banks are made under a Revolving Credit Agreement which, by amendment of February 28, 1962, permits the Corporation to borrow up to $5,000,000 at any time up to February 28, 1964. The amended agreement also provides, among other covenants, that:

(1) the Corporation will assign monies due or to become due under all significant defense production contracts,

(2) the corporation must maintain consolidated net current assets of at least $10,000,000 and consolidated stockholders' investment of at least $17,000,000. (Accordingly, at December 31, 1961, accumulated earnings of $2,393,867 were restricted for the payment of dividends.)

GOODYEAR TIRE & RUBBER COMPANY

Other Assets:	
Cash and Expenditures under U. S. Government contracts, per contra	$1,387,231
Noncurrent Liabilities:	
Advances and Accounts Payable under U. S. Government contracts, per contra	$1,387,231

MARTIN MARIETTA CORPORATION
Notes to Financial Statements

Note B: *Inventories and Costs on Contracts in Progress*—

Finished and in-process products ($42,912,566) and raw materials and supplies—at lower of cost (principally first-in, first-out) or market	$64,857,889
Materials, labor, advances to subcontractors, and other costs incurred on contracts in progress less estimated costs applicable to deliveries—not in excess of realizable value, less progress payments of $7,314,389	10,469,408
	$75,327,297

Title to inventories in the amount of approximately $10,300,000 had passed to the United States Government as consideration for progress payments at December 31, 1961.

NATIONAL LEAD COMPANY
Notes to Financial Statements

Under agreements with the Atomic Energy Commission, certain consolidated subsidiaries operate plants owned by the U.S. Government under fixed fee contracts. The accompanying financial statements do not include the assets, liabilities or results of operations of such plants.

UNITED AIRCRAFT CORPORATION

Current Assets:	
Cash	$ 29,880,784
Accounts receivable:	
United States Government	83,143,719
Commercial customers (less $50,000 allowance for doubtful accounts)	51,903,499
Other	1,700,366
Inventories, at cost (see page 18)	337,216,142
Less—Payments, secured by lien, from United States Government on uncompleted contracts	*151,105,964*
Total Current Assets	$352,738,546

Renegotiation

There were 81 survey companies that referred to renegotiation or to renegotiable sales in their 1961 reports. Of these companies, 11 included in their balance sheets mostly under current liabilities a provision for estimated renegotiation liability, and an additional 11 companies referred to such provision in the notes to the financial statements or in the letter to the stockholders. The remaining 59 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	1961	1955	1951
Provision for estimated renegotiation liability—			
Set forth under current liabilities:			
Combined with liability for taxes (*Co. Nos. 9, 234, 273, 286, 307, 347, 502, 548)	8	24	18
Combined with nontax liability (*Co. No. 250)	1	4	3
Separately set forth (*Co. Nos. 100, **359)	2	6	1
Referred to in:			
Notes to financial statements (*Co. Nos. 6, 209, 225, 296, 307, 409)	6	9	16
Letter to stockholders (*Co. Nos. 53, 126, 347, 380, 491)	5	5	5
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales" (*Co. Nos. 52, 116, 147, 206, 411, 564)	59	133	175
Number of Companies Referring To:			
Renegotiation or renegotiable sales	81	181	218
Not referring thereto	519	419	382
Total	600	600	600

*Refer to Company Appendix Section.
**Presented with noncurrent liabilities.

Examples—Renegotiation

The following examples, taken from the 1961 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

FMC CORPORATION
Current Liabilities:

Accounts payable, trade and other	$31,238,027
Accrued and other liabilities	14,738,915
Long-term debt due within one year (Note 4)	4,835,279
Federal and foreign taxes on inome and renegotiation, less U. S. Tax Anticipation Notes ($7,921,734 in 1961 and $3,975,396 in 1960) (Note 5)	11,007,994
Total current liabilities	$61,820,215

LOCKHEED AIRCRAFT CORPORATION
Current Liabilities:

Notes payable—banks	$ 50,000,000
Accounts payable—trade	153,754,000
Salaries and wages	33,941,000
Federal income tax and renegotiation refunds	33,563,000
Other taxes	14,811,000
Customers' advances in excess of related costs	36,111,000
Retirement plan contribution (Note 4)	16,548,000
Other liabilities	18,828,000
Total current liabilities	$357,556,000

THE TORRINGTON COMPANY
Current Liabilities:

Accounts payable and accrued expenses	$5,219,458
Reserve for U.S. and Canadian income taxes and renegotiation	4,230,532
Total Current Liabilities	$9,449,990

Referred to in Notes to Financial Statements

ADMIRAL CORPORATION
Notes to Financial Statements

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, 1960, 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.

FAIRCHILD STRATOS CORPORATION
Notes to Financial Statements

Note 5: The Renegotiation Board made a determination that for the year 1953 the Corporation had excessive profits of $2,000,000 which, after tax adjustments, would require a net refund of approximately $400,000. The Corporation petitioned The Tax Court of The United States to review this determination. Clearance has been received for the years 1954 through 1958. The Corporation believes that no excessive profits were earned for any subsequent year and that adequate provision has been made in the accounts to cover any required refund.

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
Notes to Financial Statements

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 $3,725,000 at December 31, 1961 and $4,000,000 at December 31, 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.

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

BEECH AIRCRAFT CORPORATION
Notes to Financial Statements

Note E: *Renegotiation*—A substantial portion of the sales for the years 1960 and 1961 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, 1960, and clearance obtained through September 30, 1959.

THE BULLARD COMPANY
Notes to Financial Statements

Note 4: While a portion of the Company's sales for 1961 are subject to renegotiation, the management believes that no refund of profits will be required.

CLEVITE CORPORATION
Notes to Financial Statements

Contingencies: In August 1961 final settlement was made with respect to certain Government contracts. Since the settlement is deemed to be deductible for Federal income tax purposes and in the year in which it was made, but since it relates to transactions of prior years, the net after tax effect is reflected as a charge against retained earnings.

The Corporation is subject to renegotiation for 1960 and 1961 and to other contingencies arising in the course of business. The effect of any adjustments to earnings which may result from these contingencies cannot be determined at this time.

THE EAGLE-PICHER COMPANY
Notes to Financial Statements

Note 4: A portion of the company's sales for the year ended November 30, 1961 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment, if any, will not have a material effect on the financial statements.

NORTH AMERICAN AVIATION, INC.
Financial Review

Renegotiation: Substantially all of the company's 1961 sales are subject to the Renegotiation Act of 1951, as extended and amended, which provides for recovery by the United States Government of any profits it considers excessive.

The Renegotiation Board has determined that no excessive profits were realized by the company during the 1956 and 1957 fiscal years. Determinations with respect to the 1959 and 1960 fiscal years are pending. The Board has claimed that excessive profits were realized in the 1953, 1954, 1955, and 1958 fiscal years. If sustained, these claims would require refunds to the Government, after adjustments for taxes, of approximately \$1,300,000, \$5,500,000, \$3,500,000, and \$1,000,000, respectively. The company has not accepted these findings and has filed petitions with the Tax Court of the United States for redeterminations thereof, as provided in the Renegotiation Act. 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.

PUROLATOR PRODUCTS, INC.
Notes to Financial Statements

Note 7: A portion of the sales of the company for the year ended December 31, 1961 are subject to renegotiation under the Renegotiation Act of 1951, as amended. In the opinion of management no refunds will be required.

THE RYAN AERONAUTICAL CO.
Notes to Financial Statements

Note 5: *Renegotiation*—A substantial portion of the Company's sales is subject to the Renegotiation Act of 1951. The Renegotiation Board has cleared all years through 1959 without refund, and it is believed by management that no refund will be required with respect to the years 1960 and 1961.

STANDARD KOLLSMAN INDUSTRIES, INC.
Notes to Financial Statements

Note 5: *Contingent Liabilities and Commitments*—The amount of excess profits, if any, to be refunded to the United States Government on 1961 business subject to the Renegotiation Act is not determinable at this time, and no provision for such refunds has been made. Clearance has been granted or indicated by the Renegotiation Board for all prior years. Price redetermination and contract amendment proceedings under certain redeterminable contracts with the United States Government have not been completed. Sales under such contracts are recorded at provisional prices. It is believed that refunds or adjustments, if any, arising out of renegotiation, price redetermination and contract amendment proceedings, to the extent not accrued, would not be material. . . .

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 101 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 364 companies provided inventory details on the balance sheet as follows:

Separate captions and amounts presented for:	*Number of Items*
Finished goods or products	159
Work in process	119
Raw materials	101
Materials	3
Supplies	104
Merchandise	36
Various other separate captions	3

Combined caption with one total amount presented for:	*Number of Items*
Finished goods and work in process	65
Finished goods, work in process, and raw materials	32
Finished goods, work in process, raw materials and supplies	22
Work in process and raw materials	14
Work in process, raw materials and supplies	19
Raw materials and supplies	47
Raw materials, supplies, and finished goods	13
Materials and supplies	52
Various other combined factors	23

Inventories Pledged

Eight companies indicated that some portion of their inventory was pledged as security on a loan (*Co. Nos. 253, 263, 340, 512, 574).

Pricing Basis

The most commonly used basis of valuation for inventories continues to be "lower of cost or market," as shown in the 1961 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.

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 Acountants 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 acounting procedure.

*Refer to Company Appendix Section.

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 423 of the 600 survey companies. The remaining 177 companies did not disclose their method of cost determination, and of these, one did not refer to the basis of pricing its inventories. The most frequently used method of cost determination for the pricing of inventories disclosed by the survey companies is the "last-in, first-out" (LIFO) method. The only other extensively mentioned methods were "average cost" and "first-in, first-out" (FIFO).

Examples illustrating the various methods of cost determination for inventory 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"

ACME STEEL COMPANY

Current Assets:

Inventories—at lower of cost (principally last-in, first-out method) or market:	
Finished products	$12,114,013
Work in process	9,015,938
Raw materials	14,683,272
Stores and manufacturing supplies	5,598,050
	$41,411,273

CATERPILLAR TRACTOR CO.

Current Assets:

Stated on basis of cost using principally-"last-in, first-out" method:	
Inventories	$239,131,352

Notes to Financial Statements

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

SKELLY OIL COMPANY

Current Assets:

Inventories—at the lower of cost (first-in, first-out) or market—	
Crude oil, refined products, and other merchandise	$18,686,361
Materials and supplies	8,624,640

Average "Cost"

AMERICAN POTASH & CHEMICAL CORPORATION

Current Assets:

Inventories:	
Finished products and products in process, at lower of average cost or market	$7,330,770
Materials and supplies, at average cost or less	3,351,271

TABLE 10: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1961	1960	1955	1950
Lower of Cost or Market—				
A: Lower of Cost or Market	379	380	349	342
B: Lower of Cost or Market; and Cost	86	94	82	67
C: Lower of Cost or Market; and one or more other bases	25	21	40	53
D: "Cost not in excess of Market"	41	35	54	24
	531	530	525	486
Cost—				
E: Cost	36	40	34	63
F: Cost; and one or more other bases	14	15	60	57
G: Cost; and Lower of Cost or Market (See above)	86	94	82	67
H: Cost; less than market	16	12	20	6
	152	161	196	193
Other Bases—				
I: Cost or less than cost	14	13	29	37
J: Cost or less than cost "not in excess of market"	7	8	6	10
K: Lowest of—cost, market, adjusted selling price	1	1	1	1
L: Market	4	5	18	29
M: Market or less than market	3	4	5	8
N: Contract price	1	1	4	11
O: Selling price	3	1	3	4
P: Assigned values	1	1	3	7
Q: Various other bases	3	2	22	11
	37	36	91	118
Total	720	727	812	797

II: Method of Determining "Cost"

Methods:**	1961	1960	1955	1950
A: Last-in, first-out	201	194	202	164
B: Average cost	166	160	146	136
C: First-in, first-out	165	178	138	134
D: Standard costs	34	35	31	32
E: Approximate cost	9	11	11	16
F: Actual cost	13	10	8	7
G: Invoice cost	1	2	1	5
H: Production cost	11	9	4	5
I: Estimated cost	1	6	5	2
J: Replacement cost	4	6	4	2
K: Retail method	15	16	14	6
L: Base stock method	3	5	4	6
M: Job-order method	2	4	1	2
N: Other methods	3	3	8	4
	628	639	577	521

Number of Companies:	1961	1960	1955	1950
Stating inventory pricing basis and cost method	314	323	382	361
Stating inventory pricing basis but cost method with regard to part of inventory only	109	104		
Stating inventory pricing basis but omitting cost method	176	173	212	232
Not stating inventory pricing basis or cost method (*Co. No. 221)	1	—	6	7
Total	600	600	600	600

I: *Refer to Company Appendix Section—A: Co. Nos. 34, 167, 266, 380, 482; B: Co. Nos. 53, 172, 382, 483, 536; C: Co. Nos. 20, 131, 202, 447, 511; D: Co. Nos. 9, 121, 250, 374, 572; E: Co. Nos. 48, 111, 329, 409, 531; F: Co. Nos. 54, 160, 347; H: Co. Nos. 169, 231, 479; I: Co. Nos. 25, 70, 517; J: Co. Nos. 129, 284, 464; K: Co. No. 561; L: Co. Nos. 60, 251, 593; M: Co. Nos. 63, 435; N: Co. No. 568; O: Co. Nos. 45, 100; P: Co. No. 225; Q: Co. Nos. 4, 200.

II: **Refer to Company Appendix Section—A: Co. Nos. 3, 160, 299, 316, 500; B: Co. Nos. 42, 146, 201, 388, 454; C: Co. Nos. 2, 101, 224, 323, 515; D: Co. Nos. 86, 281, 414, 507; E: Co. Nos. 131, 279, 363, 458; F: Co. Nos. 134, 415, 558; G: Co. No. 102; H: Co. Nos. 83, 174, 368; I: Co. No. 412; J: Co. Nos. 123, 271, 319; K: Co. Nos. 15, 261, 489; L: Co. Nos. 206, 403; M: Co. Nos. 86, 374; N: Co. Nos. 172, 250.

CONTAINER CORPORATION OF AMERICA
Current Assets:

Inventories of finished goods, work in process, raw materials and supplies—priced at the lower of average cost or market	$30,979,586

NATIONAL BISCUIT COMPANY
Current Assets:

Inventories (Note b)	$60,036,278

Note b: Inventories are generally stated at average cost or market, whichever is lower, and comprise

Raw materials and supplies	$ 39,611,856
Finished product	20,424,422
	$60,036,278

First-in, First-out "Cost"

ABBOTT LABORATORIES
Current Assets:

Inventories—at lower of cost (first-in, first-out method) or market:	
Finished products	$11,073,887
Work in process	4,953,145
Materials	11,412,468
	$27,439,500

BORG-WARNER CORPORATION
Current Assets:

Inventories of raw materials, work in process, finished goods, and supplies, at the lower of cost (first-in, first-out) or replacement market	$128,475,777

KELLOGG COMPANY
Current Assets:

Cash	$15,157,836
United States and Canadian Government Securities, at approximate cost and market	17,187,403
Accounts Receivable, less allowance of $148,720 in 1961 and $138,514 in 1960 for doubtful accounts	11,818,875
Inventories at Lower of Cost (first-in; first-out) or Market	24,344,562
Prepaid Advertising and Other Prepaid Expenses	4,807,678
Total Current Assets	$73,316,354

Standard "Cost"

THE NEW YORK AIR BRAKE COMPANY
Current Assets:

Inventories—generally at standard cost, not in excess of lower of cost or market	$9,987,439

THE HARSHAW CHEMICAL COMPANY
Current Assets:

Inventories—Note A:	
Finished products	$ 9,852,106
Work in process	2,782,777
Raw materials	3,081,952
Supplies	1,323,263
	$17,040,098

Note A: Inventories are stated at the lower of cost (principally standard costs, revised at reasonable intervals to reflect current conditions) or replacement market.

BAUSCH & LOMB INCORPORATED
Current Assets:

Inventories (Note 2)	$28,132,245

Note 2: *Inventories*—The inventories, valued at the lower of cost (current standard or actual cost) or market, are summarized below:

Raw materials and supplies	$ 1,977,637
Work in process and finished products	26,154,608
	$28,132,245

Approximate Cost

HARNISCHFEGER CORPORATION
Current Assets:

Cash	$ 5,469,470
Notes receivable, secured by real estate mortgages, less construction loans payable of $590,520 and $284,405, respectively	1,606,637
Trade notes and accounts receivable	16,677,392
Reserves	(547,559)
Inventories of raw material, work in process and finished goods—at approximate cost or market, whichever lower	33,061,484

Replacement "Cost"

THE PITTSTON COMPANY
Current Assets:

Inventories, at the lower of actual or replacement cost:	
Fuels	$13,233,071
Merchandise	969,275
Supplies	4,458,893
	$18,661,239

Retail Method

CITY STORES COMPANY
Current Assets:

Merchandise inventories—Note C	$26,609,559

Note C: *Merchandise Inventories—Determined under Retail Method*—Merchandise inventories, as summarized below, are priced principally at LIFO cost and partly at the lower of cost or market. The inventories priced at LIFO cost would be approximately $4,998,000 more for this year and $4,852,000 more for last year if they had been priced at the lower of cost or market.

At LIFO cost	$22,281,566
Less allowance for discounts	490,185
	21,791,381
At lower of cost or market	4,818,178
	$26,609,559

GIMBEL BROTHERS, INC.
Current Assets:

Merchandise inventories (See Note 1)	$51,492,963

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, 1961 and January 31, 1960 at $11,696,843 and $11,380,735, respectively, less than they would have been if the first-in, first-out principle had been applied in determining cost.

Base Stock Method

THE NATIONAL SUGAR REFINING COMPANY
Current Assets:

Inventories (Note 2):	
Raw and refined sugar	$11,515,808
Manufacturing supplies	1,805,987
Total	$30,028,737

Note 2: *Inventories*—A base stock of 25,000 tons of sugar is valued at a raw sugar base price of 5.65¢ a pound, which is lower than cost or current market price. The remainder of the sugar inventories is valued at the lower of cost (first-in, first-out basis) or market. Manufacturing supplies are valued at the lower of average cost or market.

Job-Order Method

BEECH AIRCRAFT CORPORATION
Current Assets:

Inventories, less progress payments of $377,160 in 1961, and $1,030,762 in 1960—Note B	$18,303,655

Note B: *Inventories*—Inventories at the balance sheet date were as follows:

Demonstrator airplanes	$ 995,347
Work in process	13,764,974
Raw materials and parts	3,920,494
	$18,680,815

Demonstrator airplanes were included at cost less an estimated allowance for reconditioning. The amounts for work in process were the aggregate costs accumulated under a job cost system, after deducting the estimated cost of units delivered and, for certain projects, estimated amounts required to reduce the balances to market (based on current selling prices). Engineering and tooling costs applicable to work in process were included to the extent recoverable under specific contracts. Raw materials and parts were priced at standard costs for material, labor, and burden (adjusted to actual cost at the balance sheet dates) which were not in excess of replacement cost or market.

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

Other Methods

ADAMS-MILLIS CORPORATION
Current Assets:

Inventories (Note B):	
Hosiery, finished and in process	$1,512,269
Yarn	847,159
Other products, materials, and supplies	679,346

Note B: *Inventories*—Inventories were priced at the lower of cost (first-in, first-out) or market except that it has been the consistent policy of the Company not to include overhead expenses in determining costs of finished and in-process hosiery inventories. If an allowance for manufacturing overhead expenses had been included in the amounts for inventories at the beginning and end of the year, the effect on net earnings would not have been material.

CORN PRODUCTS COMPANY
Current Assets:

Inventories—Note 2	$122,800,811

Note 2: *Inventories*—Inventories are valued at the lower of cost or market. The domestic corn milling division uses the normal stock inventory method in respect to minimum quantities of corn and corn content in inventories necessary to do a continuing business. Provision has been made, net of effective Federal taxes on income, to state such minimum corn and corn content quantities at amounts based on fixed prices, which are substantially lower than current market prices.

DETERMINATION OF "MARKET"

There were 562 of the 600 companies that mentioned market value in their presentations of inventories. Of these, 91 companies stated 104 methods used in the determination of such values in their 1961 reports as follows:

Current replacement values (by purchase or reproduction) (*Co. Nos. 102, 210, 247, 447, 534)	54
Net realizable value (recoverable cost) (*Co. Nos. 36, 115, 347, 479)	22
Selling price (*Co. Nos. 45, 181, 445)	9
Purchase price (*Co. Nos. 155, 247, 413, 435)	8
Hedging procedure values (*Co. Nos. 60, 251, 440, 487)	4
Various other (*Co. Nos. 244, 308, 500)	7
Total	104

Current Replacement Values

THE ANACONDA COMPANY
Current Assets:

Metals and manufactured products—Note C	$95,765,783
Supplies—Note C	58,695,268

Note C: *Metals and Manufactured Products, Supplies*—Finished metals held for sale or in process of fabrication are carried at cost, principally on the last-in, first-out basis, except by-products, including silver and gold, which are carried at market or less. All other inventories in process or finished are carried at cost computed on the last-in, first-out, average or other appropriate basis. The above costs are not in excess of current market values.

Supplies include operating and replacement parts, and are carried at cost on the last-in, first-out, average or other appropriate basis.

GENERAL CABLE CORPORATION
Current Assets:

Inventories—finished products, work in process, raw materials and supplies (Note 3, page 11)	$35,266,294

Note 3: Inventories of finished products, work in process, raw materials and supplies are shown at cost which was less than replacement market. In the case of the parent company the cost of copper and other materials in inventories and in cost of goods sold is determined by the "last-in first-out" method, firm purchase and sales commitments being taken into account in respect to copper. In the case of other inventories cost is determined generally by the "first-in first-out" method.

SUNSHINE BISCUITS, INC.
Current Assets:

Inventories, at lower of cost (average cost for wheat and first-in, first-out basis for remainder) or replacement market:	
Finished products	$ 6,341,456
Raw materials	7,565,635
Packages	2,611,301
Manufacturing and general supplies	507,440
	$17,025,832

*Refer to Company Appendix Section.

Net Realizable Value

AMERICAN ENKA CORPORATION

Current Assets:

Inventories (Note 1) $20,361,528

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

A summary of inventories at December 31, 1961 and January 1, 1961 follows:

	Dec. 31, 1961	Jan. 1, 1961
Finished goods	$ 5,067,886	$ 7,020,202
Work in process	6,779,346	5,523,671
Raw materials	5,510,061	4,810,504
General stores	3,004,235	2,835,045
	$20,361,528	$20,189,422

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

Current Assets:

Inventories, at the lower of cost (principally first-in, first-out) or estimated realizable market:	
U. S. Government contracts and other work in process, less progress payments—1961, $450,505; 1960, $1,650,579	$ 5,774,608
Raw materials and parts	4,178,934
Finished goods	4,018,663
	$13,972,205

Selling Price

AMERICAN METAL CLIMAX, INC.

Current Assets:

Inventories (Page 31) $60,475,908

Page 31: *Inventories*—

Metals refined and in process:	
Metals against which firm sales contracts are held, at sales prices	$12,545,966
Metals unsold, at the lower of cost (in part average and in part last-in, first-out) or market (at December 31 market quotations: 1961, $49,921,000; 1960, $55,423,000)	38,034,558
	$50,580,524
Ores and concentrates, at the lower of cost or estimated realization value	3,045,634
Operating supplies, at cost, less reserves: 1961, $437,755; 1960, $522,896	6,849,750
	$60,475,908

Purchase Price

UNITED STATES SMELTING REFINING AND MINING COMPANY

Current Assets:

Inventories (Note 1):	
Ores, by-products, metals in process and on hand	$9,873,030
Supplies	4,462,847

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

*Refer to Company Appendix Section.

Hedging Procedure Values

ARCHER-DANIELS-MIDLAND COMPANY

Current Assets:

Inventories (Note 2) $43,930,985

Note 2: *Inventories*—

At lower of cost (first-in, first-out method) or market:	
Soybeans and other raw materials	$15,150,486
Chemicals and sundry products	10,837,362
Materials and supplies	1,618,121
Total	$27,605,969
At market:	
Flour, wheat and other grains and meal	13,428,348
At lower of cost (last-in, first-out method) or market:	
Soybean oil, linseed oil, sperm oil and crude fish oil	2,896,668
Total	$43,930,985

Inventories 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 fluctuations.

Inventories at lower of cost (last-in, first-out method) or market have a current replacement cost in excess of the inventory basis used in the financial statements of $2,423,000 at June 30, 1961 and $2,541,000 at June 30, 1960. The anticipated cost of replacing certain inventory quantities by the end of the reporting year for income tax purposes (December 31, 1961) is $344,000 and is reflected as a current liability after adjustment for allocable income tax effect.

Various Other Methods

SINCLAIR OIL CORPORATION

Current Assets:

Inventories:	
Crude and refined oils, at cost following the last-in first-out principle (lower than aggregate market)	$124,996,123
Materials and supplies, at cost or fair value	20,334,864

WILSON & CO., INC.

Current Assets:

Inventories (See Note 2 for basis of valuation):	
Products	$41,859,808
Supplies	3,671,907

Note 2: *Inventories*—Inventories at the beginning and end of the 1960 and 1961 fiscal years were valued as follows: Certain products at cost on the basis of "last-in, first-out"; other products where costs were not ascertainable, at market, less allowance for selling and distribution expenses; balance of products and supplies at the lower of cost or market.

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. Two companies adopted lifo in 1961, and two other companies, for the first time, referred to the use of the lifo method for portions of their inventories, due to the acquisition or consolidation of subsidiaries during the year.

While the table does not indicate that any company abandoned the use of lifo during the year, it may be of interest to note that one company (*Co. No. 218

TABLE 11: LIFO INVENTORY COST METHOD

Number of Companies	1961	1960	1955	1950
Using Lifo at beginning of year (See Table 12)	197	203	200	118
Adopting Lifo during year (*Co. Nos. 445, 579)	2	—	4	42
Subsidiaries acquired with Lifo (*Co. Nos. 47, 149)	2	2	2	—
No reference to Lifo in current year	—	(5)	—	—
Readopting Lifo during year	—	—	—	1
Abandoning Lifo during year	—	(3)	(4)	—
Using Lifo at end of year (See Table 12)	201	197	202	161
Not referring to use of Lifo	399	403	398	439
Total	600	600	600	600
Extending Lifo to additional inventory classes during year (*Co. Nos. 99, 106, 226, 370)	4	—	3	16
Partially abandoning Lifo during year	—	—	—	1

*Refer to Company Appendix Section.

—referred to in Section 4) discontinued the use of the "normal base stock method."

USE OF LIFO BY INDUSTRIAL GROUPS

Table 12 contains a classification of the 600 survey companies by industrial groups and subgroups, showing 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 1961, 1960, 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 1961 reports are as follows:

Adoption of Lifo

PITTSBURGH STEEL COMPANY

Current Assets:

Inventories (Note A) $41,473,042

Note A—Inventories:

Ores and scrap	$10,540,091
Other raw materials and supplies	9,353,828
Semifinished products	8,417,065
Finished products	13,162,058
	$41,473,042

In 1961, the company adopted the last-in, first-out (LIFO) method for valuing inventories of scrap. As a result of this change, the value of inventories at December 31, 1961 was decreased $207,000, estimated taxes on income were reduced $104,000 and the net loss for the year was increased $103,000. At December 31, 1961, inventories other than scrap are valued, as in prior years, at the lower of average cost or market. Market is considered to be quoted prices or replacement market on individual commodities in the case of raw materials and supplies, and the average net selling price of each class of commodity in the case of semifinished and finished products, without making any allowance for selling and administrative expenses.

VEEDER-ROOT INCORPORATED

Current Assets:

Inventories—raw materials, work in process, finished product and manufacturing supplies—Note 2 .... $6,509,094

Note 2: In the pricing of inventories the parent company adopted in 1961 the last-in, first-out method of determining cost instead of the first-in, first-out method previously used. Such change had the effect of reducing the amount stated for inventories at December 31, 1961 by $46,735 and reduced consolidated net income (after income taxes) for the year by approximately $21,500. Inventories of the consolidated subsidiaries are generally stated at the lower of cost (first-in, first-out) or market.

Subsidiaries Acquired with Lifo

THE AMERICAN SUGAR REFINING COMPANY

Current Assets:

Inventories—Note 2 .... $39,470,598

Note 2: *Inventories*—Cane sugar inventories are valued at the lower of average cost or market. The refined beet sugar inventory which is valued on the last-in, first-out method is $4,455,822 less than it would be valued under the first-in, first-out method. Other inventories, principally supplies, are valued at cost.

THE COCA-COLA COMPANY

Current Assets:

Inventories $81,145,644

Notes to Financial Statements

Note 2: *Inventories* are stated at the lower of cost (average or first-in, first-out method) or market except that inventories of certain major citrus concentrate products are stated at the lower of cost (last-in, first-out method) or market.

Extension of Lifo

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 72% of the inventory valuation at December 31, 1961—46% at December 31, 1960—and under the average cost method with respect to the remainder):

Finished goods	$1,968,305
Materials and supplies	6,385,643
Total inventories	$8,353,948

THE MEAD CORPORATION

Current Assets:

Inventories (Note B):

Finished and semi-finished products	$28,248,952
Raw materials and supplies	18,180,826

Note B: *Inventories*—Inventories are stated at the lower of cost or market. At December 31, 1961, cost was determined by the last-in, first-out method with respect to approximately 50% of inventories and by the first-in, first-out method with respect to the remainder. At December 25, 1960, cost of approximately 20% of the inventories was determined by the last-in, first-out method. The effect on net earnings in 1961 of the extension of the last-in, first-out method to certain additional inventory classifications was minor.

TABLE 12: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers	Lifo Used In: 1961	1960	1955	1950
	Chemicals and Chemical Products:				
30	Chemical (*Co. Nos. 29, 71, 286, 288, 306, 330, 427)	7	7	8	7
13	Drugs and Medicines	—	—	—	—
6	Paints and Varnish (*Co. Nos. 262, 399)	2	2	2	3
24	Clay, Glass, Building Materials (*Co. Nos. 17, 278, 316, 337, 371, 398)	6	6	9	4
25	Electrical Appliances & Machinery (*Co. Nos. 132, 247, 250, 462, 511, 589)	6	6	6	3
	Food Products:				
9	Bakery	—	—	1	1
12	Beverage (*Co. Nos. 59, 149, 226, 397)	4	3	2	2
14	Canning and Preserving (*Co. Nos. 35, 120, 258, 342, 368, 513, 527)	7	7	8	6
9	Confectionery (*Co. Nos. 28, 87, 106, 287, 597)	5	5	5	4
8	Dairy (*Co. Nos. 104, 125)	2	2	3	3
10	Grain Milled Products (*Co. No. 60)	1	1	2	2
11	Meat Products (*Co. Nos. 63, 363, 387, 459, 536, 593)	6	6	7	6
7	Sugar (*Co. Nos. 47, 293, 576)	3	2	2	2
12	Instruments—Scientific (*Co. Nos. 90, 209, 277, 317)	4	4	3	3
8	Leather and Shoe Products (*Co. Nos. 271, 311, 372)	3	3	3	3
8	Lumber and Wood Products (*Co. Nos. 193, 202, 299, 590)	4	4	5	1
	Machinery:				
6	Agriculture (*Co. Nos. 16, 127, 128, 191)	4	4	5	1
14	Business and Store (*Co. Nos. 119, 394, 476, 579)	4	3	4	3
34	General Industrial (*Co. Nos. 43, 175, 200, 321, 432, 524, 537)	7	7	6	3
9	Household and Service	—	—	3	1
24	Special Industrial (*Co. Nos. 97, 111, 177, 189, 280, 497, 560)	7	7	4	2
24	Metal Products (*Co. Nos. 26, 41, 107, 147, 167, 227, 375, 485, 486, 498)	10	9	8	5
6	Motion Pictures	—	—	—	—
17	Nonferrous Metals (*Co. Nos. 18, 36, 45, 53, 54, 121, 326, 435, 467, 469)	10	11	14	12
19	Paper (*Co. Nos. 136, 192, 310, 329, 370, 418, 481, 551, 587)	9	9	10	9
29	Petroleum (*Co. Nos. 68, 70, 142, 169, 274, 438, 453, 456, 472, 500, 505, 516, 517, 518, 519, 531, 544, 553)	18	19	17	16
8	Printing and Publishing (*Co. Nos. 365, 545)	2	2	1	1
10	Radio, Records, Television	—	—	—	—
36	Retail Stores (*Co. Nos. 15, 144, 229, 231, 261, 264, 333, 354, 362)	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, 154, 170, 179, 208, 305, 319, 351, 402, 445, 466, 492, 528, 569, 573, 577, 591, 599)	22	21	20	15
	Textiles:				
5	Floor Covering (*Co. Nos. 12, 64, 94, 382)	4	4	6	6
5	Synthetic Fibers (*Co. Nos. 49, 303, 557)	3	3	1	1
22	Wool and Cotton (*Co. Nos. 88, 99, 117, 123, 151, 187, 302, 325, 463, 525, 541, 561)	12	11	11	13
11	Tobacco (*Co. Nos. 160, 470)	2	2	1	1
	Transportation Equipment:				
6	Boat and Ship (*Co. No. 239)	1	1	1	1
12	Railway (*Co. Nos. 37, 254, 449, 452)	4	4	4	3
17	Aircraft	—	—	—	—
16	Motor Vehicles (*Co. Nos. 115, 141, 300, 592)	4	5	1	—
23	Miscellaneous (*Co. Nos. 164, 312, 435, 451, 594)	5	4	3	1
600	Total	201	197	202	161

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

INVENTORY RESERVES

The committee on accounting procedure of the American Institute of Certified Public Accountants in the *Restatement and Revision of Accounting Research Bulletins* (Chapter 6), published in 1953 and reissued in the *Final Edition* 1961, considers the problems which arise in the accounting treatment of "reserves whose misuse may be the means of either arbitrarily reducing income or shifting income from one period to another. . . ." The *Bulletin* states:

> (b) Reserves designed to set aside a part of current profits to absorb losses feared or expected in connection with inventories on hand or future purchases of inventory.
> 2. Charges to provide, either directly or by use of a reserve, for losses due to obsolescence or deterioration of inventory or for reducing an inventory to market, or for reducing an inventory to a recognized basis such as *last-in first-out* or its equivalent in accordance with an announced change in policy to be consistently followed thereafter, are not under consideration here.
> 3. If a provision for a reserve, made against income, is not properly chargeable to current revenues, net income for the period is understated by the amount of the provision. If a reserve so created is used to relieve the income of subsequent periods of charges that would otherwise be made against it, the income of such subsequent periods is thereby overstated. By use of the reserve in this manner, profit for a given period may be significantly increased or decreased by mere whim. As a result of this practice the integrity of financial statements is impaired, and the statements tend to be misleading.

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 65 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 reductions appear in the categories "possible future inventory price decline," (49 in 1950, 6 in 1961), "basic lifo replacement" (18 in 1950, 5 in 1961), and "purpose not stated" (24 in 1950, 4 in 1961). During the year 1961 there was a continuation of the trend shown in recent years in the decrease both in the number of companies showing reserves and the number of reserves presented.

TABLE 13: INVENTORY RESERVES

Purpose Stated	1961	1960	1955	1950
Possible future inventory price decline or losses (*Co. Nos. 56, 186, 251, 285, 561)	6	8	14	49
Inventory obsolescence (*Co. Nos. 127, 304, 365, 537, 562)	10	12	12	19
Basic Lifo replacement (*Co. Nos. 60, 342, 363, 453, 536)	5	5	6	18
Restatement of Lifo	—	1	2	—
Reduction to Lifo cost (*Co. Nos. 11, 12, 175, 528)	4	2	6	6
"Base stock" adjustment (*Co. Nos. 173, 399, 526)	3	4	4	5
Reduction to market (*Co. Nos. 94, 392)	2	1	3	2
"Released film" amortization (*Co. Nos. 190, 196, 376, 420, 550)	5	4	5	5
Inventory shrinkage (*Co. Nos. 210, 402)	2	3	3	3
Materials and supplies adjustments (*Co. Nos. 36, 453)	2	2	1	4
Inventory hazard	—	—	1	1
Purpose not stated (*Co. Nos. 5, 76, 435, 582)	4	5	16	24
Miscellaneous (*Co. No. 265)	1	1	5	11
Total	44	48	78	147
Terminology Used				
"Reserve"	22	23	42	86
"Provision"	6	6	7	11
Various other terms	16	19	29	50
Total	44	48	78	147
Number of Companies with:				
Inventory reserves	42	45	71	124
No inventory reserves	558	555	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) . $3,129,432.84

UNITED MERCHANTS AND MANUFACTURERS INC.
President's Letter

The pricing of part of our raw cotton on a "Last-in, First-out" (LIFO) basis resulted in a reserve of $693,000 for possible future declines.

Inventory Obsolescence

GENERAL ELECTRIC COMPANY

Current Assets:

Inventories (materials, and products being made or completed and ready for sale)	$648,447,738

Notes to Financial Statements

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 $46.7 million before exchange revaluation, were valued on a first-in, first-out (FIFO) basis.

WORTHINGTON CORPORATION

Current Assets:

Inventories (See page 20)	$62,939,743

Page 20: Inventories consist of finished machines and parts, work in process, purchased materials and supplies and are stated at the lower of cost (principally average cost), or market, less a provision of $1,000,000 for possible future obsolescence.

Lifo Inventory Reserves

ALLEGHENY LUDLUM STEEL CORPORATION

Current Assets:

Inventories (Note 1):	
Raw material	$12,217,752
Semi-finished	43,493,246
Finished	12,295,003
Supplies	1,213,239
	$69,219,240

Note 1: *Inventories*—The principal raw materials, together with the related raw material content and all hourly labor and a portion of burden included in semi-finished and finished goods, are stated at cost under the "last-in, first-out" method. The balance of the inventories is stated at average cost or market, whichever is lower. The amount applied to reduce inventories under the "last-in, first-out" method amounted to $9,492,508 at the year end.

THE PURE OIL COMPANY

Current Assets:	
Inventories—	
Crude oil, refined oils and merchandise (Note 1)	$59,551,722
Reserves:	
Reserve for replacement of inventories	$ 436,000

Note 1: Inventories of crude and refined oils are priced at cost, on the last-in, first-out method, which in the aggregate is below market. Merchandise other than refined oils is stated at the lower of cost (first-in, first-out) or market.

Base Stock Adjustment

NATIONAL LEAD COMPANY

Current Assets:	
Inventories (Note 2)	$109,844,764
Noncurrent Liabilities:	
Inventory reserve (Note 2)	$ 11,326,492

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

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

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

STEWART-WARNER CORPORATION

Current Assets:

Inventories, priced at lower of cost (first-in, first-out) or market:	
Finished goods and work in process	$22,040,638
Raw materials and manufacturing supplies	2,855,934
	$24,896,572
Less: Reserve to reduce basic inventories to 1945 price levels	4,360,000

Reduction to Market

THE MURRAY CORPORATION OF AMERICA

Current Assets:

Inventories, at lower of cost (first-in, first-out) or market:	
Finished goods	$ 8,589,804
Work in process and raw materials	4,187,970
Manufacturing supplies	968,658
Total inventories	$13,746,432

Notes to Financial Statements

Note 3: *Extraordinary Items*—The Company provided a reserve, at August 31, 1961, to write down certain finished goods inventories and parts to estimated net realizable value and to write off unamortized tooling costs for models which are not being produced or for which there are contemplated changes. In the main, these write-downs are with respect to inventories on hand at the beginning of the year.

Inventory Shrinkage

EATON MANUFACTURING COMPANY

Current Assets:

Inventories—at lower of cost (principally at current standards) or replacement market:	
Finished and in process	$35,446,746
Raw materials	6,421,189
Manufacturing supplies	2,420,245
	44,288,180
Less allowances for shrinkage and obsolescence	2,118,527
	$42,169,653

NATIONAL STEEL CORPORATION

Current Assets:

Inventories of finished and semi-finished products, raw materials, and supplies —Note A	$171,401,654

Note A: 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	$ 98,574,834
Raw materials	48,400,557
Manufacturing supplies, rolls, and spares	26,551,326
	$173,526,717
Less reserves for shrinkage	2,125,063
	$171,401,654

Materials and Supplies Adjustment

THE PURE OIL COMPANY

Current Assets:

Inventories:	
Materials and supplies, at latest cost less allowance for condition	$11,190,237

Purpose Not Stated

ADDRESSOGRAPH-MULTIGRAPH CORPORATION
Current Assets:

Inventories (Note 1)	$39,546,662

Note 1: Inventories priced at the lower of cost or market, were made up as follows:

Raw materials and supplies	$ 3,133,415
Work in process	3,893,874
Finished parts, machines, and supplies	33,393,056
	$40,420,345
Less—Allowance	873,683
	$39,546,662

WALGREEN CO.
Current Assets:

Inventories of merchandise, priced at the lower of cost or market, less reserves	$39,839,074

Other

THE B. F. GOODRICH COMPANY
Reserves:

For purchase contracts, foreign losses, sales adjustments and other purposes	$15,642,514

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 (30 reserves in 1961), above stockholders' equity section (7 reserves in 1961), or in the current liabilities section (4 reserves in 1961). Reserves are considered to have balance sheet presentation when there is direct reference to the notes to financial statements. Table 14 sets forth, by type of reserves, the various presentations in the annual reports of the survey companies for the years 1961, 1960, 1955, and 1950.

Examples of the various balance sheet presentations follow:

With Related Inventories

CRANE CO.
Current Assets:

Inventories, at lower of cost or market (after deducting $25,811,288 in 1961 and $24,464,589 in 1960 to state the principal inventories in the U.S. on a LIFO basis):

Raw materials and supplies	$10,181,400
Work in process	26,217,672
Finished goods	32,058,806
	$68,457,878

PHELPS DODGE CORPORATION
Current Assets:

Merchandise at mercantile stores, less reserve	$1,318,997

TABLE 14: INVENTORY RESERVES

Balance Sheet Presentation	1961	1960	1955	1950
With Inventories for:				
Possible future inventory price decline or losses (*Co. Nos. 56, 290)	2	4	2	9
Inventory obsolescence (*Co. Nos. 127, 210, 250, 318, 537)	9	11	12	15
Reduction to Lifo cost (*Co. Nos. 11, 12, 175)	3	2	4	5
Materials and supplies adjustments (*Co. Nos. 38, 453)	2	2	1	3
"Base stock" adjustments (*Co. No. 526)	1	1	3	4
Reduction to market (*Co. Nos. 94, 392)	2	1	2	1
"Released film" amortization (*Co. Nos. 190, 196, 376, 420, 550)	5	4	5	5
Inventory shrinkage (*Co. Nos. 210, 402)	2	3	2	3
Purpose not stated (*Co. Nos. 5, 76, 435, 582)	4	5	7	11
Miscellaneous	—	—	3	8
Among Current Liabilities for:				
Basic Lifo replacement (*Co. Nos. 60, 342, 363, 536)	4	4	3	7
Miscellaneous	—	—	1	1
Above Stockholders' Equity for:				
Possible future inventory price decline or losses (*Co. Nos. 186, 251)	2	2	1	15
Inventory obsolescence (*Co. No. 365)	1	1	—	4
Reduction to Lifo cost	—	—	2	1
Basic Lifo replacement (*Co. No. 453)	1	1	2	9
Reduction to market	—	—	1	1
"Base stock" adjustments (*Co. Nos. 173, 399)	2	3	1	1
Restatement of Lifo	—	1	2	—
Purpose not stated	—	—	4	7
Miscellaneous (*Co. No. 265)	1	1	2	2
Within Stockholders' Equity for:				
Possible future inventory price decline or losses (*Co. No. 285)	1	2	10	25
Purpose not stated	—	—	5	7
Miscellaneous	—	—	3	3
Total	42	48	78	147
No Balance Sheet Presentation				
Reduction to Lifo cost (*Co. No. 528)	1			
Possible future inventory price decline or loss (*Co. No. 561)	1			
Total	44	48	78	147

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

ALLEN INDUSTRIES, INC.
Current Assets:

Inventories—at cost (determined by last-in, first-out method as to certain raw materials and by first-in, first-out method as

to other items) or market, whichever is lower:	
Raw materials, less allowances of $130,000 in 1961 and $110,000 in 1960 ..	$4,270,115
Work in process	309,952
Finished products	1,118,231
Manufacturing supplies	7,043
Total inventories	$5,705,341

Among Current Liabilities

LIBBY, McNEIL & LIBBY

Reserve for replacement of "LIFO" inventories (after income taxes)	$555,000

SWIFT & COMPANY

Provision for replacement of "Lifo" inventories (net after income taxes)	$695,168

Above Stockholders' Equity

CUTLER-HAMMER, INC.

Reserves:

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

McCALL CORPORATION

Allowance for pattern discards (Note 6) ...	$2,671,311

Note 6: Allowance for pattern discards—The Company credits to the allowance for pattern discards account a percentage of new pattern sales based upon the Company's past experience in returns of discontinued patterns; actual pattern returns are charged to the account.

Since the provision charged against income is not deductible for federal income tax purposes but actual returns are, the Company reduces the amount credited to the account by the estimated reduction in federal income taxes attributable to future returns.

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	85,598,210

No Balance Sheet Presentation

STRUTHERS WELLS CORPORATION

President's Letter

We continued to price all inventory, except steel ingots and billets and related in-process orders, at the lower of cost or market. Steel ingots and billets and related in-process orders were priced on the last-in, first-out (LIFO) inventory method. The LIFO inventory reserve amounted to $245,678 at year end.

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 53 in 1961, and 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	1961	1960	1955	1950
As a current asset separately set forth	—	—	1	3
As a noncurrent asset separately set forth (*Co. Nos. 99, 203, 208, 283, 335, 459)	6	7	36	31
Combined with or shown under heading of other noncurrent assets (*Co. Nos. 85, 117, 183, 279, 378, 414)	46	52	49	79
Not shown on balance sheet but existence thereof discussed in notes (*Co. No. 368)	1	1	2	—
Number of Companies:				
Disclosing the above asset	53	60	88	113
Not disclosing the above asset ...	547	540	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.

BURLINGTON INDUSTRIES, INC.

Investments and Other Assets:

Investments (at the lower of cost or market) and other receivables	$ 15,025,710
Cash surrender value of life insurance ..	1,106,848
Deferred charges	1,659,369
Total investments and other assets	17,791,927
	$614,181,157

THE CUNEO PRESS, INC.

Investments, Etc.:

Cash surrender value of life insurance	$274,001
Special deposits, investments, etc.	235,960
Total investments, etc.	$509,961

GOLDBLATT BROS., INC.

Other Assets:

Cash surrender value of officer's life insurance and other investments	$665,174

Footnote to Balance Sheet:

Note: The company has agreed with an officer that, upon his demise, it will upon request loan to the estate of such officer on its ten-year secured noninterest-bearing note an amount not in excess of the face amount of the insurance policies owned by the company on the life of such officer.

HARNISCHFEGER CORPORATION
Other Assets:

Long-term receivable, less $706,301 included in other current assets	$ —
Investment in Harnischfeger Credit Corporation, wholly-owned finance subsidiary not consolidated, at cost	1,012,692
Investment in affiliated and partly-owned foreign companies, at cost and assigned value	1,006,376
Surrender value of life insurance	1,404,648
	$3,423,716

LANGENDORF UNITED BAKERIES, INC.
Noncurrent Assets:

Cash surrender value of life insurance	$114,237

MILLER MANUFACTURING CO.
Other Assets:

Cash surrender value of life insurance policies	$207,930
Miscellaneous investments, deposits, and advances	99,407
	$307,337

THE RATH PACKING COMPANY
Noncurrent Assets:

Cash value of life insurance	$47,060

CLAIMS FOR REFUND OF INCOME TAXES

Table 16 summarizes the 59 claims for income tax refunds as disclosed by 52 of the survey companies in their 1961 annual reports. As in prior years, the most common cause of such claims for refund continues to be in connection with operating loss carry-backs. The basis of the claims was not specifically explained in 23 instances.

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

TABLE 16: TAX REFUND CLAIMS

Nature of Tax Refund Claims	1961	1960	1955
Claims for Refund of Federal Income or Excess Profits Taxes:			
Basis of Claims Explained as—			
A: Operating loss carry-back (*Co. Nos. 42, 51, 65, 220, 303, 583)	23	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. 261, 354, 362)	3	3	6
E: Excess profits credit—carry-back	—	1	2
F: Various other (*Co. Nos. 4, 359, 421, 473)	4	2	2
Basis of Claims Not Explained—			
G: Income taxes (*Co. Nos. 3, 37, 144, 185, 388, 395)	21	20	20
H: Excess profits taxes (*Co. Nos. 457, 468)	2	3	9
I: Taxes	—	—	4
Claims for Refund of:			
J: State taxes (*Co. Nos. 246, 403, 443, 473)	4	1	1
K: Foreign taxes (*Co. Nos. 6, 57)	2	3	2
Total	59	69	72

Presentation in 1961	A	D	E	F	G	H	J	K	1961 Total
Current assets	23	—	—	2	14	—	4	1	44
Noncurrent assets	—	3	—	1	3	—	—	1	8
Tax liability offset	—	—	—	—	—	—	—	—	—
Notes to statements	—	—	—	1	1	2	—	—	4
Letter to stockholders	—	—	—	—	3	—	—	—	3
Total	23	3	—	4	21	2	4	2	59

Number of Companies	1961	1960	1955
Referring to tax refund claims	52	62	62
Not referring to tax refund claims	548	538	538
Total	600	600	600

*Refer to Company Appendix Section.

Operating Loss Carry-Back

RELIANCE MANUFACTURING COMPANY
Current Assets:

Cash	$ 383,052
Due from factor	2,919,975
Marketable securities, at cost less reserve, which approximates market	688,524
Sundry receivables, less reserve of $314,443	1,775,187
Estimated recovery of federal income taxes under carry-back provisions	223,051
Inventories, at lower of cost or market	5,583,935
Prepaid expenses	63,137
	$11,636,861

Note C: *Federal Income Taxes*—Examinations of federal income tax returns by the Internal Revenue Service for 1957 and subsequent years either are not commenced or are incomplete. In the opinion of management additional assessments, if any, will not be significant.

At December 2, 1961, after giving effect to the 1961 loss the company had an estimated tax loss carry-forward of $1,000,000 available against future income otherwise subject to federal income taxes.

WALWORTH COMPANY
Current Assets:

Cash	$ 2,671,197
Receivables, less allowances ($250,000 in 1961, $260,000 in 1960)	5,749,271
Federal income tax recoverable under carry-back provisions	91,000
Inventories, at the lower of first-in, first-out cost or market:	
Finished product	7,154,194
Work in process	11,800,380
Raw materials and supplies	2,141,643
Total inventories	$21,096,217
Prepaid insurance and taxes	255,946
Total current assets	$29,863,631

WARD BAKING COMPANY
Current Assets:

Cash in banks and on hand	$ 1,911,179
Accounts receivable:	
Trade—less reserve of $60,425	4,650,398
Claim for carry-back refund of Federal income taxes and other items	662,015
Inventories, at lower of cost or market:	
Raw materials and products	3,302,109
Wrappers, fuel, and other supplies	1,590,074
Prepaid insurance, taxes, etc.	235,765
Total current assets	$12,351,540

Adoption of Lifo Inventory

THE MAY DEPARTMENT STORES COMPANY
Noncurrent Assets:

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

Note C: *Inventories*—Merchandise inventories are determined by use of the retail inventory method and are stated on the LIFO (last-in, first-out) basis, which is lower than market.

Inventories are stated at January 31, 1961 and January 31, 1960 at $17,093,000 and $16,294,000, respectively, less than they would have been if the first-in, first-out principle had been applied in determining cost.

In the year ended January 31, 1942, the Company adopted the LIFO method of inventory valuation based on the use of statistical indices. Before the federal income tax return for that year was filed, the Internal Revenue Service took the position that retail organizations, employing the retail inventory method, would not be permitted to use the LIFO method employing indices. In 1947, the Tax Court of the United States, in a test case brought by another taxpayer, clearly established the right of retailers to use this method. Accordingly, in the year ended January 31, 1948, the Company resumed the use of the LIFO method originally adopted in the year ended January 31, 1942. By application of the LIFO method, it is the Company's position that federal taxes on income for the year ended January 31, 1961 and prior years have been reduced by $9,020,000. Of this amount $5,990,000 represents overpayments for the six years ended January 31, 1947 and $3,030,000 the reduced provision for federal income taxes for the fourteen years ended January 31, 1961. The Internal Revenue Service has disallowed the Company's claims for refunds for the years ended January 31, 1942 through January 31, 1947 and the Company has filed a suit on the claims in the United States District Court in St. Louis. The year ended January 31, 1948 and subsequent years are still under review by the Internal Revenue Service.

Excess Profits Taxes

RADIO CORPORATION OF AMERICA
Notes to Financial Statements:

Note 2: *Federal Taxes on Income*—Federal income tax returns of RCA and its consolidated subsidiaries are closed to further assessments for years through 1953. Returns for 1954 through 1957 have been examined and are in process of review and settlement. 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.

Renegotiation

MARTIN MARIETTA CORPORATION
Noncurrent Assets:

Federal income tax refundable on renegotiation—Note C	$1,636,567

Note C: *Renegotiation*—The Corporation has received clearance from The Renegotiation Board for 1952 and prior years and for the years 1957 and 1958. The Renegotiation Board has made unilateral determinations that the Corporation'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, 1961
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—Corporation 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 which was before the Armed Services Board of Contract Appeals to recover certain contract costs previously disallowed. The claim has been denied and the requested refund should be correspondingly reduced.

The Corporation 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 1959 and subsequent years include amounts which are also subject to renegotiation. Based upon operating results for the three years ended December 31, 1961, the Corporation believes that no excessive profits have been realized and accordingly no provision has been made for such years.

State Taxes

PITTSBURGH BREWING COMPANY
Current Assets:

State excise tax refunds due	$37,920

Foreign Taxes

ANDERSON, CLAYTON & CO.
Other Assets:

Non-current receivables	$24,844,917
U. S. and foreign tax claims receivable	802,152
Miscellaneous investments—at cost or less	5,497,360
Prepaid expenses and deferred charges	2,758,326
Total Other Assets	$33,902,755

FIXED ASSETS—Basis of Valuation

Of the 600 survey companies, 565 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. 95, 176, 382, 396).

Examples

Illustrations of the various methods of presentation of the value of fixed assets as disclosed in the 1961 reports are as follows:

*Refer to Company Appendix Section.

TABLE 17: PROPERTY—FIXED ASSETS

Basis of Valuation	1961	1960	1955	1950
Cost (*Co. Nos. 28, 61, 96, 130, 223, 298)	531	514	457	396
Cost plus appraisal value (*Co. Nos. 264, 369, 418)	3	9	11	22
Cost plus assigned, estimated, or revised values	—	2	6	5
Cost and various other bases (*Co. Nos. 44, 121, 164, 435, 590)	5	7	10	9
Cost in cash or securities (*Co. Nos. 54, 165, 509)	3	3	3	9
Cost in cash or securities plus subsequent additions at cost (*Co. No. 50)	1	1	2	2
Cost in cash or securities plus estimated and nominal values or assigned values	—	—	—	2
Cost or below cost (*Co. Nos. 193, 289, 333, 459, 571)	5	6	10	17
Approximate cost (*Co. Nos. 120, 139, 204, 464)	4	4	12	11
Approximate cost plus appraisal or revised values	—	—	1	2
Appraisal value with subsequent additions at cost (*Co. Nos. 30, 39, 247, 311)	4	5	13	24
Appraisal value with subsequent additions at cost plus various other bases	—	—	1	6
Assigned value with subsequent additions at cost (*Co. No. 271)	1	2	8	9
Revised value with subsequent additions at cost (*Co. Nos. 251, 350)	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. 154, 219, 562, 576, 593)	5	4	3	2
Book value	—	1	2	1
Book value with subsequent additions at cost (*Co. No. 443)	1	1	2	4
Reproductive value with subsequent additions at cost	—	1	4	2
Number of Companies				
Stating valuation basis for fixed assets	565	562	547	535
Not stating valuation basis for fixed assets	35	38	53	65
Total	600	600	600	600

*Refer to Company Appendix Section.

At Cost

THE BLACK AND DECKER MANUFACTURING COMPANY

Property, Plant, and Equipment:	
Land, buildings, machinery, and equipment—at cost	$28,646,540
Less allowances for depreciation	10,950,584
	$17,695,956

THE CELOTEX CORPORATION

Property, Plant and Equipment, at cost:	
Plant and equipment	$69,778,417
Less accumulated depreciation	29,938,475
	39,839,942
Land, including gypsum deposits and timber, less accumulated depletion	8,791,558
Net Property, Plant and Equipment	$48,631,500

THE COCA-COLA COMPANY

Property, Plant and Equipment:	
At cost:	
Land and improvements	$ 24,990,807
Buildings	64,558,938
Machinery and equipment	121,437,949
Containers	16,317,306
	$227,305,000
Less allowance for depreciation	90,034,478
	$137,270,522

HUDSON PULP & PAPER CORP.

Fixed Assets, at cost:	
Land, buildings, equipment, woodlands and timber and water rights	$83,318,278
Less: Reserves for depreciation, amortization and depletion	35,820,774
	$47,497,504

INTERNATIONAL BUSINESS MACHINES CORPORATION

Factories, Office Buildings, Other Property in U. S. . . . at cost:	
Land	$ 25,360,210
Buildings	220,945,011
	246,305,221
Less: Reserve for depreciation and amortization	85,251,853
	161,053,368
Factory and office equipment, rental machines and parts	1,748,734,157
Less: Reserve for depreciation and amortization	972,882,520
	775,851,637
	$ 936,905,005

Cost Plus Appraised Value

GOLDBLATT BROS., INC.

Fixed Assets (includes appraised value of land acquired from predecessor partnership in exchange for capital stock at date of organization of company in 1928):

	Cost
Land	$ 3,191,200
Buildings on owned land	3,434,901
Buildings on leased land	4,642,331
Leasehold improvements	2,178,298
Furniture, fixtures, etc.	8,136,291
	$21,583,021

McKESSON & ROBBINS, INCORPORATED

Fixed Assets—Note 3:	
Land	$ 2,549,912
Buildings, machinery and equipment	24,376,166
Improvements to leased properties	2,231,991
	29,158,069
Less: Reserves for depreciation and amortization	10,200,953
	$18,957,116

Note 3: *Fixed Assets*—The gross amount of property, plant and equipment is stated at cost, except for certain properties which are included at appraised cost of reproduction—new (approximately $2,157,000) as at October 31, 1934, as determined by The American Appraisal Company.

OXFORD PAPER COMPANY

Plants and properties:	
Manufacturing plants	$ 93,039,785
Power plant	7,521,633
Water power development and rights	1,900,000
Timberlands, less depletion	4,825,208
Outside real estate	977,864
	108,264,490
Less: Accumulated depreciation	*44,724,704*
	$ 63,539,786

Notes to Financial Statements

Note 2: Plants and properties are stated at cost, except that amounts shown for power plant, water power development and rights, and outside real estate include adjustments made in 1928 and prior to 1922 to reflect the values determined in those years as a result of appraisals.

Cost and Various Other Bases

CALUMET & HECLA, INC.

Property, Plants, and Equipment—Note 3:	
Land and standing timber	$ 7,763,279
Mine lands	5,407,372
Plants and equipment (less accumulated depreciation and amortization)	32,880,440
Capital work in progress	163,052
Total Property, Plants, and Equipment	$46,214,143

Note 3: *Property, Plants, and Equipment Valuations*—Land and standing timber are carried at cost. Mine lands are carried at the remaining ledger balances of the mine properties which represent March 1, 1913 values assigned thereto in 1923, and subsequent additions at cost, upon which depletion is calculated annually on the unit-of-production method. Extraordinary mine land development is carried at cost reduced by tax savings thereon realized in prior years, and the balance is being amortized on the unit-of-production basis.

Plants and equipment are carried at cost. Mining equipment and facilities are depreciated on the unit-of-production basis except as to those related to idle mine properties in which case depreciation is based on estimated deterioration rates. All other plants and equipment are depreciated on a straight-line method, based on estimated useful lives of such properties. Accumulated depreciation and amortization at December 31, 1961 and 1960 amounted to $32,471,518 and $32,805,659, respectively, and depreciation and amortization charged to operations in 1961 was $2,497,509.

Where depreciation on mining facilities has for tax purposes been taken in greater amounts than for book purposes, an amount equal to the estimated tax deferral resulting therefrom has been established as a deferred income tax liability.

CONSOLIDATION COAL COMPANY

Properties—Note B:	
Coal lands and real estate	$ 95,306,043
Plants and equipment	248,260,180
	$343,566,223
Less reserves for depreciation, depletion, etc.	167,795,864
Net Properties	$175,770,359

Note B: *Properties*—Coal lands and real estate represent principally coal lands, which for coal owned by the constituent companies at the effective date of merger of Pittsburgh Coal Company and Consolidation Coal Company (November 23, 1945) are carried generally at $.02 per ton of recoverable coal. Coal lands and real estate acquired by Consolidation Coal Company subsequent to November 23, 1945 and coal lands and real estate of its subsidiaries are stated at cost.

Plants and equipment are stated generally at cost.

The amount stated for reserves for depreciation, depletion, etc., includes $4,500,000, the unapplied portion of a reserve established at December 1, 1945 for adjustment of carrying amount of properties in connection with the merger of Pittsburgh Coal Company and Consolidation Coal Company.

Cost in Cash or Securities

SPIEGEL, INC.

Properties and Equipment—net (see Details) $9,913,766

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	$ 5,148,431
Furniture, fixtures and equipment	7,392,737
	$12,541,168
Less accumulated depreciation	4,342,587
	$ 8,198,581
Land	561,003
Leasehold improvements, less accumulated amortization of $909,071 and $768,854 at respective dates	1,154,182
	$ 9,913,766

THE ANACONDA COMPANY

Property, Plant and Equipment—Note G:	
Buildings, machinery and equipment	$ 958,906,962
Less accumulated depreciation and amortization	537,785,011
	421,121,951
Mines and mining claims, water rights and lands	274,158,308
Timber lands and phosphate and sulphur deposits, less accumulated depletion	1,805,189
	697,085,448
	$1,086,561,811

Note G: *Property, Plant and Equipment*—

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

Buildings, machinery and equipment are depreciated over their estimated useful lives, using the unit-of-production, straight-line, and other methods appropriate to the various operations. The remaining estimated lives used in depreciation computations are subject to periodic review, and are revised when necessary to conform to current forecasts of the economic life of individual properties or assets.

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

(b) As required by the United States Treasury Department, valuations 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.

Appraisal Value with Subsequent Additions at Cost

THE AMERICAN DISTILLING COMPANY

Property, Plant and Equipment:	
Stated at values, including allowance for depreciation, determined by independent appraisers at December 31, 1934, plus subsequent additions at cost, less retirements:	
Buildings, machinery and equipment	$9,658,449
Less: Accumulated depreciation and amortization	5,429,373
	$4,229,076
Land	128,053
	$4,357,129

AMERICAN OPTICAL COMPANY

Plant and equipment, at 1921 appraised values, plus subsequent additions at cost, less accumulated depreciation and amortization of $27,275,617 ($25,867,598 in 1960)	$17,106,180

INTERNATIONAL SHOE COMPANY

Physical properties—based on appraisal April 30, 1925, plus subsequent additions at cost, less accumulated depreciation (Note 3)	$40,247,035

Note 3: Physical properties—

Land	$ 3,973,400
Buildings and structures	43,650,204
Machinery and equipment	44,932,036
Lasts, patterns, and dies	1
	92,555,641
Less accumulated depreciation	52,308,606
	$40,247,035

Basis of Predecessor Company with Subsequent Additions at Cost

UTAH-IDAHO SUGAR COMPANY

Property, Plant, and Equipment—generally on the basis of amounts recorded by predecessor companies, plus additions at cost:	
Land, irrigation projects, and water rights, less $1,434,227 write-down and allowance for revaluation	$ 3,565,374
Plant and equipment	40,880,193
Less allowances for depreciation ($2,550,000 less than amounts allowed for income tax purposes in years prior to 1932)	20,188,406

COLORADO FUEL AND IRON CORPORATION

Property, Plant and Equipment	$119,961,672

Notes to Financial Statements:

Property, Plant and Equipment:	
Mineral properties, land and water rights, less accumulated depletion of $7,829,028 this year and $7,540,667 last year	$ 3,355,545
Buildings, machinery and equipment, less accumulated depreciation and amortization of $138,011,031 this year and $129,612,408 last year	116,606,127
	$119,961,672

The gross amount at which property, plant and equipment is stated substantially represents cost, except for properties originally acquired at the Brooke plant (which were taken over at predecessor's cost together with the existing depreciation reserves), and the net amount substantially represents depreciated 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 104 companies in 1961. The term *accumulated* has gained wide acceptance, increasing in usage from 98 companies in 1950 to 290 companies in 1961. The term *allowance* was used in 1961 by 122 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 1961 the frequency of their combination with the primary terms.

Examples

Selected from the 1961 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.

Reserve—(104 Companies):

- Reserves (*Co. Nos. 165, 191, 215, 478, 525, 561)
- Reserve(s) for depreciation (*Co. Nos. 34, 108, 150, 181, 186, 209)
- Reserve(s) for depreciation and amortization (*Co. Nos. 40, 91, 173, 182, 188, 232)
- Reserve(s) for depreciation, depletion, and amortization (*Co. Nos. 13, 51, 143, 223, 399, 516)
- Reserve(s) for depreciation, amortization, and depletion (*Co. Nos. 79, 298)

*Refer to Company Appendix Section.

TABLE 18: ACCUMULATED DEPRECIATION

Primary Descriptive Terms	**1961	1960	1955	1950
A: Reserve—used alone	10	12	9	275
Reserve, etc.	94	108	157	
B: Accumulated, etc.	290	267	190	98
C: Allowance, etc.	122	126	127	108
D: Depreciation—used alone	33	34	41	80
Depreciation, etc.	36	37	44	
E: Provision, etc.	6	6	13	17
F: Accrued, etc.	1	1	3	4
G: Estimated, etc.	1	2	3	2
H: Other phrases used:				
Wear and exhaustion	—	—	1	16
Wear of facilities	—	—	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	1	1	
Depreciated ledger values	—	—	1	
Total	600	600	600	600

**1961 Term Used with:	A	B	C	E	F	G	H	None Used	1961 Total
	Primary Term Shown Above:								
Depreciation	44	155	68	2	1	—	1	33	304
Depreciation—amortization	31	90	34	3	—	1	1	16	176
Depreciation—amortization—depletion	9	18	10	1	—	—	—	12	50
Depreciation—amortization—obsolescence	—	6	—	—	—	—	—	—	6
Depreciation—depletion	3	18	8	—	—	—	—	8	37
Depreciation—obsolescence	4	2	2	—	—	—	—	—	8
Other phrases used	3	1	—	—	—	—	5	—	9
Reserve—used alone	10	—	—	—	—	—	—	—	10
Total	104	290	122	6	1	1	7	69	600

Reserve(s) for depletion, depreciation, and amortization (*Co. No. 501)
Reserve(s) for depreciation and depletion (*Co. Nos. 164, 360, 472)
Reserves for amortization and depreciation (*Co. No. 10)
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. 204, 464)
Reserve for depreciation and obsolescence charged to operations (*Co. No. 9)
Reserve for depreciation, amortization, and retirement (*Co. No. 555)

Accumulated—(290 Companies):
Accumulated depreciation (*Co. Nos. 38, 62, 99, 156, 199, 220)
Accumulated depreciation reserves (*Co. No. 563)
Accumulated depreciation and amortization (*Co. Nos. 39, 54, 69, 100, 144, 172)
Accumulated depreciation, depletion, and amortization (*Co. Nos. 11, 70, 158, 169, 262, 505)
Accumulated depreciation, amortization, and obsolescence (*Co. Nos. 31, 117, 129, 187, 341)
Accumulated depreciation and depletion (*Co. Nos. 21, 22, 66, 77, 137, 316)
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 depletion and depreciation (*Co. No. 142)
Accumulated allowances for depreciation and amortization (*Co. Nos. 7, 197, 425)
Accumulated allowances for depreciation (*Co. No. 485)
Accumulated depreciation, amortization, and depletion (*Co. Nos. 79, 198)
Accumulated depletion, depreciation, and other allowances (*Co. No. 553)
Accumulated depreciation, amortization, and adjustments for loss in value (*Co. No. 212)

*Refer to Company Appendix Section.

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)
Net of accumulated depreciation (*Co. No. 367)

Allowances—(122 Companies):
Allowance(s) for depreciation (*Co. Nos. 2, 4, 60, 171, 205, 295)
Allowance(s) for depreciation and amortization (*Co. Nos. 37, 140, 197, 201, 344, 462)
Allowance(s) for depreciation, depletion, and amortization (*Co. Nos. 402, 466)
Allowance(s) for depreciation and depletion (*Co. Nos. 206, 233, 349, 371, 533)
Allowance(s) for depletion and depreciation (*Co. No. 176)
Allowances for depreciation and obsolescence (*Co. Nos. 202, 303)
Allowances for depletion, depreciation, and amortization (*Co. No. 413)
Depreciation allowance (*Co. No. 193)

Depreciation—(69 Companies):
Depreciation (*Co. Nos. 35, 55, 133, 177, 331, 374)
Depreciation and amortization (*Co. Nos. 93, 170, 266, 348, 356, 463)
Depreciation, depletion, and amortization (*Co. Nos. 179, 234, 319, 438, 517, 539)
Depreciation and depletion (*Co. Nos. 17, 184)
Depreciation to date (*Co. No. 58)
Depreciation and depletion to date (*Co. No. 446)
Depreciation, amortization, and depletion (*Co. Nos. 29, 45, 249, 305)
Depreciation, amortization, and cost depletion (*Co. No. 337)
After deducting depreciation (*Co. No. 557)
Depreciation, etc. (*Co. No. 115)
Depletion, depreciation, and amortization (*Co. No. 492)

Provision—(6 Companies):
Provision for depreciation (*Co. Nos. 98, 284)
Provision for depreciation and amortization (*Co. Nos. 64, 408, 426)
Provision for depreciation, depletion, and amortization and less property written off (*Co. No. 568)

Accrued, Estimated and Various Other—(9 Companies):
Accrued depreciation (*Co. No. 534)
Amount charged to operations to date (*Co. No. 81)
Amounts charged to operations as depreciation and amortization (*Co. No. 211)
Amount charged to expense to date (*Co. No. 366)
$xxx allocated to operations to date (*Co. No. 83)
Estimated depreciation and amortization (*Co. No. 190)
Plant and equipment at depreciated cost (*Co. No. 315)
Portion charged to operations to date as depreciation (*Co. No. 590)
Portion of original cost allocated to operations to date (*Co. No. 128)

*Refer to Company Appendix Section.

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.

In May, 1962, Accounting Research Study No. 4, *Reporting on Leases in Financial Statements* was published by the American Institute of Certified Public Accountants. These studies though intended to be informative, but tentative only, make an important contribution to accounting literature. In this connection a quotation from the Director's Preface may be of interest:

> "On one point in his [Professor John H. Myers'] recommendations there is no dissent—disclosure of commitments under lease contracts has been inadequate in the past and should be improved by one means or another. He also finds no disagreement on another point—some leases should be reflected in the balance sheet as an asset, with the related obligations shown as a liability. . . ."

Table 19 summarizes the nature of the information disclosed in the 1961 survey reports with regard to long-term leases and the related methods of disclosure.

There were 228 survey companies that referred to, or implied, the existence of long-term leases in their 1961 reports. Of these companies 107 merely mentioned or indicated that such leases existed but did not furnish details with regard to them. The remaining 121 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

TABLE 19: LONG-TERM LEASES

Disclosures by Lessees	Details set forth in: Footnotes	Letter to Stockholders	1961 Total	1951 Total
Annual rental amount (*Co. Nos. 34, 136, 140, 201, 226, 267)	138	3	141	59
Aggregate rental amount (*Co. Nos. 65, 72, 137, 201, 515, 543)	9	—	9	2
Lease expiration date (*Co. Nos. 15, 32, 194, 231, 348, 369)	29	—	29	14
Number of leases (*Co. Nos. 43, 143, 221, 224, 335, 429)	56	—	56	37
Renewal option (*Co. Nos. 122, 178, 261, 302, 454, 512)	15	1	16	13
Sell-lease-back feature (*Co. Nos. 166, 340, 345, 408, 459, 484)	17	7	24	3
Term of leases (*Co. Nos. 21, 84, 144, 224, 309, 471)	84	3	87	12
Total	348	14	362	140

Number of Companies	1961	1951
Setting forth details of long-term leases	121	61
Mentioning long-term leases but omitting details thereof	74	139
Indicating long-term leases (without mention thereof) by reference to leaseholds or leasehold improvements	33	
	228	200
Neither referring to nor indicating long-term leases	372	400
Total	600	600

*Refer to Company Appendix Section.

Accounting Trends and Techniques which was the 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. 382) incorporated in its balance sheet the pertinent amounts in this connection. Two companies (*Co. Nos. 61, 223) presented within their balance sheets, rental obligation figures—though in memorandum form, while an additional fifteen companies (*Co. Nos. 112, 241, 294, 335, 338, 372, 404, 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 1961 annual reports to illustrate the various types of long-term lease disclosures are as follows:

Disclosure by Lessees

CHAMPION PAPERS, INC.
Notes to Financial Statements

Note 8: *Long-Term Leases*—At March 31, 1961, rentals under long-term leases of real property amounted to approximately $1,000,000 annually.

*Refer to Company Appendix Section.

THE GRAND UNION COMPANY
Balance Sheet

Fixed assets, at cost less allowances for depreciation and amortization (1961, $24,378,444; 1960, $20,919,635):	
Land	$ 3,400,655
Fixtures and equipment	37,140,789
Leasehold improvements and leaseholds	11,433,187
Other	1,655,682
Operating and construction supplies	1,039,598
Other assets and deferred charges	2,688,813
Cost in excess of amounts of net assets at dates of acquisition	7,461,224
	$141,791,823

Notes to Financial Statements

Note 6: The companies have 447 leases on store, warehouse and other properties expiring after February 29, 1964. The minimum annual rentals on such leases, not including real estate taxes or other expenses payable under the terms of certain of the leases, aggregate approximately $10,893,000. Of the aggregate annual rentals, $7,292,000 applies to leases expiring prior to March 1, 1976, and $3,601,000 applies to leases expiring thereafter but prior to 1991. In addition, the company is contingently liable on 40 leases applicable principally to stores sold, expiring after February 29, 1964, but prior to 1984, and having minimum annual rentals aggregating $1,020,000.

J. J. NEWBERRY CO.
Balance Sheet

Property and Equipment, at Cost:	
Land, buildings and improvements	$10,623,596
Furniture and fixtures	40,131,856
Alterations and improvements to leased properties	24,289,077
	75,044,529
Less provision for depreciation and amortization	33,030,744
Property and Equipment (net)	$42,013,785

Notes to Financial Statements

Note 6: *Property Transactions*—During 1961, the Company and its subsidiaries sold and leased back property and equipment having a net book value of approximately $9,800,000 at a profit of approximately $165,000; the leases (which are subject to renewal at reduced rentals) have initial periods which are approximately equal to the estimated useful life of the assets.

Note 7: *Commitments and Contingencies*—Minimum annual rentals on properties, including those sold in 1961, aggregating approximately $12,400,000 are payable by the Company under leases extending more than five years; 80% of such aggregate amount is payable annually under leases expiring within twenty-five years.

CHOCK FULL O'NUTS CORPORATION
Balance Sheet

Fixed Assets, at cost:	
Land	$ 545,141
Buildings	147,733
Leaseholds, leasehold improvements, machinery, equipment, etc.	8,932,087
	9,624,961
Less, Allowance for depreciation and amortization	3,551,365
	$6,073,596

Notes to Financial Statements

Note 3: The amounts charged to income for rental of leased premises were approximately $1,185,000 and $1,070,000 for the years ended July 31, 1961 and 1960, respectively.

DAYCO CORPORATION
Statement of Profit and Loss

Deduct:	
Cost of sales—excluding depreciation	$55,515,475
Selling, administrative and general expenses	16,963,949
Depreciation and leasehold amortization	2,511,719
Interest and loan expense	1,728,253
Other expense—net	144,547
Federal income taxes—provisions less recoveries	57,408
	$76,921,351

DRESSER INDUSTRIES, INC.
Balance Sheet

Property, Plant, and Equipment—at cost:	
Land, land improvements, and leaseholds	$ 9,411,351
Buildings	25,754,290
Machinery and equipment, etc.	58,923,077
	94,088,718
Less allowances for depreciation and amortization	35,992,516
Total Properties—Net	$58,096,202
Commitments and Contingencies—Note E	

Notes to Financial Statements

Note E: *Commitments and contingencies*—Total commitment under a continuing mobile equipment lease was approximately $4,600,000 at October 31, 1961. Annual rental payments thereunder are approximately $2,500,000.

AMERICAN STORES COMPANY
Balance Sheet

Plant and equipment:	
Land	$ 8,200,031
Buildings	32,716,634
Machinery, equipment and fixtures	73,266,556
Leasehold costs and improvements	13,669,246
Total plant and equipment, at cost	127,852,467
Less accumulated depreciation and amortization	51,116,407
	$ 76,736,060

Notes to Financial Statements

Note 5: *Lease Commitments*—The company and a subsidiary were lessees under 628 leases expiring more than three years after April 1, 1961. Such leases call for minimum annual rentals (excluding taxes, insurance and maintenance expenses where payable by the lessee) totaling $13,600,000, of which about 83% relates to leases expiring within 15 years and the remainder relates to leases expiring in from 15 to 26 years.

FAIRBANKS WHITNEY & CO.
Balance Sheet

Above Other Assets (extended short):	
Rights to use of leased facilities, at December 31, 1961, at discounted amount of related long-term rental obligations—see contra	$13,475,000
Above Capital Stock (extended short)	
Rental obligations under long-term leases, at December 31, 1961, discounted over period of leases, (including $779,000 due within one year)—see contra	$13,475,000

FALSTAFF BREWING CORPORATION
Balance Sheet

Property—At cost:	
Land	$ 2,002,597
Buildings, machinery, and equipment	53,446,691
Cooperage and bottles	6,095,322
Total	61,544,610
Less accumulated depreciation	20,784,936
Remainder	40,759,674
Leasehold improvements — unamortized portion	1,326,603
Total property — depreciated book value	$42,086,277

Notes to Financial Statements

Note 4: The provisions for depreciation of property and amortization of leasehold improvements amounted to $3,618,490 in 1961 and $3,756,966 in 1960.

Note 5: The companies are committed under long-term leases for rentals aggregating approximately $306,000 per annum. At December 31, 1961, there were commitments aggregating approximately $930,000 for property additions.

Sale and Lease-Back

AMERICAN MACHINE & FOUNDRY COMPANY
Notes to Financial Statements

Note 7: *Lease Commitments and Contingent Liabilities*—The aggregate annual rental payments on long term leases at December 31, 1961, including rentals on properties sold and leased back, approximate $3,876,000.

CONTINENTAL BAKING COMPANY
Balance Sheet

Deferred Charges and Other Assets (Note 1)	$1,881,468

Note 1: The Company has an agreement, which may be cancelled on eighteen months' notice, under the terms of which substantially all trucks acquired by the Company and its subsidiaries are leased rather than purchased. Annual rentals for trucks leased as of December 30, 1961 amount to approximately $3,350,000. In addition the Company has other leases covering automotive equipment at December 30, 1961 on which the annual rental amounts to approximately $525,000.

The Company has entered into sale-lease-back agreements covering certain properties for periods of twenty, twenty-five and thirty years. It is estimated that aggregate annual rentals covering real properties held under leases expiring subsequent to December 31, 1964 amount to $1,850,000.

At December 31, 1960, costs of properties amounting to $1,140,000 which the Company intended to sell and lease back were included in sundry accounts receivable and in other assets. Inasmuch as the Company has now decided to hold these properties in fee, the accompanying balance sheet at December 31, 1960 has been restated to include this amount in property, plant and equipment.

R. G. Le TOURNEAU, INC.
Balance Sheet

Properties—At Cost:	
Land (Note 3)	$ 511,816
Buildings and improvements	2,993,418
Machinery and equipment (Notes 1 and 3)	9,758,438
Construction in progress	264,240
	$13,527,912
Allowances for depreciation and amortization	7,930,310
	$ 5,597,602

Note 1: During the fiscal year certain production machinery and equipment was sold, resulting in a long-term capital gain of $2,597,882 shown in Consolidated Statement of Operations as miscellaneous income. The company has entered into an agreement with the purchaser to lease this equipment for sixty months at a monthly rental of $71,947 with renewal privileges thereafter at greatly reduced rentals. The company has the option to repurchase the equipment at any time during the lease, the purchase price to be determined in accordance with the method set forth in the lease agreement. Certain conditions must be met with regard to maintaining specified levels of net working capital, inventories, net worth and ratio of current assets to current liabilities. Expenditures for research and payment of cash dividends are limited in any one fiscal year. Included in Other Assets is a deposit of $359,736 as security for the performance by the company of all lease obligations, this amount being refundable at the termination of the lease. The company has deposited with Wells Fargo Bank American Trust Company as Pledge Holder, the sum of $750,000 to be released to the company under the following conditions:

a. $350,000 when all trade accounts payable are on a current or discount basis and all conditions relating to net working capital, inventories, etc. have been satisfied.

b. $400,000 payable in installments of $100,000 at the end of each of the first through the fourth years of the original lease term, providing the company has in no way defaulted.

Of the total of $750,000 deposited in accordance with the above provisions, the sum of $450,000 is included in cash, and the sum of $300,000 is included in Other Assets in the Balance Sheet.

MELVILLE SHOE CORPORATION
Balance Sheet

Property, plant, equipment and leasehold improvements, at cost	$44,694,908
Less accumulated depreciation and amortization	27,552,124
	$17,142,784

Notes to Financial Statements

Note 4: At December 31, 1961, the total minimum annual rentals, payable under leases expiring after five years, was approximately $5,700,000. Leases covering about 75% of this amount expire on various dates within the next 15 years.

During the year 1961, store properties having a cost of approximately $1,180,000 were sold at a profit of approximately $75,000 (after taxes) and leased back on a long-term basis, with options to renew. The minimum annual rentals under these leases are included in the information in the paragraph above.

PENNSALT CHEMICALS CORPORATION
Balance Sheet

Deferred Charges:	
Deferred pension costs (Note 6)	$6,227,392
Other deferred charges	2,563,523
Total deferred charges	$8,790,915

Note 6: *Retirement Plan*—In December 1960 the Board of Directors adopted an amendment, effective December 15, 1960, to the employee retirement benefits plan for the Company and certain domestic subsidiaries. In December 1960 and 1961 the Company transferred to a pension trust certain real properties with an aggregate estimated fair market value of $12,500,000 to fund the major portion of estimated past service costs and to prepay current service costs for 1961 and 1962, respectively. Such properties are being leased back at an aggregate annual rental of approximately $875,000, each lease extending for a period of twenty-nine years. The remaining unfunded past service liability under the amended plan is actuarially estimated to be $2,250,000 at December 31, 1961.

The net book values of the properties contributed to the pension trust for past services are being amortized over ten year periods beginning in 1961 and 1962, respectively. The costs applicable to current services for 1961 and 1962 are being charged against income in the respective years. Costs of the plan charged to income in 1961 aggregated $729,801 of which $383,976 was applicable to past service. Payments totaling $65,440 were made directly to pensioners by the Company for pensions not covered under the plan. The adoption of the amended plan, after the related tax benefits, did not materially affect 1961 net earnings.

THE RATH PACKING COMPANY
Notes to Financial Statements

Commitments at September 30, 1961 include: (1) Annual rentals of $261,800 for the next twenty years under sale and leaseback agreements; and (2) estimated past service pension costs payable approximately $425,000 per annum, under contract, for the next thirty years.

SIMMONS COMPANY
Balance Sheet

Fixed Assets, at cost:	
Land	$ 2,800,364
Buildings, machinery and equipment	53,451,733
	56,252,097
Less, Reserve for depreciation	22,846,529
	$33,405,568

Financial Review

Land, Buildings and Equipment—Additional machinery was purchased for the Munster Hard Goods Plant. The construction and equipping of the small factory in Monterrey, Mexico, was completed by the middle of 1961. Two-thirds of the machinery necessary to revitalize our Buenos Aires Plant was in transit to Argentina by the end of the year. The effective date of the sale of the rolling mill machinery located on our San Francisco property was January 6, 1961. We continued the program of replacement of worn out and obsolete equipment throughout the Company and its subsidiaries. The land and buildings comprising our factory in Los Angeles were sold and leased back on favorable terms. In Los Angeles, California; Linden, New Jersey, and LaGrange, Illinois, the Company owned parcels of land not deemed necessary for present or future operations at these locations. These parcels were sold in 1961. For the twelve months ended December 31, 1961, depreciation on all buildings and equipment amounted to $2,495,750 as compared with $1,874,486 last year. No major program of new construction is contemplated for 1962.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, returnable containers, dies, etc., were disclosed in the 1961 annual reports of 114 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 1961 survey reports.

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

Current Asset Section

BELL INTERCONTINENTAL CORPORATION

Inventories—	
Raw materials, supplies and perishable tools, generally at average cost	$3,831,764
Work in process and finished products, at lower of cost or market	3,571,192

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

	Balance Sheet Presentation						
		Shown in Noncurrent Asset Section					
Type of Asset	Shown in Current Asset Section Under Inventories	Separately Set Forth	Under Fixed Assets	Under Deferred Charges	Under Other Assets	Notes to Financial Statements	1961 Total
Small tools, tools (*Co. Nos. 6, 63, 67, 92, 168, 191)	3	—	25	2	2	1	33
Dies, lasts (*Co. Nos. 116, 168, 174, 203, 311, 361)	—	1	16	1	—	—	18
Jigs, fixtures (*Co. Nos. 92, 116, 205, 279, 353, 361)	—	2	3	1	—	—	6
Molds, chills, flasks, stools (*Co. Nos. 172, 351, 466, 542, 558)	2	—	1	1	—	1	5
Drawings, patterns (*Co. Nos. 11, 118, 135, 311, 583, 592)	—	6	8	1	1	—	16
Returnable containers, cases (*Co. Nos. 13, 131, 155, 226, 247, 429)	8	—	7	—	—	2	17
Rolls (*Co. Nos. 25, 170, 172, 268, 466)	3	—	1	—	—	1	5
Component parts, stores (*Co. Nos. 31, 35, 114, 271, 345, 569)	16	—	1	1	4	1	23
Spare parts, spares (*Co. Nos. 17, 44, 54, 307, 327, 417)	14	1	2	1	2	3	23
Equipment—annealing, repair, can-making and charging box (*Co. Nos. 51, 170, 172, 200, 268, 409)	4	—	2	1	—	1	8
Utensils, silverware, signs (*Co. No. 493)	—	—	1	—	—	—	1
Other (*Co. Nos. 134, 285, 419)	—	1	1	1	—	—	3
Total	50	11	68	10	9	10	158

	Balance Sheet Valuation					
Type of Asset	Amortized Value	Unamortized Value	Nominal Value	Inventory Value	Fixed or Arbitrary Value	1961 Total
Small tools, tools	26	1	—	5	1	33
Dies, lasts	13	2	3	—	—	18
Jigs, fixtures	3	1	2	—	—	6
Molds, chills, flasks, stools	2	—	—	3	—	5
Drawings, patterns	7	1	8	—	—	16
Returnable containers, cases	6	—	—	10	1	17
Rolls	—	1	—	4	—	5
Component parts, stores	—	2	—	16	5	23
Spare parts, spares	2	1	—	18	2	23
Equipment—annealing, repair, can-making, and charging box	2	—	—	5	1	8
Utensils, silverware, signs	1	—	—	—	—	1
Other	2	1	—	—	—	3
Total	64	10	13	61	10	158

Number of Companies presenting	1961
Small tools, containers, dies, etc.	114
Account not presented	486
Total	600

*Refer to Company Appendix Section.

BUCYRUS-ERIE COMPANY

Inventories—at the lower of cost (first-in, first-out method) or market:

Raw materials and parts	$ 6,447,408
Work in process	17,380,463
Finished products	8,227,023
	$32,054,894

FRUEHAUF TRAILER COMPANY

Inventories—at lower of cost (first-in, first-out method) or market:

New trailers	$ 8,348,923
Production parts, work in process, and raw materials	26,675,204
Service parts and orders in process	9,109,596
Used trailers—at appraised values, less estimated disposal costs (Note C)	3,538,851
	$47,672,574

GRANITE CITY STEEL COMPANY

Inventories—

Finished and semifinished products, at lower of average cost or market	$13,971,445
Raw materials, supplies and by-products, at lower of average cost or market	22,808,674
Rolls and other short-life equipment, at depreciated values	4,070,243

Fixed Asset Section

THE DUPLAN CORPORATION

Property, Plant and Equipment—at cost:

Land, buildings and improvements, less accumulated depreciation of $1,484,499 and $1,515,591	$ 3,317,439
Machinery, equipment, tools and dies, less accumulated depreciation of $7,256,016 and $5,961,478	6,696,783
Less estimated loss on disposal of surplus properties and equipment (Note 1)	(784,000)
Total Property, Plant and Equipment	$ 9,230,222

MOTOROLA, INC.

Plant and equipment—less depreciation (Note 3)	$48,427,446

Note 3: The companies' investment in plant and equipment at December 31, 1961 and 1960 was as follows:

Land—at cost	$ 3,395,726
Buildings—at cost, less depreciation (1961, $8,902,050; 1960, $6,906,679)	28,569,406
Machinery and equipment—at cost, less depreciation (1961, $12,555,411; 1960, $10,881,098)	14,451,480
Dies, tools, and leasehold improvements—at cost, less amortization	2,010,834
Total	$48,427,446

PEPSI-COLA COMPANY

Property, Plant and Equipment:

Land, buildings, equipment, leasehold improvements, etc.—at cost (less depreciation and amortization—1961, $32,815,571; 1960, $28,587,161)	$33,840,587
Bottles and cases on hand and with trade (principally at estimated depreciated values)	8,977,486
Total property, plant and equipment —net	$42,818,073

CONTINENTAL MOTORS CORPORATION

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

Land	$ 1,323,904
Buildings	9,696,546
Machinery and equipment	16,077,784
	$27,098,234
Less accumulated depreciation	13,114,092
	$13,984,142
Production tools, dies, and patterns, less amortization	2,089,590
	$16,073,732

JACOB RUPPERT

Property:

Land, buildings, machinery and equipment, and containers—at cost	$22,221,717
Less reserves	14,868,074
Property—net	$ 7,353,643

Notes to Financial Statements

Note 3: The reserves deducted in the balance sheet from property include reserves for depreciation accumulated by charges against income (1961—$677,781; 1960—$863,675) and specific reserves created for balance sheet purposes as follows:

Reserves for depreciation	$14,727,074
Specific reserve for valuation of cases—25% of book value	141,000
Total	$14,868,074

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.

Noncurrent Asset Section

ARVIN INDUSTRIES, INC.

Deferred Charges:

Supplies, small tools, prepaid insurance, etc.	$1,766,145

THE BENDIX CORPORATION

Deferred Charges:

Special tools, dies, jigs, and patterns—unamortized balance (see Note 4)	$2,088,853
Prepaid expenses	2,513,399
Total Deferred Charges	$4,602,252

Note 4: *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, 1961.

THE GRIESS-PFLEGER TANNING CO.

Other Assets:

Machine repair parts and maintenance and laboratory supplies, at average cost	$84,453
Investments, at cost	4,011

LILY-TULIP CUP CORPORATION

Deferred Charges, principally machine parts	$2,155,106

THATCHER GLASS MANUFACTURING COMPANY, INC.

Deferred Mold Cost, Research and Development Expense, etc.	$621,534

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 1961 reports. Table 21 summarizes the various balance sheet presentations of these investments and advances by the survey companies. For the purpose of this tabulation a company has been classified as a "subsidiary" if it is so described in the annual report or if it is stated therein to be over 50 per cent owned. An "affiliated" company is one so described or one in which there is an ownership of 50 per cent or less.

The consolidation policies of survey companies fully or partially consolidating their subsidiaries are discussed in 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 1961, 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 1961 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

ART METAL, INC.

Investment in Wholly-Owned Subsidiary:	
Knoll International, Ltd., at cost (approximate equity in net assets)	$400,600

CHAMPION PAPERS, INC.

Investments—At Cost (Note 3):	
Foreign affiliated companies	$19,729,552
Other, including 50%-owned company	1,705,219
Total investments	$21,434,771

Note 3: Investments—At March 31, 1961, the Company's equity in the net assets of Dairypak Butler, Inc. (the 50%-owned company) exceeded by approximately $3,555,000 the investment in the capital stock of that company. The aggregate investment in the foreign affiliated companies exceeded by approximately $1,250,000 the Company's equity (as of December 31, 1960) in their net assets, after writing off to income of the Brazilian affiliate approximately $1,300,000 of pre-production costs. With respect to all such domestic and foreign investments at March 31, 1961, the Company's equity in the net assets of the companies was approximately $2,305,000 more than its total investment.

The principal investment ($19,033,829, or about 98% of the voting interest) is in Champion Celulose S.A., the Brazilian affiliate which commenced operation of a newly-constructed pulp mill in the State of Sao Paulo during the preceding fiscal year. As part of the consideration for a loan to Champion Celulose by International Finance Corporation and others, the Company has caused about 9.8% of the outstanding common stock of Celulose to be placed in escrow. These shares are expected to be transferred out of escrow at the direction of International at a rate measured by the earnings of Celulose. Until so transferred, the Company retains the right to vote the shares and, after transfer out of escrow, the Company has a right of first refusal to purchase at market.

The remainder of the Company's investment in Envases Perga de Cuba, S.A., the affiliate whose properties have been taken over by the Cuban government, was written off during the year by a charge to income.

THE CUBAN-AMERICAN SUGAR COMPANY

Investments:	
Cuban subsidiaries (Note 1)	—
American Crystal Sugar Company—97,500 shares, at cost (quoted market value—$4,485,000)	$2,837,150
Other marketable securities, at cost (quoted market value—$442,830)	426,543
Miscellaneous, at cost	101,640
	$3,365,333

Note 1: The accompanying financial statements include the assets, liabilities and operations of the company and all of its domestic subsidiaries.

As reported in the annual report to the stockholders for the year ended September 30, 1960, the Cuban Government seized all of the Cuban subsidiaries' assets in Cuba and also all of their accounting records, thereby precluding the customary annual examinations by independent public accountants and leading the board of directors to decide that it would not be prudent to assign an estimated value to the company's equity in the Cuban subsidiaries. Such equity accordingly was eliminated from the consolidated financial statements at September 30, 1960. Continuing effort is being made to obtain redress for the seizure, but it is impossible to estimate what amounts ultimately may be received or recovered.

DENNISON MANUFACTURING COMPANY

Other Assets:	
Securities of British subsidiary, not consolidated—at cost (Note A)	$169,775

Note A: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The results of operations of Eastman Tag and Label Company are included in the statements of consolidated earnings and consolidated earnings reinvested from October 1, 1961 the date of acquisition.

The accounts of the Canadian subsidiary have been included on a dollar for dollar basis. Net assets in Canada amounted to $2,649,411 at December 31, 1961, of which $1,881,766 represented net current assets.

The Company's equity (50/63) in the net assets of the unconsolidated British subsidiary, Dennison Manufacturing Company, Ltd., was approximately $862,000 at December 31, 1961 of which $270,000 represented net current assets.

DRESSER INDUSTRIES, INC.

Investments and Other Assets:	
Investments (at cost) in affiliated companies and unconsolidated subsidiaries	$ 1,198,258
Trade notes receivable, less allowance of $1,100,000 at October 31, 1960	8,993,722
Miscellaneous receivables, investments, etc.	1,845,115
Total Investments and Other Assets	$12,037,095

TABLE 21: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	I: Unconsolidated Subsidiary			II: Affiliated Companies		
Balance Sheet Presentation	1961	1955	1951	1961	1955	1951
Investment in	130	117	116	136	118	91
Investment in, Advances to	116	82	82	69	39	39
Investment in, Advances to, Receivables due from	3	—	3	—	1	1
Investment in, Receivables due from	20	15	21	17	11	12
Advances to or due from	—	1	1	—	2	1
Equity in net assets	5	—	—	—	—	—
Securities or stock of	2	2	—	2	1	—
Securities or stock of, and Advances to	2	—	—	1	—	—
Other assets	8	3	—	1	1	—
Total	286	220	223	226	173	144
Basis of Valuation*						
A: Cost	130	93	104	137	94	78
B: Cost less reserve	30	25	18	14	20	16
C: Cost or below cost	20	21	15	21	19	14
D: Cost adjusted for equity in earnings	19	5	3	6	—	—
E: Cost less dividends	1	1	—	1	2	1
F: Substantially at cost	2	1	2	1	—	—
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	1	—	3	—	—	4
K: Equity in net assets	38	7	9	9	2	—
L: Equity in net worth less reserves	3	2	3	—	—	—
M: Equity less unremitted profits	2	1	3	2	—	—
N: Dated equity value	—	2	1	1	—	—
O: Asset values at acquisition	—	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	1	1	3	—	—	—
S: Nominal value	2	5	10	—	3	—
T: At "No Value"	1	1	2	—	—	—
U: Acquisition value	—	—	1	—	—	—
V: Lower of cost or equity	1	—	—	1	—	1
W: Less reserve to nominal value	1	—	1	—	—	—
Total	256	174	185	196	144	115
Basis of valuation not set forth	40	63	51	25	37	22
Less reserve—(basis of valuation not set forth)	2	3	8	5	3	9
Total	298	240	244	226	184	146
Number of Companies with Investment Account for:						
Unconsolidated subsidiary companies	286	220	223	—	—	—
Affiliated companies	—	—	—	226	173	144
Account not presented	314	380	377	374	427	456
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—

I: *Unconsolidated Subsidiaries*—A: Co. Nos. 41, 65, 186, 192, 269, 302; B: Co. Nos. 191, 209, 349, 365, 470, 535; C: Co. Nos. 9, 45, 48, 316, 415, 585; D: Co. Nos. 72, 137, 252, 353, 359, 440; E: Co. No. 92; F: Co. Nos. 489, 495; H: Co. Nos. 48, 402; I: Co. No. 209; J: Co. No. 204; K: Co. Nos. 3, 38, 143, 228, 308, 324; L: Co. Nos. 304, 369; M: Co. Nos. 109, 394; Q: Co. No. 420; R: Co. No. 502; S: Co. Nos. 237, 563; T: Co. No. 180; V: Co. No. 105; W: Co. No. 190.

II: *Affiliated Companies*—A: Co. Nos. 11, 18, 25, 136, 180, 213; B: Co. Nos. 158, 255, 274, 355, 427, 505; C: Co. Nos. 173, 286, 384, 482, 518, 552; D: Co. Nos. 90, 137, 248, 469, 536, 543; E: Co. No. 92; F: Co. No. 489; H: Co. No. 402; K: Co. Nos. 33, 362, 419, 458, 463, 484; M: Co. Nos. 109, 345; N: Co. No. 49; Q: Co. Nos. 279, 420; V: Co. No. 347.

Cost Less Reserve

DEERE & COMPANY

Investments in and advances to subsidiaries not consolidated (Note 1)	$83,331,349

Note 1: All United States and Canadian subsidiaries except John Deere Credit Company and John Deere Intercontinental Limited are consolidated herein. John Deere Intercontinental Limited, a subsidiary of John Deere S.A., does not sell in the United States or Canada.

The investments in and advances to unconsolidated subsidiaries as of October 31, 1961 and 1960, carried at cost less reserves, are summarized as follows:

John Deere Credit Company	$40,000,000
Foreign subsidiaries operating outside the United States and Canada	43,331,349
Total carrying value	$83,331,349
Approximate excess of the Company's equity in the net assets of the unconsolidated subsidiaries over its investment therein as shown above	$ 9,500,000

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 1961.

EASTMAN KODAK COMPANY

Investments in and advances to foreign subsidiary companies	$25,034,902
Sundry investments, receivables, and deposits	10,784,216
Total other assets	$35,819,118

Notes to Financial Statements

Investments in and Advances to Foreign Subsidiary Companies: Investments have been stated at cost, or at the lower of cost or estimated value at recovery date for those investments recovered in former World War II areas, less reserves of $15,478,276.

The increase of $7,340,693 in these investments in 1961 reflected principally the purchase of additional capital shares of Kodak (Australasia) Pty. Ltd. (99.8 percent owned at year-end) and increased capital share investments in wholly-owned subsidiaries in France and Italy.

The company's equity in the net assets of the foreign subsidiary companies was $191,469,000 and its equity in their earnings was $30,360,000 as shown in the financial summary appearing on page 35. The dollar amounts in this summary should be considered in the light of conditions outside the U. S.

LONE STAR CEMENT CORPORATION

Investments in Foreign Subsidiaries (at cost less reserve)	$12,059,757

NATIONAL LEAD COMPANY

Investments in, at cost or below, and advances to unconsolidated subsidiaries, less reserve of $3,406,163 (Note 4)	$15,214,102
Miscellaneous investments and advances, at cost or below, less reserve of $754,705 (Note 5)	3,589,236

Note 4: Unconsolidated subsidiaries comprise subsidiaries more than 50, but less than 100 per cent owned, and certain minor wholly owned foreign subsidiaries.

Based upon audited financial statements, the equity of the Company in the net assets of the principal unconsolidated subsidiaries and amounts relating to such equity approximated:

Equity in net assets	$27,578,000
Excess of equity over the Company's net investments and advances	12,765,000
(Decrease) in excess equity during year	(1,757,000)

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 $11,566,000 at December 31, 1961 and $11,167,000 at December 31, 1960.

PENNSALT CHEMICALS CORPORATION

Investments and Advances (Note 1):	
Subsidiaries not consolidated	$3,110,035
Affiliated companies	4,028,827
Other investments	1,935,193
Total investments and advances	$9,074,055

Note 1: *Principles of Consolidation*—The consolidated financial statements include all subsidiaries, except four foreign subsidiaries and one domestic non-manufacturing subsidiary. Consolidated foreign subsidiaries are not relatively significant in the aggregate.

The Company's equity in the net assets of the subsidiaries not consolidated at December 31, 1961 approximately equals its investment therein (at cost, less reserve) and advances thereto. The reserve for loss on foreign investments was increased to provide for a decline in net equity arising from net losses of certain subsidiaries.

The Company's equity at December 31, 1961 in the net assets of two 50 percent-owned companies, one foreign and one domestic, approximately equals its investment therein (at cost, less reserve) and advances thereto, aggregating $4,028,827.

During 1961 the Company entered into an agremeent under which it may acquire a substantial interest in Fabriek van Chemische Producten Vondelingenplaat N. V. of Holland. The Company's investment at December 31, 1961 is included in other investments.

Cost or Below Cost

JOHNS-MANVILLE CORPORATION

Other Assets:	
Prepaid expenses and deferred charges	$ 2,497,000
Receivables from employees for purchases of common stock	2,621,000
Investments in and advances to unconsolidated subsidiaries (at cost or less)	2,385,000
Miscellaneous investments (at cost or less)	9,009,000
Total	$16,512,000

OTIS ELEVATOR COMPANY

Investments in and Advances to Subsidiaries —Not Consolidated (Note 2)	$13,574,034

Note 2: *Investments in ($11,907,885) and advances to ($1,665,149) Subsidiaries Operating in Foreign Countries—Not Consolidated*—Investments in subsidiaries operating in foreign countries are carried at not more than cost. During 1961, the financial reporting period for all of the Company's International Operations, except those in Canada and Germany, was on a twelve month fiscal period ending on September 30. Canada reported on the basis of a calendar year ending December 31 and Germany's reporting covered a period of nine months due to a change from a calendar year ending December 31 to a fiscal year ending on September 30. The Company's equity in the net assets of such subsidiaries at their fiscal year endings amounted to approximately $39,900,000 and its equity in their 1961 fiscal year earnings amounted to approximately $9,100,000, after provision for taxes to be incurred in the event of distribution.

PITTSBURGH PLATE GLASS COMPANY

Investments—At cost or less:	
Investments in subsidiaries not consolidated	$ 6,785,380
Other	5,004,219
Total investments	$11,789,599

WARNER BROS. PICTURES, INC.

Other Assets:	
Investments in and advances to subsidiary companies operating in foreign territories, at cost less deficits	$3,443,161
Notes receivable secured by mortgages	
Miscellaneous receivables, investments, etc., at cost or less	664,253
	$4,107,414

Cost Plus Accumulated Earnings or Equity in Earnings

BELL & HOWELL COMPANY

Investments and Other Assets:	
Investment in Consolidated Systems Corporation (50% owned)—at cost plus equity in accumulated earnings	$2,174,657
Patents (cost, less amortization) and sundry accounts and investments	1,321,520
Special product development costs, less amortization	1,207,846
	$4,704,023

THE PILLSBURY COMPANY

Investments in and Advances to Unconsolidated Foreign Subsidiaries (Note 1)	$4,519,436

Note 1: *Principles of Consolidation*—The consolidated financial statements include the accounts of the parent and all of its domestic and Canadian subsidiaries. The financial statements of subsidiaries located outside the United States and Canada are not consolidated. The company's investment in unconsolidated foreign subsidiaries is stated at cost plus the equity in net earnings since dates of acquisition. These investments were made during the year ended May 31, 1961, and earnings since dates of acquisition were not significant. The carrying amount of these investments exceeds the equity in these subsidiaries (as shown by their financial statements) by approximately $2,150,000 at May 31, 1961.

Equity in Net Assets

ACME STEEL COMPANY

Other Assets:	
Investment in wholly-owned insurance company—at equity in net assets	$207,451
Unamortized debt discount and expense	496,300
Miscellaneous receivables and other deferred charges	231,262
	$935,013

BROWN & SHARPE MANUFACTURING COMPANY

Investments and Receivables, at cost less reserve (Note 3)	$2,134,866

Note 3: Investments and receivables include $1,162,679 investment in unconsolidated subsidiary companies at their underlying net asset value.

THE MAY DEPARTMENT STORES COMPANY

Investments and Other Assets:	
Investments in and advances to—at equity in net assets:	
Subsidiaries not consolidated (100% owned)	$13,888,833
Affiliated partnerships	5,878,350
Notes receivable and miscellaneous	5,657,104
	$25,424,287

RALSTON PURINA COMPANY

Investments in 50%-Owned Companies (at underlying net asset value)	$4,404,997

BURROUGHS CORPORATION

Investment in Burroughs Finance Corporation, at equity in underlying net assets (Note 1)	$3,588,929

Note 1: *Principles of Consolidation*—All subsidiary companies are wholly-owned and their accounts, with the exception of Burroughs Finance Corporation, are consolidated with those of the parent company in the financial statements. Net income for 1961 of subsidiary companies operating in foreign countries other than Canada was $11,154,271 and dividends paid during 1961 by these subsidiaries totaled $7,396,512. Inventories acquired from the U.S. and property accounts of the subsidiary companies operating outside the U.S. and Canada are included substantially at the U.S. dollar equivalent at the time of acquisition. Other net assets and the net income are translated into U.S. dollars at appropriate free rates of exchange prevailing at the year end.

Burroughs Finance Corporation was formed during the year and later merged with another wholly-owned subsidiary of Burroughs Corporation. Its net assets at December 31, 1961 consisted of cash ($297,322) and lease and installment contracts receivable ($3,303,909) less liabilities of a nominal amount. Earnings from financing operations of the subsidiary were not material in 1961.

Other

THE AMERICAN TOBACCO COMPANY

Investment in and advances to Cuban Tobacco Company, Inc., a majority-owned subsidiary, at amounts not in excess of cost (Note 1)	$3,889,727

Note 1: The net tangible assets applicable to the investment in and advances to this unconsolidated domestic subsidiary at December 31, 1961 and 1960, amounted to $5,599,505 and $6,913,085, respectively. In 1960 this subsidiary provided for possible loss of its investments in two wholly-owned subsidiaries which operated in Cuba and of its leaf inventory in Cuba, by charge to retained earnings. The amount of the net tangible assets at December 31, 1960, has been restated to reflect a partial recovery of leaf inventory in 1961 and federal income tax credits which became available in 1961 by reason of the 1960 provision.

Interest received from this subsidiary was: 1961, $189,463; 1960, $207,270; the equity in earnings amounted to: 1961, $351,763; 1960, $157,021.

THE BENDIX CORPORATION

Investments and Miscellaneous Assets:	
Investments in non-consolidated subsidiary and associated companies—at cost, less certain dividends credited to the investment accounts (see Note 1):	
Domestic subsidiary (partly-owned)	$ 306,000
Canadian subsidiaries (wholly-owned) (including loans—1961, $2,454,526; 1960, $2,801,350)	2,996,082
Other foreign subsidiaries and associated companies (including loans—1961, $984,677; 1960, $884,389)	7,455,145
Real estate not used in the business—at depreciated cost (less reserve, $75,000)	613,107
Sundry investments and receivables	384,287
Officers' and employees' rceivables (principally travel advances)	744,530
Total Investments and Miscellaneous Assets	$12,499,151

Note 1: *Investments in Non-Consolidated Subsidiary and Associated Companies*—The Corporation's equity in the net assets of its non-consolidated domestic and Canadian subsidiaries, as shown by their audited financial statements, exceeded the investment of $847,556 in the subsidiaries by $13,187,198 at September 30, 1961. The Corporation's equity in the combined net income of its non-consolidated domestic and Canadian subsidiaries exceeded dividends received from those companies by $739,389 for the year ended September 30, 1961 and by $903,847 for the preceding year.

The Corporation's equity in the net assets of the French subsidiaries at December 31, 1960, as shown by their audited financial statements, exceeded the investment of $1,752,821 in these companies by approximately $11,607,000. The determination of the Corporation's equity in the net assets of the French companies was made at the rate of exchange prevailing at September 30, 1961. The net dividends received from the French companies during the year ended September 30, 1961 amounted to $518,159.

The Corporation's equity in the net assets of a partly-owned Brazilian subsidiary at September 30, 1961, based upon unaudited financial statements, was approximately $276,000 less than its investment of $3,271,637 in that company. The Corporation has also invested $15,450 in a wholly-owned Brazilian subsidiary.

At September 30, 1961 the Corporation had invested $545,453 in the capital stocks of foreign subsidiaries located in England and Australia. Based upon the latest available financial statements of these companies, the Corporation's equity in their net assets exceeded its investment by approximately $78,000.

At September 30, 1961 the Corporation had invested $885,107 in capital stocks of foreign associated companies located in Australia, England, Germany, and Mexico.

SIGNODE STEEL STRAPPING COMPANY

Other Assets:	
Investment in unconsolidated foreign subsidiaries, at book value	$ 816,124
Miscellaneous assets	1,224,156
	$2,040,280

WESTINGHOUSE AIR BRAKE COMPANY

Investments—at less than estimated realizable value:	
Foreign subsidiaries	$4,804,365
Other capital stocks	1,864,161
Total investments	$6,668,526

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 to include this feature. The annual reports for 1959 disclosed 28 associated companies; in the 1960 reports the number had increased to 60, while the 1961 reports presented a total of 74.

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.

There was no indication that the accounts of the associated (50% jointly owned) companies were included in the consolidated statements of either 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. 40, 49, 131, 163, 234, 330)	45
Cost or less (*Co. Nos. 51, 142, 326, 384, 399, 444)	6
Cost less reserve (*Co. Nos. 135, 255, 274, 397, 427, 466)	7
Cost plus equity in accumulated earnings (*Co. Nos. 90, 91, 137, 248, 345, 543)	7
Underlying net asset value (*Co. Nos. 33, 71, 281, 471)	4
Book value of assets acquired (*Co. No. 419)	1
Not disclosed (*Co. Nos. 118, 193, 312, 373)	4
Total	74

*Refer to Company Appendix Section.

The sources of disclosure are listed below:

Where Disclosed	No. of Companies
Balance Sheet (*Co. Nos. 25, 220, 330, 370, 419, 458)	36
Notes to Financial Statements (*Co. Nos. 33, 137, 294, 339, 467, 525)	12
President's Letter or Financial Review (*Co. Nos. 13, 118, 213, 305, 421, 501)	26
Total	74

The following examples selected from the 1961 reports are illustrative of the variations of presentation and accounting treatment disclosed.

PRESENTATION

Balance Sheet

GENERAL CIGAR CO., INC.

Other Assets:	
Common stock in treasury—available for employees' profit sharing plan: 1961—23,917 shares; 1960—18,983 shares, at cost (Note 2)	$ 661,156
Unamortized bond discount and other deferred charges	736,976
Investments and long-term receivables	625,324
	$2,023,456

Note 1: The Company has included in 1961 income $303,268 representing the increase during the year in its equity in a 50% owned associated company.

GENERAL RAILWAY SIGNAL COMPANY

Investments and Other Assets:	
Investments in and advances to nonconsolidated subsidiaries (including 50% owned company), at cost (Note 3)	$ 969,616
Capital stock of other companies, at cost (Note 3)	459,611
Mortgages, notes receivable, and sundry assets	818,133
Patents and other intangibles, including excess of purchase price over net assets of consolidated subsidiary	685,916
Total investments and other assets	$2,933,276

Note 3: *Investments*—At December 31, 1961 the Company's equity in the net assets underlying the investments in and advances to subsidiaries—not consolidated and the capital stock of other companies was in excess of the cost of its investments.

KOPPERS COMPANY, INC.

Investments at cost, and other assets:	
Investments in and advances to non-consolidated subsidiaries and 50% owned companies (Note 1)	$13,148,739
Other investments (current value at December 31, 1961—$4,106,292)	2,996,600
Notes and accounts receivable due after one year	5,984,955
	$22,130,294

Note 1: Principles of consolidation and investments in affiliates—The consolidated statements include the accounts of the Company and all of its wholly-owned subsidiaries. Provision has been made for estimated income taxes payable upon eventual transfer of earnings of consolidated foreign subsidiaries to the parent company.

Based upon the latest available financial statements, in some instances as yet unaudited, the Companies' equity in the net assets of non-consolidated subsidiaries and fifty-percent owned companies at December 31, 1961, exceeds the carrying value of the Companies' investment therein by $718,000. The Companies' equity in the net income of these companies for 1961 amounted to $196,682, of which $150,683 was received as dividends during the year and taken into consolidated income.

CROWN ZELLERBACH CORPORATION

Other Assets:

Investment in St. Francisville Paper Company at cost (Note 3)	$ 4,605,000
Other investments and receivables	2,614,000
Funds set aside for plant improvements	14,000,000
Deferred charges	2,200,000
	$23,419,000

Note 3: Investments—The investment in St. Francisville Paper Company represents 20,000 shares of common stock (50% of the common stock outstanding) at a cost of $2,000,000 and $2,605,000 of 5% subordinated notes. The Corporation's equity in profits of St. Francisville for the year ended December 31, 1961 was $373,546; St. Francisville paid no dividends during the year. The Corporation's equity in the capital of St. Francisville at December 31, 1961 was $2,508,839.

Crown Zellerbach manages the St. Francisville paper mill in Louisiana and has contracts to purchase a portion of the mill's output and to furnish certain amounts of pulp.

St. Francisville Paper Company owned jointly with Time, Inc.

THE MEAD CORPORATION

Investments and Other Assets:

Affiliated companies—at cost (Note C)	$19,113,811
Miscellaneous assets and other investments	6,177,480
Deferred charges—less amortization	1,349,313
	$26,640,604

Note C: Affiliated companies—The Corporation's proportionate equity in net assets of its four 50%-owned affiliated companies was $21,270,424 in excess of the cost of its investment at December 31, 1961, and it received dividends which exceeded by $263,150 its share of their net earnings for the year (53 weeks) then ended.

Under long-term purchase contracts, the Corporation and the other 50% owners are each obligated to purchase 50% of the output of three affiliates at prices sufficient to provide for all costs and expenses including interest on indebtedness, federal taxes on income, and adequate funds for the affiliates to pay current instalments on their funded indebtedness. The aggregate of such indebtedness was $51,566,000 at December 31, 1961 which matures in varying amounts through 1982 and one affiliate is committed to borrow an additional $15,212,000 to complete its expansion program.

Notes to Financial Statements

AMERICAN HOME PRODUCTS CORPORATION

Investments (Note 2) $6,618,537

Note 2: Investments at December 31, 1961 comprise $3,956,535 at cost (at market quotations $27,693,000), and $2,662,002 representing principally a 50% interest in a foreign enterprise carried at equity in related net assets.

REXALL DRUG AND CHEMICAL COMPANY

Investments, Advances and Noncurrent Receivables:

Investments in and advances to United States subsidiaries not consolidated (Rexall equity in net assets $3,061,000 in 1961 and $2,669,000 in 1960)	$2,740,413
Due from sale of retail stores and other properties	1,361,405
Other receivables, deposits and investments	3,017,773
	$7,119,591

Notes to Financial Statements

Joint Operating Agreement: In 1960 Rexall entered into a joint operating agreement with El Paso Natural Gas Products Company for the future production and marketing of olefins, polyolefins and other chemicals. The agreement provides that Rexall and El Paso shall each own an undivided one-half interest in the land, buildings, improvements, fixtures, machinery, equipment, materials and personal property used in connection with the chemical plants to be constructed.

Rexall's share of the total cost of the ethylene and conventional polyethylene facilities at the end of 1961 is $19,083,463. It is anticipated that additional plants to produce propylene, linear polyethylene and polypropylene will be constructed in 1963 and 1964. To finance most of its share of the estimated cost of all joint operating facilities contemplated under the El Paso contract, Rexall entered into loan agreements with a group of major insurance companies in 1960 for an aggregate issue of $35,000,000 in unsecured notes due in 1982. Under these financing agreements Rexall has borrowed $25,000,000 and will borrow the balance in late 1962.

Preproduction expenses applicable to these joint operations have been deferred and will be amortized over a five year period starting with commencement of commercial operation of the plant.

ST. REGIS PAPER COMPANY

Investments, at cost or less:

Marketable securities (quoted market value, 1961 — $43,209,505; 1960 — $39,401,036)	$39,454,542
Securities of and advances to subsidiary companies not consolidated and associated companies (Note 2)	33,008,189
Total investments	$72,462,731

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 $33,008,189 at December 31, 1961; the related equities in their net assets, based on latest statements available, aggregated $34,175,000, including $12,128,000 for companies operating outside the United States and Canada. The equities in net earnings of these companies were $418,000 and $188,000 less in 1961 and 1960, respectively, than distributions from such companies included in consolidated earnings for those years.

President's Letter or Financial Review

ALLIED CHEMICAL CORPORATION

Investments:

Investments in Affiliates, at cost $7,373,370

N. V. Chemische Industrie Synres, of The Netherlands, in which the Company owns a half interest is bringing to completion new facilities for production of phthalic anhydride at Hook of Holland, The Netherlands.

CLUETT, PEABODY & CO., INC.

Other Assets:

Fund for redemption of 7% preferred stock	—
Notes receivable, non-current	$ 915,017
Investments in and advances to affiliated companies (at cost)	1,730,939
Deferred charges	1,735,199
Good will, patents, trademarks, etc.	1

Clupak, Inc.—50% owned by the Company and 50% by West Virginia Pulp and Paper Company—licenses the paper industry to use its patents, patent applications, know-how and trademarks in the production of extensible paper. Clupak paper has built-in stretchability or extensibility which enables it to absorb more energy and shock and thereby gives it extra toughness and resistance to tearing.

BURNDY CORPORATION

Investments and Other Assets $594,866

The acquisition at midyear of a 50 percent interest in Burndy-Escon, Inc., a new company jointly owned with Glass-Tite Industries, Inc. of Providence, Rhode Island, gives Omaton a line of glass-to-metal hermetically sealed connectors. The new company, formerly the Escon Division of Glass-Tite, will design and produce sealed devices for exclusive distribution through the Omaton Division marketing organization.

Burndy Electra S.A., serving Western Europe, is operating at full capacity after dedicating its new factory at Malines, Belgium in

June 1961. An aggressive program is being conducted to extend the scope of our operations on the Continent. Our affiliate in Great Britain, BICC-Burndy Limited, jointly owned with British Insulated Callender's Cables Limited, also moved into new quarters at St. Helens, Lancashire, and extended sales coverage of most Commonwealth markets.

THE INTERNATIONAL SILVER COMPANY

A new company, Eyelet Mexicana S.A. de C.V., was formed by a joint investment of capital with Distribuidores Generales, the largest manufacturer of lipstick cases in Mexico, with the purpose of expanding the cosmetic container business in Mexico and other Latin American countries. A new plant has been built, modern equipment installed and operations are now under way.

Treatment of Income

AMERICA CORPORATION

Investment in and advances to 50% owned company including equity in undistributed earnings of $51,641	$127,959

LILY-TULIP CUP CORPORATION

Investment in Associated Company—Notes A and B	$1,171,800

Note A: During 1961, the Company acquired 50% each of the voting and non-voting capital stocks of Red River Paper Mill, Inc. which commenced operations in April and since then has become a supplier of bleached paperboard to the Company. The Company's share in the net income of Red River Paper Mill, Inc. is included in consolidated net income for the year and the investment in that company is stated at underlying book equity, adjusted in each case principally for intercompany profits. The Company has agreed to purchase, in 1962, the remaining half of the outstanding non-voting capital stock of Red River Paper Mill, Inc. at book value, thereby increasing retroactively to January 1, 1962, the Company's equity in the net assets and net income to 75%.

THOMPSON RAMO WOOLDRIDGE INC.

Investment in Unconsolidated Foreign Affiliates—at cost, plus equity in net income of 50%-owned companies—Note A	$6,115,532

Note A: The consolidated financial statements include the accounts of the Company and all subsidiaries and the Company's equity in the net income of 50%-owned affiliates, excepting certain foreign subsidiaries and affiliates in which the investments and equities are presently of no importance. The Company's equity in net assets of consolidated foreign subsidiaries and the carrying amount of investments in 50%-owned foreign affiliates amounted to $14,146,734 (principally in Canada and West Germany) at December 31, 1961, and the Company's equity in their net income for the year 1961 amounted to $840,598.

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, 586 presented prepaid expenses or deferred charges in their 1961 balance sheets. Of the 586 companies displaying such items, 211 companies presented them under "current assets," 168 companies presented them under both "current and noncurrent assets," and the remaining 207 companies included them among the "noncurrent assets."

The terminology used by the survey companies presenting prepaid expenses or deferred charges in their balance sheets for the years 1961, 1960, 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

ABBOTT LABORATORIES

Current Assets:

Supplies and prepaid expenses	$3,320,312

COOK PAINT AND VARNISH COMPANY

Current Assets:

Deferred charges:	
Prepaid insurance and other expenses	$366,875.85
Labels, supplies, etc.—estimated amount	40,000.00

EASTMAN KODAK COMPANY

Current Assets:

Prepaid charges applicable to future operations	$3,753,703

ELECTROLUX CORPORATION

Current Assets:

Prepayment of United States income taxes (Note B)	$2,173,000
Other prepaid expenses	561,956

Note B: *Prepayment of United States Income Taxes*—Instalment commissions and certain other accruals charged to expense on the Company's books are not deductible for United States income tax purposes until paid. The amount of $2,173,000 carried as a prepayment of income taxes at December 31, 1961 is equivalent to the estimated tax reduction to be realized in 1962 when these accrued expenses for 1961 are paid and become deductible for tax purposes.

TABLE 22: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used In	1961	1960	1955	1950
Current Asset Section:				
Prepaid	351	330	246	175
Prepaid and deferred	10	12	10	4
Deferred	9	11	5	3
Unexpired	5	7	8	6
Costs applicable to future periods	6	6	13	7
Various other terms	3	3	3	3
Total	384	369	285	198
Noncurrent Asset Section:				
Deferred	191	183	169	143
Deferred and prepaid	67	73	93	94
Deferred with certain items listed thereunder described "prepaid"	25	25	59	104
Prepaid	46	50	67	65
Costs applicable to future periods	9	10	12	17
Unamortized	40	41	32	13
Unexpired	1	1	6	4
Various other terms	10	11	1	10
Total	389	394	439	450
Number of Companies presenting:				
Prepaid Expenses or Deferred Charges in:				
Current asset section	211	204	198	128
Current and noncurrent asset sections	168	160	138	76
Noncurrent asset section	207	224	251	386
No prepaid expense or deferred charge items	14	12	13	10
Total	600	600	600	600

	Balance Sheet Presentation			
	1961		1955	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Advertising (*Co. Nos. 33, 240, 285, 429, 450, 570)	7	6	6	12
Debt discount (*Co. Nos. 93, 128, 179, 257, 350, 489)	—	31	1	23
Debt expense (*Co. Nos. 21, 112, 189, 294, 362, 554)	—	63	1	52
Employee welfare (*Co. Nos. 163, 166, 244, 325, 427, 534)	4	12	2	18
Expense advances (*Co. No. 10)	1	—	—	2
Financing expense (*Co. Nos. 78, 160, 276)	—	3	—	6
Insurance (*Co. Nos. 5, 22, 67, 69, 182, 334)	96	32	122	122
Interest (*Co. Nos. 99, 237, 527, 574)	2	2	1	2
Mine stripping and expense (*Co. Nos. 18, 51, 568)	—	3	—	4
Oil exploration	—	—	—	1
Organization expense	—	—	—	2
Pre-occupation and plant costs (*Co. Nos. 7, 32, 115, 436, 561, 563)	1	5	1	3
Rent (*Co. Nos. 99, 261, 268, 310, 472, 582)	7	8	8	22
Research and development (*Co. Nos. 90, 353, 395, 412, 542)	1	7	1	8
Seasonal expenses (*Co. No. 33)	1	—	—	—
Selling, delivery, freight, commissions (*Co. Nos. 22, 206, 527)	2	1	2	5
Supplies (*Co. Nos. 69, 99, 120, 182, 267, 269)	24	6	17	29
Taxes (*Co. Nos. 22, 110, 216, 244, 281, 582)	45	15	59	63
Tooling and factory expense (*Co. Nos. 134, 189, 197, 216, 324, 416)	1	6	1	3
Unused royalties (*Co. Nos. 164, 466, 599)	—	3	—	2
Various other terms (*Co. Nos. 156, 184, 253, 374)	1	5	5	8
"Prepaid or Deferred" (*Co. Nos. 6, 37, 43, 375, 550, 554)	252	205	184	276
"Prepaid or Deferred"** (*Co. Nos. 32, 119, 136, 276, 293, 338)	97	97	41	41
Total	542	510	452	704

*Refer to Company Appendix Section.

**In both the current and the noncurrent asset section.

Current and Noncurrent Asset Sections

THE CESSNA AIRCRAFT COMPANY

Current Assets:	
Prepaid expenses	$ 212,638
Noncurrent Assets:	
Deferred Charges:	
Tooling	$3,209,943
Other	256,903
	$3,466,846

CHOCK FULL O'NUTS CORPORATION

Current Assets:	
Prepaid expenses	$ 53,623
Noncurrent Assets:	
Other Assets and Deferred Charges (Note 5)	$1,145,758

Note 5: Deferred charges include accumulated advertising and other costs of marketing coffee in new areas and certain introductory costs relating to instant coffee which, after deducting the related federal income tax benefit, amounted to $874,427 at July 31, 1961, and of which $673,985 arose during the year then ended. These costs will be amortized by future charges to income. In prior balance sheets the tax benefit was included in "Deferred Federal Income Taxes."

COLONIAL STORES INCORPORATED

Current Assets:	
Prepaid and deferred expenses	$1,269,574
Noncurrent Assets:	
Unamortized long-term debt expenses	$ 199,792

CONSOLIDATED CIGAR CORPORATION

Current Assets:	
Prepaid expenses	$250,153
Prepaid taxes on income	414,000
Noncurrent Assets:	
Other Assets and Deferred Charges:	
Investments and advances	$253,263
Deferred financing expenses	278,938
Goodwill and trademarks	1
Total other assets and deferred charges	$532,202

CONSOLIDATED PAPER COMPANY

Current Assets:	
Deferred charges:	
Insurance and group annuity premiums	$133,399
Taxes	430,651
Noncurrent Assets:	
Deferred Charges:	
Insurance	$ 57,887
Death benefits for retired employees	125,400
	$183,287

OWENS-ILLINOIS GLASS COMPANY

Current Assets:	
Prepaid expenses	$ 2,569,751
Noncurrent Assets:	
Deferred charges:	
Repair parts inventories, at cost	$15,087,126
Other deferred items	3,221,932
	$18,309,058

PARKE, DAVIS & COMPANY

Current Assets:	
Prepaid taxes, insurance, and other expenses	$4,231,959
Noncurrent Assets:	
Deferred Pension Plan Costs (Note B)	$4,248,537

Note B: Pension Plans—Past service costs under pension and retirement income plans have been fully funded by payments made in 1958 and 1960. The amounts paid are being amortized by annual charges against earnings over a period ending in 1967.

AIR REDUCTION COMPANY, INCORPORATED

Current Assets:	
Prepaid Taxes, Insurance, and Other Expenses	$1,482,027
Noncurrent Assets:	
Deferred Charges (including pre-operating and start-up expenses net of income tax benefits — 1961, $1,393,496; 1960 — $1,089,470)	$2,613,715

THE AMERICAN HARDWARE CORPORATION

Current Assets:	
Prepaid expenses	$142,975
Noncurrent Assets:	
Deferred Charges:	
Preproduction, etc. costs and expenses of foreign subsidiaries	$197,065
Other deferred charges	340,494
Total deferred charges	$537,559

THE BUDD COMPANY

Current Assets:	
Prepaid insurance, taxes, plant rearrangement expenses, etc.	$4,132,809
Noncurrent Assets:	
Deferred Plant Rearrangement Expenses	$ 333,588

Noncurrent Asset Section

ALCO PRODUCTS, INCORPORATED

Noncurrent Assets:	
Insurance, Taxes and Other Expenses—applicable to future periods	$557,780

CONGOLEUM-NAIRN, INC.

Noncurrent Assets:	
Prepaid Insurance and Deferred Charges	$146,971

CONSOLIDATION COAL COMPANY

Noncurrent Assets:	
Deferred Charges:	
Advance mining royalties	$1,752,913
Prepaid expenses, etc.	1,027,667
Total Deferred Charges	$2,780,580

NATIONAL STEEL CORPORATION

Noncurrent Assets:	
Deferred Charges:	
Unamortized bond discount and expense, prepaid insurance, and miscellaneous	$4,500,334

OUTBOARD MARINE CORPORATION

Noncurrent Assets:	
Deferred Charges, etc.:	
Tooling	$3,929,213
Prepaid insurance, pension costs, and other expenses	2,226,937
	$6,156,150

THE SHERWIN-WILLIAMS COMPANY

Noncurrent Assets:	
Deferred Charges:	
Advertising stock and supplies	$1,716,872
Prepaid insurance and other items	1,402,489
	$3,119,361

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 amortization policies should be such as to absorb the excess over the remaining life of related assets.

The balance sheets of 343 of the 600 survey companies disclosed intangible assets in their 1961 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 1961 reports are as follows:

Shown in Current Asset Section Under Inventories

WARNER BROS. PICTURES, INC.

Inventories, at cost or less:	
Productions—	
Released, less amortization	$13,098,578
Completed—not released	7,666,689
In process	18,597,782
Rights and scenarios	4,650,192
Materials and supplies	590,800
Total inventories	$44,604,041

Shown Separately in Noncurrent Asset Section

THE BORDEN COMPANY

Intangibles	$10,970,182

CONSOLIDATED FOODS CORPORATION

Intangible Assets:	
Excess of purchase price of businesses acquired over net assets at dates of acquisition	$5,008,374
Goodwill, trade-marks, and other intangibles, at nominal value	4
Total intangible assets	$5,008,378

TABLE 23: INTANGIBLE ASSETS

Type of Intangible Asset*	Current Asset Section Under Inventories	Balance Sheet Presentation — Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Other Assets	Under Deferred Charges	Notes to Financial Statements	1961 Total
A: Patents, patent rights and applications	—	110	6	27	5	—	148
B: Trademarks, brand names	—	61	—	22	1	1	85
C: Copyrights	—	6	—	—	—	—	6
D: Goodwill	—	101	—	24	1	—	126
E: Goodwill re subsidiary	—	36	1	16	3	1	57
F: Leasehold improvements	—	2	76	4	1	1	84
G: Leaseholds, leases, leased equipment	—	4	26	—	—	2	32
H: Exploration and development-mining, oil	—	—	2	2	1	1	6
I: Formulae, processes, designs	—	12	1	6	—	1	20
J: Research and experimental	—	6	2	1	1	—	10
K: Licenses, franchises, memberships	—	13	4	2	1	—	20
L: Rights—water, water-power, land	—	—	15	—	—	—	15
M: Rights—mining, timber, cutting, fishing and "other rights"	—	2	13	2	1	2	20
N: Contracts	—	7	—	1	—	—	8
O: Name lists, catalogs, trade routes	—	4	—	—	—	—	4
P: Scripts, scenarios, story and film rights	6	—	—	—	—	—	6
Q: Finance and organization costs	—	1	—	—	—	—	1
R: Described as "intangible assets"	—	17	4	4	—	—	25
S: Various other	—	1	—	—	—	—	1
Total	6	383	150	111	15	9	674

Type of Intangible Asset	Balance Sheet Valuation and Amortization — Amortization Value After Charges To: Income	Retained Earnings	Charge Not Shown	Total	Unamortized Value	Nominal Value	1961 Total
Patents, patent rights and applications	56	—	18	74	11	63	148
Trademarks, brand names	18	—	7	25	11	49	85
Copyrights	—	—	—	—	1	5	6
Goodwill	22	—	10	32	24	70	126
Goodwill re subsidiary	23	—	5	28	28	1	57
Leasehold improvements	75	—	6	81	2	1	84
Leaseholds, leases, leased equipment	28	—	3	31	—	1	32
Exploration and development-mining, oil	5	—	1	6	—	—	6
Formulae, processes, designs	6	—	—	6	3	11	20
Research and experimental	6	—	1	7	1	2	10
Licenses, franchises, memberships	12	—	2	14	4	2	20
Rights—water, water-power, land	12	—	2	14	1	—	15
Rights—mining, timber, cutting, fishing and "other rights"	14	—	1	15	3	2	20
Contracts	1	—	2	3	2	3	8
Name lists, catalogs, trade routes	1	—	1	2	—	2	4
Scripts, scenarios, story and film rights	1	—	—	1	5	—	6
Finance and organization costs	—	—	1	1	—	—	1
Described as "intangible assets"	7	—	4	11	8	6	25
Various other	—	—	—	—	—	1	1
Total	287	—	64	351	104	219	674

Number of Companies presenting:	1961
Intangible Assets	343
No Intangible Assets	257
Total	600

*Refer to Company Appendix Section—A: Co. Nos. 28, 83, 90, 240, 457, 485; B: Co. Nos. 171, 283, 328, 358, 410, 525; C: Co. Nos. 140, 244, 314, 367, 421, 527; D: Co. Nos. 46, 122, 204, 252, 375, 415; E: Co. Nos. 72, 127, 234, 254, 257, 410; F: Co. Nos. 21, 67, 137, 221, 333, 414; G: Co. Nos. 223, 255, 305, 310, 568, 582; H: Co. Nos. 20, 45, 54, 309; I: Co. Nos. 33, 126, 368, 410, 530, 584; J: Co. Nos. 34, 114, 126, 197, 404, 580; K: Co. Nos. 34, 83, 178, 378, 468, 579; L: Co. Nos. 18, 54. 298, 349, 418, 520; M: Co. Nos. 168, 184, 193, 216, 461, 568; N: Co. Nos. 92, 156, 210, 300, 550, 576; O: Co. Nos. 162, 190, 365, 367; P: Co. Nos. 190, 196, 376, 420, 550, 585; Q: Co. No. 188; R: Co. Nos. 84, 104, 178, 251, 354, 415; S: Co. No. 366.

ANCHOR HOCKING GLASS CORPORATION

Patents and Patent Rights:	
At cost, less amortization	$88,066
At nominal amount	1
	$88,067

DAYCO CORPORATION

Intangible assets:	
Patents and goodwill, at nominal value	$ 1
Goodwill arising from consolidation	752,912
Organization expense	804
	$753,717

Shown Under Fixed Assets

CITY PRODUCTS CORPORATION

Property, Plant and Equipment, at cost:	
Land	$ 6,381,966
Buildings on owned and leased land	38,913,061
Leaseholds and leasehold improvements	16,482,869
Machinery, fixtures and equipment	69,491,624
	$131,269,520
Less—Reserves for depreciation, depletion and amortization, including reserve of $5,000,000 for possible losses on disposition of certain older properties	81,932,595
	$ 49,336,925
Excess of cost of investments in subsidiaries over underlying book values at dates of acquisitions	5,571,440
Net property, plant and equipment	$ 54,908,365

CROWN CORK AND SEAL COMPANY, INC.

Plant and Equipment Less Depreciation (Note D)	$62,870,000

Note D: *Plant and Equipment*—Plant and equipment are carried substantially at cost and are classified as follows:

Plant and properties	
Buildings	$ 35,119,000
Machinery and equipment	65,621,000
Construction in progress	3,387,000
	104,127,000
Less Accumulated Depreciation	45,004,000
	59,123,000
Land	3,131,000
Patents, less amortization	616,000
	$ 62,870,000

HARBISON-WALKER REFRACTORIES COMPANY

Fixed Assets:	
Buildings, machinery and equipment, at cost	$134,086,181
Less accumulated depreciation	79,534,379
Net buildings, machinery and equipment	$ 54,551,802
Mineral lands, rights and development, at cost less depletion	7,342,688
Land, at cost	1,871,495
Net fixed assets	$ 63,765,985

J. J. NEWBERRY CO.

Property and Equipment, at Cost:	
Land, buildings and improvements	$10,623,596
Furniture and fixtures	40,131,856
Alterations and improvements to leased properties	24,289,077

Shown Under Other Assets

BATES MANUFACTURING COMPANY

Deferred Charges and Other Assets:	
Including patents and trademarks carried at $1	$90,373

CALUMET & HECLA, INC.

Other Assets:	
Investments in and Advances to Affiliates	$4,859,703
Explorations	1,079,610
Charges Deferred to Future Operations	1,010,186
Goodwill	140,723
Miscellaneous	913,562
Total Other Assets	$8,003,784

PENNSALT CHEMICALS CORPORATION

Other Assets:	
Intangible assets arising from acquisitions; license agreements and patents	$2,607,954

WAGNER ELECTRIC CORPORATION

Other Assets:	
Special tools and development expense	$ 299,978
Foreign investments, at cost	808,590
Trade-mark, at cost, less amortization of $1,085,000 and $1,055,000, respectively	115,000
Patterns, patents, and designs, at nominal value	1
	$1,223,569

Shown Under Deferred Charges

HARRIS-INTERTYPE CORPORATION

Deferred Charges:	
Cost of investment in subsidiaries over equity (unamortized portion)	$1,523,566
Sundry prepaid expenses	263,293
	$1,786,859

MILLER MANUFACTURING CO.

Deferred Charges:	
Unamortized debenture discount and expense	$60,652
Unamortized patent licenses	18,150
	$78,802

THE SEEBURG CORPORATION

Patents, Patent Rights, and Deferred Charges:	
Patents and patent rights, at cost, less reserve for amortization of $260,665 in 1961 and $160,088 in 1960 (Note 3)	$1,378,427
Costs in connection with acquisition of coffee vending machine business, less reserves for amortization of $178,127 in 1961 and $89,027 in 1960	271,173
Unamortized costs in connection with debenture issue (Note 5)	67,750
Other deferred charges	90,996
	$1,808,346

UNIVERSAL MATCH CORPORATION

Deferred Charges:	
Research and development costs, less amortization and deferred federal income taxes (Note 6)	$808,120
Unamortized debt expense	163,784
	$971,904

Note 6: Research and development costs—Deferred research and development costs, relating principally to merchandising and currency devices, are being amortized from January 1, 1961 over a three year period from the date the product enters production and over a period not to exceed five years if the related product is not yet in production. Deferred costs applicable to projects abandoned are charged off in the year of abandonment. Amortization and abandonments under this policy amounted to $1,000,098 in 1961. Deferred federal income taxes applicable to research and developments costs deferred at December 31, 1961 and 1960 amounted to $836,117 and $778,580, respectively.

J. P. STEVENS & CO., INC.

Deferred Charges, including unamortized cost of trade-name contract	$2,150,175

Shown in Notes to Financial Statements

NATIONAL BISCUIT COMPANY

Other assets (Note C)	$7,305,732

Note C: Other assets for 1961 include $5,617,612 of unamortized excess of cost of investment over book amount of net assets of consolidated foreign subsidiaries acquired since 1958; and $1,688,120 of prepaid expenses and deferred charges.

WARD BAKING COMPANY

Intangible Assets, Etc. (Note 2)	$516,798

Note 2: Intangible assets, etc., consisted of the following—

Formulae (less amortization), trademarks, and licenses	$267,692
Excess of costs over book or fair value of net assets at acquisition of subsidiaries consolidated (less amortization)	249,104(a)
Goodwill	2
	$516,798

(a) Reduction from previous year is due principally to reclassification to property and plant on merger of subsidiary with company.

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 Bulletins 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 1961 survey reports with regard to the amortization of intangible assets is summarized in Table 23. There were 351 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 64 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, 63 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-three 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. 21, 45, 51, 57, 93, 122, 124, 182, 196, 226, 267, 276, 369, 429, 445, 446, 497).

Table 24 classifies and summarizes the various kinds of accounts payable items included among current liabilities in the 1961 balance sheets of the survey companies.

The following examples, selected from the balance sheets of the 1961 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.

*Refer to Company Appendix Section.

TABLE 24: ACCOUNTS PAYABLE

Current Liability Description	Presentation: Separately	With Other Items	1961 Total
Re: Trade Creditors—			
Accounts payable (*Co. Nos. 15, 42, 101, 261, 359, 559)	369	231	600
"Accrued expenses"—not identified (*Co. Nos. 223, 264, 324, 350, 415, 549)	149	318	467
Notes payable (*Co. Nos. 92, 239, 389, 432, 490, 521)	23	14	37
Royalties payable (*Co. Nos. 124, 174, 190, 245, 367, 585)	1	9	10
Trade acceptance or drafts payable (*Co. Nos. 155, 173, 297, 301, 561)	2	3	5
Total	544	575	1119
Re: Trade Customers—			
Advance payments received from customers (*Co. Nos. 85, 114, 225, 347, 449, 528)	22	7	29
Progress billings on nongovernment contracts (*Co. Nos. 126, 303, 304, 345, 346, 558)	4	2	6
Additional costs on completed contracts (*Co. Nos. 75, 197)	2	—	2
Deposits for various trade purposes (*Co. Nos. 86, 102, 336, 338, 340, 441)	4	9	13
Deposits for merchandise containers (*Co. Nos. 122, 226, 247, 281, 433, 478)	9	—	9
Credit balances (*Co. Nos. 10, 102, 187, 338, 394, 489)	7	5	12
Total	48	23	71

Number of Companies showing:	1961	1960	1955
Accounts payable trade creditors	600	600	600
Accounts payable trade customers	63	57	70

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

HYGRADE FOOD PRODUCTS CORPORATION

Current Liabilities:

Short term bank loans	$ 3,000,000
Trade accounts and drafts payable	8,373,348
Miscellaneous and accrued liabilities	4,628,488
Foreign taxes on income	149,441
Total Current Liabilities	$16,151,277
Term loans payable (Note 1):	
Banks	$ 2,500,000
Insurance company	3,850,000
Property and other purchase obligations, due periodically to 1970, less current installments	279,299
Pensions, less amount due within one year $72,120 (Note 2)	615,102
Deferred Federal taxes on income	776,000
Self-insurance—workmen's compensation	100,000

BELL & GOSSETT COMPANY

Current Liabilities:

Note payable	$ 40,000
Federal and State income taxes	1,417,026
Accounts payable and property taxes	1,090,481
Accrued payroll and payroll taxes	727,536
Accrued contribution to employees' retirement trust fund	336,087
Total Current Liabilities	$3,611,130

BOND STORES, INCORPORATED

Current Liabilities:

Accounts payable		$1,977,087
Deposits and due to customers		367,976
Accrued expenses and sundry liabilities		2,856,072
Reserve for Federal income taxes—Note C		1,108,813
Mortgage bonds payable—current installments—Note B		130,832
Total Current Liabilities		6,440,780
Mortgage Bonds Payable by Subsidiary—Note B	$2,177,000	
Less: Current installments shown above	130,832	2,046,168

Note B: A property owned by a subsidiary is subject to a first mortgage in the amount of $2,177,000, payable in quarterly installments to December 17, 1967. At said date the unamortized balance of the mortgage becomes due and payable. The Corporation is not liable under such mortgage, but is the lessee of the property under a long term lease, which lease is assigned as collateral under the mortgage.

THE COLORADO MILLING & ELEVATOR COMPANY

Current Liabilities:

Notes payable	$ 6,500,000
Drafts payable (for grain purchases, etc.)	252,115
Accounts payable	1,688,859
Accrued liabilities:	
Taxes on income	698,987
Property taxes	405,775
Other	1,524,049
Dividend payable June 1—see contra	193,369
Total current liabilities	$11,263,154

WALT DISNEY PRODUCTIONS

Current Liabilities:

Bank loans	
Current installments on long term liabilities	
Accounts payable	$ 2,007,906
Advances under contract	1,080,000
Payroll and employee benefits	1,551,444
Property, social security and other taxes	1,549,634
Estimated taxes on income (Note 5)	9,276,328
Total current liabilities	15,465,312
Unearned Deposits and Rentals	$ 2,071,144

DURA CORPORATION

Current Liabilities:

Current installments on long-term debt	$ 887,500
Other notes and contracts payable	42,752
Accounts payable	2,223,439
Accrued payrolls, taxes and sundry	1,437,498
Dividend payable—Note 6	60,898
Federal income tax, estimated	622,850
Total current liabilities	$5,274,937

Note 6: In the accompanying financial statements effect has been given to the quarterly cash dividend of 10¢ a share declared August 1, 1961, payable September 15, 1961. In connection with a 5% stock dividend declared in September, 1960, the excess of fair value of 28,300 shares issued over the par value thereof, $424,500, has been credited to other capital.

GENERAL CABLE CORPORATION

Current Liabilities:

Installments on long term debt	$ 93,509
Accounts payable	10,219,132
Accrued expenses	3,572,698
Accrued Federal income taxes (Note 5, page 12)	5,213,598
Dividends payable	1,436,894
Liability for container deposits	1,506,543
Total Current Liabilities	$22,042,374

REXALL DRUG AND CHEMICAL COMPANY

Current Liabilities:

Accounts payable	$20,653,733
Accrued wages, salaries and taxes thereon	5,516,104
Other accrued expenses	6,737,030
Current instalments of long term indebtedness	1,227,666
Estimated United States and foreign taxes on income for current and prior years	5,545,962
Total current liabilities	$39,680,495

LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

There were 364 survey companies that evidenced the many types of liabilities to employees and stockholders as current liabilities in their 1961 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 1961 reports.

Forty survey companies presented liabilities to employees in the noncurrent liabilities section of the balance sheet. The items included were contributions to employee benefit plans, incentive compensation, bonus plan payments, profit sharing plans, and various other (*Co. Nos. 114, 163, 252, 276, 285, 301).

Examples—Liabilities re Employees and Stockholders

Examples from the 1961 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

LOFT CANDY CORPORATION

Accounts payable	$174,533
Accrued wages, taxes and other expenses	596,069
Federal income tax (Note 2)	77,006
Dividends payable	140,000
Total current liabilities	$987,608

*Refer to Company Appendix Section.

TABLE 25: LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

	Presentation		
Current Liability Description*	Separately	With Other Items	1961 Total
A: Salaries or wages payable	54	201	255
B: Dividends or declarations payable	122	3	125
C: Payroll taxes withheld	15	60	75
D: Commissions payable	3	37	40
E: Payroll deductions for U. S. bond purchases	—	3	3
F: Deposits — various employee purposes	4	1	5
G: Deposits — salesmen's guarantees	3	2	5
H: Employee balances or accounts payable	—	3	3
I: Additional or other compensation	6	18	24
J: Bonus plan payments	1	8	9
K: Employee benefit plan contributions	18	16	34
L: Employee profit sharing plan	4	4	8
M: Employee savings or thrift plans	4	1	5
N: Vacation pay	6	19	25
Total	240	376	616

Number of Companies showing:	
Liabilities in current liability section only	324
Liabilities in noncurrent liability section only	11
Liabilities in both current and noncurrent liability sections	29
No liabilities—employees, stockholders, etc.	236
Total	600

*Refer to Company Appendix Section—
A: Co. Nos. 3, 44, 140, 213, 241, 281, 507, 599.
B: Co. Nos. 25, 30, 106, 193, 251, 308, 422, 569.
C: Co. Nos. 67, 74, 99, 132, 163, 211, 251, 456.
D: Co. Nos. 2, 52, 74, 96, 170, 211, 214, 507.
E: Co. Nos. 197, 241, 341.
F: Co. Nos. 36, 174, 198, 406, 495.
G: Co. Nos. 162, 166, 214, 504, 584.
H: Co. Nos. 132, 311, 424.
I: Co. Nos. 92, 174, 210, 296, 303, 410, 577, 586.
J: Co. Nos. 74, 99, 132, 204, 252, 368, 386, 464.
K: Co. Nos. 67, 99, 163, 197, 281, 347, 471, 507.
L: Co. Nos. 90, 132, 276, 285, 389, 474, 497.
M: Co. Nos. 2, 3, 209, 218, 251.
N: Co. Nos. 11, 78, 113, 163, 166, 241, 318, 423.

GAR WOOD INDUSTRIES, INC.

Notes payable to bank (Note B)	$1,500,000
Current maturities of long-term liabilities	490,000
Trade accounts payable	1,800,516
Dividends payable on Preferred Stock	34,207
Accrued pay rolls, taxes, and other expenses	986,522
Total Current Liabilities	$4,811,245

INTERNATIONAL HARVESTER COMPANY

Short-term borrowings	$ 65,295,765
Current invoices, payrolls and accruals	146,973,292
Accrued taxes	67,711,408
Dividends payable	9,907,144
Total current liabilities	$289,887,609

AVON PRODUCTS, INC.

Notes payable	$ 774,000
Accounts payable	5,342,000
Retail sales and withholding taxes	5,169,000
Payrolls, commissions, and bonuses	1,556,000
Income and other taxes, less tax anticipation notes, 1961—$13,867,000; 1960—$7,937,000	4,744,000
	$17,585,000

MASONITE CORPORATION

Current maturities of long-term debt	$1,676,000
Accounts payable	2,453,840
Cash dividend payable	478,168
Accruals—	
Payrolls	934,689
Taxes, other than Federal and state income taxes	581,924
Miscellaneous	818,849
Federal and state income taxes	2,151,342
Total Current Liabilities	$9,094,812

MOTOR WHEEL CORPORATION

Trade accounts payable	$1,302,949
Pay rolls and pay roll taxes	1,242,747
Property taxes and miscellaneous liabilities	1,509,370
Current installments of long-term notes payable	422,192
Total Current Liabilities	$4,477,258

G. C. MURPHY COMPANY

Notes payable	$ 1,172,158
Accounts payable	3,874,357
Taxes withheld or collected	2,298,985
Accrued compensation and other expenses	4,941,223
Accrued taxes	1,499,632
Provision for federal income taxes	4,384,731
Installments on term notes	1,832,322
Total Current Liabilities	$20,003,408

NOPCO CHEMICAL COMPANY

Notes payable to banks and others	$1,572,600
Accounts payable	2,782,822
Accrued liabilities:	
Salaries, wages and expenses	241,778
Executive Incentive Plan	157,685
Miscellaneous taxes	280,185
United States and Canadian income taxes, estimated	1,180,434
Total Current Liabilities	$6,215,504

PRATT & LAMBERT, INC.

Accounts payable	$ 611,246
United States and Canadian income taxes	712,163
Other taxes, salaries, and expenses	826,646
Total current liabilities	$2,150,055

VANADIUM-ALLOYS STEEL COMPANY

Note payable to bank	$ 650,000
Long-term debt installments due within one year (Note 3)	132,000
Trade accounts payable	704,988
Accrued payroll	252,589
Additional compensation to directors, officers, and employees	353,810
Accrued taxes other than income	216,501
Estimated taxes on income	921,110
	$3,230,998

SHOE CORPORATION OF AMERICA

Accounts payable:		
Trade	$7,740,993	
Officers ($57,584) and employees ($729,459), substantially all of which represents compensation payable after close of year	787,043	$ 8,528,036
Employees' and other taxes withheld or collected		1,161,616
United States income taxes		1,917,285
Accrued taxes—other		881,225
Accrued expenses		1,364,686
Long-term debt due within one year		958,393
Total Current Liabilities		$14,811,241

WHEELING STEEL CORPORATION

Payables	$12,044,794
Accrued salaries and wages including vacation pay	8,652,331
Federal taxes on income (Page 4)	2,011,423
Other accrued liabilities	4,199,445
Total Current Liabilities	$26,907,993

WOODALL INDUSTRIES, INCORPORATED

Trade accounts payable	$ 695,347
Wages and salaries and amounts withheld therefrom	288,824
Taxes, other than income taxes	200,955
Federal income taxes	215,191
Total Current Liabilities	$1,400,317

In Noncurrent Liability Section Only

AMERICAN CYANAMID COMPANY

Incentive Compensation Contingently Payable —Net (Note 6)	$3,263,198

Note 6: The accounts for 1961 include provision of $3,247,601 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 1961 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 $3,263,198. At December 31, 1961 the Company owned and held in its treasury 143,248 shares of Common Stock acquired at an average cost of $41.74 per share which are available at the election of the Company to fulfill the aforesaid contingent obligations.

CHRYSLER CORPORATION

Other Liabilities:	
Employee benefit plans	$12,935,878
Deferred taxes on income	15,993,000
Other	1,953,938
Total Other Liabilities	$30,882,816

KOPPERS COMPANY, INC.

Deferred compensation	$657,910

STUDEBAKER-PACKARD CORPORATION

Other Liabilities:	
Deferred installments of incentive compensation awards	$ 470,000
Long-term debt—Note C:	
5% secured notes payable	16,500,000
Other, less current maturities	3,627,980
	$20,597,980

PARAMOUNT PICTURES CORPORATION

Other Liabilities:	
Advance payments	$2,066,000
Deferred payments of shares, royalties, compensation, etc.	8,814,000

PFEIFFER BREWING COMPANY

Accrued pensions (Note B)	$126,129

Note B: Effective July 1, 1961, the Company executed an agreement with the labor union representing a majority of the hourly-rated employees of the St. Paul plant establishing a funded pension plan. Provision has been made for pension contributions required under this plan. For employees not covered by the funded plan, the Company has continued to provide for pensions and other benefits on the same basis as in prior years.

SERVEL, INC.

Deferred Liabilities (Note 4)	$594,456

Note 4: Deferred liabilities include deferred compensation which, net of applicable tax reduction, amounts to $443,063.

In Both Current and Noncurrent Liability Sections

CHAMPION PAPERS, INC.

Current Liabilities:	
Accounts payable	$14,510,358
Salaries and wages and, for 1961, current portion of separation payments and vacation pay	4,825,746
Federal and state income taxes	3,010,365
Other accrued items	3,141,203
Current portion of long-term debt	1,235,479
Total current liabilities	26,723,151
Long-Term Debt (less current portion) (Note 5)	55,753,481
Other Liabilities (including for 1961, separation payments to former employees)	2,930,660

McCORMICK & COMPANY, INCORPORATED

Current Liabilities:	
Notes payable to banks	$1,334,906
Accounts payable and accrued expenses	5,331,186
Income taxes	1,336,173
Debentures, payment due within one year	87,500
Dividend payable	115,611
Total Current Liabilities	$8,205,376
Supplemental Pension Plan—Net Liability (Note D)	107,539

Note D: Unfunded past service benefits under the trusteed pension plan adopted in 1960 amounted to approximately $1,750,000 at November 30, 1961; such benefits are being funded over a ten-year period.

The supplemental pension plan for certain executive and supervisory employees will be largely 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 under the supplemental pension plan was computed as follows:

Liability for service to November 30, less estimated Federal income tax savings in future years when payments will be made to participants or to the trusteed plan	$487,781
Less: Cash surrender value of individual life insurance contracts on employees	345,270
Investments in marketable securities at cost (quoted market value, 1961—$47,874; 1960—$224,299)	34,972
	380,242
Net Liability	$107,539

CONSOLIDATED PAPER COMPANY

Current Liabilities:	
Current maturities of notes payable (Note B)	$ 64,250
Accounts payable:	
Trade	902,624
Taxes withheld from employees	119,500
Sundry	56,197
Accrued liabilities:	
Payrolls, commissions, etc.	129,561
Social security taxes	24,946
Property and other taxes	640,981
Vacation pay	413,060
Death benefits for retired employees	40,000
Total current liabilities	2,391,119
Long-Term Liabilities:	
Notes payable (Note B)	217,750
Death benefits for retired employees	443,700
Deferred compensation	6,000
Total long-term liabilities	667,450
Total liabilities	$3,058,569

RADIO CORPORATION OF AMERICA

Current Liabilities:	
Accounts payable and accruals	$219,905,000
Federal taxes on income (Note 2)	20,005,000
Dividends payable on preferred and common stock	5,714,000
Total Current Liabilities	$245,624,000
Deferred Liabilities:	
Incentive plan awards payable, and unawarded balance (1961 and 1960, $518,000) (Note 4)	$ 5,875,000
Deferred federal taxes on income, related to depreciation	7,606,000
Total Deferred Liabilities	$ 13,481,000

Note 4: *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 1961 the maximum credit determined by the Independent Public Accountants as required by the Plan.

XEROX CORPORATION

Current Liabilities:	
Notes payable banks (Note 5)	$10,000,000
Payments due within one year on long-term debt	144,833
Accounts payable trade	2,398,178
Accrued liabilities:	
Salaries, wages and profit-sharing	3,107,135
Estimated taxes based on income (Note 6)	5,687,678
Other accrued liabilities	444,336
Dividends payable	377,648
Cash payment under Battelle Agreement (Note 4)	537,824
Preferred stock redemption	—
Subscription payable Rank-XeroX Limited	—
Other current liabilities	624,961
Total current liabilities	23,322,593
Executive Compensation Earned, Payment Deferred	$ 1,150,873

GENERAL MOTORS CORPORATION

Current Liabilities:

United States and foreign income taxes	$ 663,668,510
Less United States and foreign government securities	575,284,823
Net liability	88,383,687
Accounts payable	564,145,920
Taxes, payrolls, and sundry accrued items	769,148,942
Dividends payable on preferred stocks	3,232,073
Total Current Liabilities	1,424,910,622
Other Liabilities	241,132,704

Notes to Financial Statements

Other Liabilities: Other liabilities at December 31, 1961 consist of the following: unpaid instalments of bonus awards, and undelivered instalments of contingent credits applicable to terminated stock options, $110,128,494; accrued taxes on undistributed earnings of subsidiaries, $58,467,184; other non-current liabilities, $72,118,175; and minority interest in the preference stock of Vauxhall Motors Limited, $418,851.

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 43 survey companies which did not disclose a liability for federal income taxes in their 1961 balance sheets (*Co. Nos. 20, 51, 77, 107, 116, 159, 163, 176, 180, 183, 203, 215, 225, 239, 246, 263, 271, 272, 289, 340, 388, 392, 395, 403, 433, 439, 447, 459, 463, 478, 486, 490, 491, 506, 512, 529, 535, 562, 563, 568, 578, 583, 588). Twenty-three of these companies indicated "loss from operations," and eleven companies referred to operating loss "carry-forward" or "carry-back."

The following examples, selected from the 1961 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")

TABLE 26: INCOME TAX LIABILITY

Balance Sheet—Current Liability Presentation and Classification	1961	1960	1955
"Federal Income Tax"	213	228	273
Above combined with:			
Other taxes	4	5	9
Other income taxes	7	7	6
Canadian and other taxes	15	10	1
Renegotiation	3	1	9
Redetermination	—	—	1
Nontax items	—	—	3
Total	242	251	302
"Federal and State Income Taxes"	51	52	56
Above combined with:			
Foreign taxes	13	9	15
Foreign and municipal taxes	1	1	1
Municipal taxes	1	1	2
Other taxes	7	5	5
Renegotiation	—	—	3
Total	73	68	82
"Federal and Foreign Income Taxes"	36	46	84
Above combined with:			
Other taxes	—	—	1
Other taxes and renegotiation	1	1	3
Renegotiation	2	4	6
Total	39	51	94
Classification set forth as:			
"Income taxes"	74	67	55
"Foreign income taxes"	1	—	1
"Income and other taxes"	11	9	4
"Income tax, domestic and foreign"	1	1	1
"Income tax and renegotiation"	—	—	3
Total	87	77	64
"Taxes"	36	36	35
"Federal, state and other taxes"	4	3	3
"Federal and state taxes"	4	3	1
"Federal, state, municipal taxes"	5	6	5
"Federal and general taxes"	1	—	2
"Domestic and foreign taxes"	1	1	1
"Taxes and nontax items"	1	1	2
"Taxes and renegotiation"	—	—	1
"U. S. and local and/or foreign"	64	59	N/A
Total	116	109	50
Number of Companies presenting:			
Current liability for income tax or taxes	557	556	592
Not presenting such liability	43	44	8
Total	600	600	600

N/A—Not available.

ALAN WOOD STEEL COMPANY

Current Liabilities:

Federal and Pennsylvania income taxes (Note 2)	$1,112,823

Note 2: *Federal income taxes*—The Internal Revenue Service has proposed assessments for additional federal income taxes for the four years 1955 through 1958 as a result of disallowing a portion of the depletion deductions claimed by the Company in its federal income tax returns for those years. Reductions in depletion deductions claimed by the Company for the years 1955 through 1961 to the basis being proposed by the Internal Revenue Service would result in assessments of taxes for those years aggregating approximately $2,900,000 more than has been provided in the Company's financial statements, of which approximately $375,000 would relate to 1961. The Company has filed a petition in the Tax Court 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.

*Refer to Company Appendix Section.

THE BUDD COMPANY

Current Liabilities:

Estimated income taxes	$1,387,312

Notes to Financial Statements

Other Matters: *Taxes On Income*—The Company and its subsidiaries file separate tax returns. During the year the Company merged one of its subsidiaries, thereby availing itself of income tax credits on a portion of the former subsidiary's cumulative losses. There remain additional subsidiary losses totalling approximately $1,900,000 available to reduce taxable income in subsequent years.

ALPHA PORTLAND CEMENT COMPANY
Current Liabilities:

Accrued taxes:	
Federal income (Note B)	$1,846,352
Other	298,938

Note B: As permitted by the Internal Revenue Code, the Company filed amended Federal income tax returns for the years 1955 through 1959. The tax computed thereunder was paid in 1960 and $3,210,000 thereof applicable to years before 1960 was charged to earned surplus. The Internal Revenue Service has not yet agreed to certain calculations in the method of computing percentage depletion and therefore these amended returns are not yet final. The Company, however, is of the opinion that the calculation finally accepted will not result in any taxes for 1955 through 1961 significantly different from that which has been provided.

AMERICAN AIR FILTER COMPANY, INC.
Current Liabilities:

Income taxes	$1,571,933

AMERICAN CHICLE COMPANY
Current Liabilities:

United States and foreign taxes on income	$5,253,386

BUCYRUS-ERIE COMPANY
Current Liabilities:

Federal and state taxes on income	$73,356

Notes to Financial Statements

Note F: *Taxes on Income*—Taxes on income for the year ended December 31, 1961 have been reduced by the carry-forward of an operating loss of the prior year and other adjustments to taxable income.

CONSOLIDATED CIGAR CORPORATION
Current Liabilities:

Provision for Federal, State and other taxes on income (Note 3)	$3,139,590

Note 3: Three subsidiaries in Puerto Rico, in accordance with the laws of that Commonwealth, have been granted taxation relief which will expire in 1963, 1970 and 1971, respectively. Such tax relief amounted to approximately $1,664,000 for 1961 and $817,000 for 1960. The accumulated earnings of these subsidiaries, which amounted to approximately $15,281,000 at December 31, 1961, are employed in the Puerto Rican operations. While so employed, they are not liable to Federal income taxes and no specific provision has been made in the accounts for such taxes as they may never accrue.

GENERAL REFRACTORIES COMPANY
Current Liabilities:

Provision for estimated federal and Pennsylvania income taxes, including possible additional assessments (Note 2)	$1,148,477

Note 2: The income tax deficiencies for the years 1954 through 1958 proposed by the Internal Revenue Service and the tax adjustments for the years 1959 and 1960, referred to in the Annual Report for 1960, will be settled in accordance with the provisions of a law enacted in September 1961, which applies to all years through 1960. As provided by this law, the company in January 1962 filed amended federal income tax returns for the years 1954 through 1960 and paid additional taxes and interest for those years aggregating $205,102. These amended returns are subject to examination by the Internal Revenue Service, but the amounts provided in prior years for additional income taxes appear adequate.

In the absence of complete final regulations covering the computation of the company's percentage depletion for years after 1960, it is not possible to determine the amount of percentage depletion deduction which may ultimately be allowed for the year 1961. In the meantime, percentage depletion for this year has been determined on the same basis employed in the amended returns filed for 1954 through 1960. Without the deduction for percentage depletion, the income tax provision for 1961 would have amounted to approximately $500,000.

PITTSBURGH PLATE GLASS COMPANY
Current Liabilities:

Domestic and foreign taxes on income	$26,869,826

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Current Liabilities:

Federal income and other taxes, and renegotiation (Note 3)	$6,013,388

Note 3: A substantial portion of the sales for 1960 and 1961 are subject to the Renegotiation Act of 1951, and proceedings with the Government, pursuant to this act, have not been completed for these years. The Company believes that no excessive profits exist; however, the policy of providing reserves has been continued.

UNITED CARBON COMPANY
Current Liabilities:

Reserve for taxes on income	$1,363,978

Notes to Financial Statements

Note 3: *Federal Income Taxes*—Intangible drilling costs of productive wells are capitalized and amortized on the books but are deducted as incurred for tax purposes. The differences between amortization of intangible drilling costs on the books and the intangible drilling costs deducted for tax purposes resulted in a decrease in Federal income taxes and a corresponding increase in net income of $1,100,000 in 1961 and $900,000 in 1960.

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 276 companies that used descriptive terms such as *estimated, provision, reserve,* or *accrued* in conjunction with other words to describe their tax liability. The remaining 281 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 276 in 1961, with the use of the term *reserve* dropping from 48 in 1950 to 18 in 1961.

Examples

The following examples of balance sheet terminology for federal and other income or tax liability have been taken from the survey reports for 1961.

Estimated—(110 Companies):

- Estimated federal taxes on income (*Co. No. 254)
- Estimated federal and foreign income taxes less government securities of $xxx (*Co. No. 139)
- Estimated federal and state taxes on income (*Co. No. 473)
- Estimated federal and foreign taxes on income (*Co. Nos. 190, 297)
- 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. 107)

*Refer to Company Appendix Section.

Estimated U. S. and Canadian income taxes (*Co. No. 331)
Federal taxes on income—estimated (*Co. No. 295)
Federal income tax(es)—estimated (*Co. Nos. 44, 64)
Federal taxes on income—estimated, less United States Government securities (*Co. No. 407)
Federal and state taxes on income—estimated (*Co. Nos. 171, 187, 219)
Federal, state, and foreign taxes on income—estimated (*Co. No. 201)
Federal, foreign and state taxes based on income—estimated (*Co. No. 117)
Federal, state and Canadian taxes on income—estimated, less U. S. Government securities: $xxx (*Co. No. 398)
Federal and Canadian taxes on income—estimated (*Co. No. 39)
Federal and state income taxes, estimated (*Co. Nos. 46, 235, 475)
Federal taxes on income—estimated, less United States Treasury obligations—$xxx (*Co. No. 402)
Federal and other taxes on income—estimated (*Co. No. 281)
Federal and other taxes based on income—estimated (*Co. No. 516)
Federal and foreign income taxes—estimated (*Co. No. 508)
Federal and British taxes on income—estimated (*Co. No. 65)
Income taxes—estimated (*Co. No. 3)
Income taxes payable—estimated (*Co. No. 262)
Taxes on income—estimated (*Co. Nos. 2, 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. 355)
U. S. Federal income taxes—estimated (*Co. No. 307)
U. S. taxes on income (estimated) (*Co. No. 373)

Provision—(56 Companies):
Provision for federal taxes on income (*Co. Nos. 80, 94, 284, 408, 426)
Provision for federal income taxes (*Co. Nos. 98, 391, 510, 534, 590)
Provision for federal income taxes, estimated (*Co. No. 11)
Provision for federal, state and foreign income taxes (*Co. No. 213)
Provision for federal and foreign income taxes (*Co. No. 36)
Provision for federal and foreign taxes on income (*Co. No. 29)
Provision for income taxes (*Co. No. 237)
Provision for taxes: taxes on income (*Co. No. 277)
Provision for United States and foreign taxes on income (*Co. No. 375)
Provision(s) for taxes (*Co. Nos. 399, 448)
Provision for federal and state income taxes (*Co. No. 381)
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 United States and Foreign income taxes (*Co. No. 346)
Provision for United States and Canadian income taxes (*Co. No. 105)
Provision for federal taxes on earnings (*Co. No. 30)
Provision for federal income taxes (less U. S. Government securities of $xxx) (*Co. No. 182)
Provision for federal taxes on income, less tax anticipation notes: $xxx (*Co. No. 185)
Provision for federal income taxes, less $xxx paid previously for the year 1961 (*Co. No. 538)
Provision for taxes, including taxes on income (*Co. No. 18)
Provision for federal and state income taxes, less United States Government securities, at cost, including interest—$xxx (*Co. No. 108)
Provision for federal, state and other taxes on income (*Co. No. 160)

Reserve—(18 Companies):
Reserve for federal income tax(es) (*Co. Nos. 47, 88, 102, 369)
Reserve for federal, state and foreign income taxes (*Co. No. 6)
Reserve for U. S. and Canadian income taxes and renegotiation (*Co. No. 548)
Reserve for taxes on income, less United States Government securities of $xxx (*Co. No. 157)
Reserve for estimated federal income taxes (*Co. No. 22)

Accrued—(92 Companies):
Accruals: federal income taxes, less United States tax notes of $xxx (*Co. No. 43)
Accrued federal taxes on income (*Co. No. 593)
Accrued federal income taxes (*Co. Nos. 247, 358)
Accrued liabilities: federal taxes on income (*Co. Nos. 145, 434)
Accrued taxes: federal income (*Co. No. 17)
Accrued interest and taxes (*Co. No. 500)
Acrued liabilities: federal income taxes (*Co. No. 245)
Accrued liabilities: federal and state taxes (*Co. No. 172)
Accrued United States income taxes $xxx less United States Government securities (*Co. No. 178)
Accrued federal and foreign taxes on income (*Co. No. 519)
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. 45)
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)

***Refer to Company Appendix Section.**

TABLE 27: INCOME TAX LIABILITY

Primary Descriptive Term:	*1961	1960	1955	1950
Estimated, etc.	110	112	131	109
Provision, etc.	56	62	93	130
Reserve, etc.	18	20	22	48
Accrued, etc.	92	84	101	122
	276	278	347	409
None Used with—				
Federal or U.S. income taxes	233	236	214	180
Income taxes	36	27	19	
Taxes	12	15	12	
Total	557	556	592	589
No income tax liability	43	44	8	11
Total	600	600	600	600

*1961 Descriptive Term Used with:	Estimated	Provision	Reserve	Accrued	Used Alone	1961 Total
Federal income tax	40	26	11	23	142	242
Federal and state income taxes	23	10	2	5	33	73
Federal and foreign income taxes	10	3	2	4	20	39
Income taxes	24	8	2	17	36	87
Taxes	—	5	—	35	12	52
U.S. and other	13	4	1	8	38	64
Total	110	56	18	92	281	557

Accrued accounts: federal taxes on income, less U. S. Government securities—$xxx (*Co. No. 551)
Accrued federal income tax (*Co. No. 166)
Accrued liabilities: federal and state income taxes (*Co. No. 445)
Accrued taxes, including federal income taxes (*Co. No. 169)
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. 343)
Taxes accrued (*Co. No. 13)
Tax accruals (*Co. No. 167)

Federal or U. S. income taxes—(233 Companies):
Federal income tax(es) (*Co. Nos. 31, 50, 154, 243, 299)
Federal taxes on income (*Co. Nos. 100, 306, 372, 397)
Federal income tax(es) payable (*Co. Nos. 334, 509)
Federal and state income taxes (*Co. Nos. 315, 360)
Federal, state, and Canadian taxes on income (*Co. Nos. 210, 253, 325)
Federal and foreign taxes on income (net after government tax notes of $xxx) (*Co. No. 25)
Federal, state and other taxes (*Co. No. 34)
Federal and state taxes (*Co. No. 470)
Federal, state and local taxes: less U. S. Treasury bills (*Co. No. 467)
Federal and other taxes on income (*Co. No. 437)
Federal and foreign taxes on income and renegotiation, less U. S. tax anticipation notes ($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 $xxx of foreign government securities) (*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. 168)
Federal, Canadian, and state taxes on income (*Co. No. 570)
Federal income tax, less U. S. Treasury bills of $xxx (*Co. No. 337)
United States taxes on income, less U. S. Treasury securities; $xxx (*Co. No. 230)
United States income taxes (*Co. Nos. 411, 496)
United States and Canadian Federal income taxes (*Co. No. 122)
United States and foreign taxes on income (*Co. Nos. 198, 465)
United States and foreign income taxes (*Co. No. 195)
United States and Canadian income taxes (*Co. No. 249)
United States, Canada, and other taxes on income (*Co. No. 240)
United States taxes less U. S. Treasury securities—$xxx (*Co. No. 266)
United States and Canadian taxes on income (*Co. No. 296)
U. S. and Canadian income taxes (*Co. Nos. 256, 418)
U. S. and foreign income taxes (*Co. No. 75)

Income taxes—(36 Companies):
Domestic and foreign taxes on income (*Co. No. 444)
Income taxes (*Co. Nos. 342, 532)
Income and social security taxes (*Co. No. 174)
Income and other taxes, less tax anticipation notes, $xxx (*Co. No. 74)
Income taxes payable (*Co. Nos. 442, 518, 595)
Income, operating and consumer taxes (*Co. No. 494)
Income, excise, state gasoline, and other taxes payable (*Co. No. 505)
Income taxes and other taxes payable (*Co. No. 597)
Taxes on income (*Co. Nos. 151, 440)
Taxes on income payable to United States and Canada (*Co. No. 511)

Taxes—(12 Companies):
Taxes (*Co. No. 179)
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)
Local, state and federal taxes, less United States securities of $xxx (*Co. No. 558)

*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 219 survey companies in 1961, 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 $497,413 in 1961 and $798,736 in 1960 .... $355,738

CHICAGO PNEUMATIC TOOL COMPANY

Current Liabilities:

Estimated Federal and foreign income taxes, less government securities of $840,000—1961; $854,000—1960 .... $7,348,959

DIAMOND NATIONAL CORPORATION

Current Liabilities:

Accrued taxes (less U.S. Government securities: $6,177,000 in 1961 and $4,901,000 in 1960) $7,850,000

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

Number of Companies with U. S. Government Securities presenting—	1961	1955
All Government securities as an offset to the Federal income tax liability with such securities identified as:		
U.S. Government securities (or similar terms)	28	28
Treasury notes	—	10
Treasury notes, and bills or certificates	3	4
Treasury tax notes or certificates	1	4
Treasury tax anticipation notes, certificates, or bills	—	8
Treasury bills	4	4
Total	36	58
Certain Government securities as an offset to the Federal income tax liability with such securities identified as:		
U.S. Government securities (or similar terms)	30	78
Treasury notes	2	7
Treasury notes, and bills or certificates	—	3
Treasury tax notes or certificates	2	9
Treasury tax anticipation notes, certificates, or bills	3	9
Treasury bills	2	5
Total	39	111
All Government securities as Current Assets with securities identified as:		
U.S. Government securities (or similar terms)	122	169
Treasury notes	2	4
Treasury bills	18	13
U.S. Government or treasury bonds	2	4
Total	144	190
Number of Companies with no U.S. Government Securities presenting:		
Federal income tax liability	338	233
No Federal income tax liability	43	8
Total	381	241
Total	600	600

FEDERATED DEPARTMENT STORES, INC.
Current Liabilities:
Federal income taxes, less U. S. Treasury Bills of $9,949,420 and $5,946,694 .. $16,021,707

LANGENDORF UNITED BAKERIES, INC.
Current Liabilities:
Federal taxes on income, less United States Treasury obligations, $550,000, 1961, and $992,909, 1960 .... $ —

REVERE COPPER AND BRASS INCORPORATED
Current Liabilities:
Federal, state and local taxes $8,075,761
Less U. S. treasury bills 1,978,809
$6,096,952

ST. REGIS PAPER COMPANY
Current Liabilities:
Accrued accounts:
Federal taxes on earnings (less U. S. Treasury obligations, 1961—$1,335,-898; 1960—$1,829,239) $15,499,363

TOBIN PACKING CO., INC.
Current Liabilities:
Federal income taxes (after deducting U. S. Treasury bills held for tax payments; 1961 —$398,171; 1960—$497,899) $864,538

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

AMERICAN BANK NOTE COMPANY
Current Assets:
Government securities, at cost (market $477,000—1961 and $854,000—1960) . $ 484,134
Current Liabilities:
Federal and foreign taxes on income, net after government tax notes of $308,280 —1961 and $490,280—1960 .... $1,358,593

THE ARUNDEL CORPORATION
Current Assets:
U. S. Treasury obligations $3,150,000
Current Liabilities:
Federal income taxes (less U. S. Treasury obligations held for payment—$400,000 and $300,000) .... $ 188,000

AVON PRODUCTS, INC.
Current Assets:
Government securities at cost $8,950,000
Current Liabilities:
Income and other taxes, less tax anticipation notes, 1961—$13,867,000; 1960—$7,937,000 .... $4,744,000

THE BORDEN COMPANY
Current Assets:
U. S. Government Securities $44,781,313
Current Liabilities:
Accrued Taxes (after deducting U.S. Treasury Bills equal to U.S. Federal Income Taxes—1961, $16,100,000; 1960, $16,-400,000) .... $ 4,100,521

FALSTAFF BREWING CORPORATION
Current Assets:
Securities—at cost plus accrued interest:
United States Government $2,014,169
Current Liabilities:
Taxes payable and accrued:
Income taxes (less United States Treasury tax anticipation notes and accrued interest, $3,463,533 in 1961 and $2,-472,296 in 1960) .... $ 375,252

PENN FRUIT CO., INC.
Current Assets:
United States Treasury Notes .... $ 658,966
Current Liabilities:
Federal taxes payable on income .... $ 335,301
Less—U.S. Treasury Notes—applied as a reduction of foregoing liability .... (335,301)

THE PURE OIL COMPANY

Current Assets:

U.S. and other government securities, at cost $10,109,945

Current Liabilities:

Federal income taxes ($1,640,403 in 1961 and $1,435,518 in 1960; less U.S. Government securities in same amount each year) .... $ —

RAYBESTOS-MANHATTAN, INC.

Current Assets:

United States Government obligations, at cost (quoted market value, $597,501 for 1961 and $566,625 for 1960) $640,626

Current Liabilities:

Federal and Canadian taxes on income, less United States Tax Anticipation Bills (1961—$1,744,959; 1960—$1,584,132) .... $ 34,000

All Government Securities Presented as Current Assets

ALCO PRODUCTS, INCORPORATED

Current Assets:

United States Government securities—at cost $5,961,780

Current Liabilities:

Estimated federal income taxes and renegotiation .... $ 559,301

AMERICAN CYANAMID COMPANY

Current Assets:

Marketable securities—U.S. Government and other short term notes, at cost and accrued interest $60,356,642

Current Liabilities:

Provision for Federal and foreign taxes on income $53,695,027

THE AMERICAN HARDWARE CORPORATION

Current Assets:

United States Treasury bills—at cost .... $ 496,989

Current Liabilities:

United States and Canadian income taxes $2,465,859

THE AMERICAN SHIP BUILDING COMPANY

Current Assets:

United States Treasury Bonds—at cost, quoted market $46,209 (1960—$45,712) .... $ 53,000

Current Liabilities:

Federal income taxes—estimated $233,891

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

Balance Sheet Description*	Current Liability: Short-term**	Noncurrent Liability: Long-term
A: Notes payable	167	360
B: Loans payable	37	40
C: Bonds payable	—	29
D: Accounts payable (nontrade)	2	2
E: Debentures	—	92
F: Sinking fund debentures	—	152
G: Equipment contracts	1	13
H: Purchase money obligations	—	30
I: Real estate obligations	—	2
J: Mortgages payable	1	81
K: Contracts payable	4	15
L: Other long-term liabilities	—	13
M: Owed by—subsidiaries	24	67
N: Owed to—unconsolidated subsidiaries or affiliates	9	5
Total	245	901

Number of Companies presenting:	
Short-term borrowing only	32
Short-term borrowing and long-term indebtedness	185
Long-term indebtedness only	295
Neither short-term borrowing nor long-term indebtedness	88
Total	600

*Refer to Company Appendix Section—
A: Co. Nos. 48, 120, 279, 417, 482, 584.
B: Co. Nos. 33, 148, 152, 282, 308, 337.
C: Co. Nos. 93, 178, 203, 219, 305, 329.
D: Co. Nos. 125, 142, 402, 533.
E: Co. Nos. 61, 72, 184, 328, 476, 567.
F: Co. Nos. 5, 34, 165, 376, 480, 516.
G: Co. Nos. 21, 131, 161, 263, 398, 593.
H: Co. Nos. 97, 183, 211, 301, 387.
I: Co. Nos. 382, 468.
J: Co. Nos. 113, 132, 162, 388, 408, 425.
K: Co. Nos. 44, 61, 236, 297, 539, 550.
L: Co. Nos. 156, 162, 247, 352, 400, 515.
M: Co. Nos. 2, 96, 120, 160, 283, 312.
N: Co. Nos. 231, 238, 250, 292, 494, 512.

**Excluding items set forth in the current liability section which represent the portion of long-term indebtedness payable within one year.

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The various types of short-term borrowing and long-term indebtedness presented in the 1961 balance sheets of the 600 companies included in the survey are summarized in Table 29.

The annual reports of these companies disclose that 88 had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 512 companies, 32 presented short-term borrowing only; 295 disclosed only long-term indebtedness, and 185 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 83 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 (4 companies), revolving credit (35 companies), or simple credit agreements (44 companies).

One company disclosed that it had entered into a credit agreement subsequent to the end of the accounting period and six companies reported that borrowings under credit agreements were repaid during the year.

Examples from the 1961 reports illustrating the presentation of short-term borrowing in the current liability section, and of long-term indebtedness in the noncurrent liability section of the balance sheet, including indebtedness secured by collateral, are shown below.

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

SHORT-TERM BORROWING

Notes Payable

AMERICA CORPORATION

Current Liabilities:

Notes payable—banks:		
Secured (Note 3)	$5,600,324	
Unsecured	1,828,000	$7,428,324
Notes payable—other, unsecured		113,300

Note 3: *Notes payable—secured*—Notes payable to banks are secured as follows:

		Security Pledged
6% promissory note	$2,250,000	467,864 shares of common stock of Universal American Corporation
5½% promissory note	1,700,000	265,420 shares of common stock of Republic Corporation
5¾% promissory notes	1,650,324	$1,534,732 notes receivable and advances to producers evidenced by promissory notes; $ 654,761 accounts receivable
	$5,600,324	

ALLIED MILLS, INC.

Current Liabilities:

Notes payable, short term loans $3,700,000.00

CONSOLIDATED CIGAR CORPORATION

Current Liabilities:

Notes payable to banks $4,000,000

HART SCHAFFNER & MARX

Current Liabilities:

Notes payable $4,000,000

Loans Payable

PARKE, DAVIS & COMPANY

Current Liabilities:

Loans in other countries for current requirements of subsidiaries and branches $7,770,503

CHAS. PFIZER & CO., INC.

Current Liabilities:

Bank loans $12,856,438

SUN CHEMICAL CORPORATION

Current Liabilities:

Bank loans and notes payable $4,573,838

TIMKEN ROLLER BEARING COMPANY

Current Liabilities:

Bank loans (operations outside U. S.) ... $2,997,767

Revolving Credit Agreement

FAIRCHILD STRATOS CORPORATION

Current Liabilities:

Loans payable to banks (Note 1) $2,400,000

Note 1: Loans payable to banks are made under a Revolving Credit Agreement which, by amendment of February 28, 1962, permits the Corporation to borrow up to $5,000,000 at any time up to February 28, 1964. The amended agreement also provides, among other covenants, that:

(1) the Corporation will assign monies due or to become due under all significant defense production contracts,

(2) the corporation must maintain consolidated net current assets of at least $10,000,000 and consolidated stockholders' investment of at least $17,000,000. (Accordingly, at December 31, 1961, accumulated earnings of $2,393,867 were restricted for the payment of dividends.)

V-Loan

COLLINS RADIO COMPANY

Current Liabilities:

Notes payable (Note 1):	
Under Regulation V loan agreement	$40,400,000
Other	10,225,759
Long-Term Liabilities (Note 1)	$19,594,447

Note 1: *Notes Payable and Long-Term Liabilities*—Notes payable and long-term liabilities at July 31, 1961, consist of the following:

	Due within one year	Due after one year
Due to banks:		
V loan agreement	$40,400,000	
Unsecured notes	6,800,000	
Term loan	1,440,000	
Subsidiary borrowings	1,486,759	
	$50,126,759	
Due to others:		
4¾% Convertible Subordinated Debentures		$12,000,000
First Mortgage Sinking Fund Bonds with interest rates from 5½% to 6%	449,000	7,116,000
Other	50,000	478,447
	499,000	19,594,447
Totals	$50,625,759	$19,594,447

The Regulation V loan agreement provides a revolving credit of $45,000,000 extending to October 31, 1961, under which borrowings are evidenced by 90-day notes. An extension of the agreement to April 30, 1963, is now being negotiated, and it is expected that cash dividends will initially be limited to 25% of earnings subsequent to July 31, 1961. At July 31, 1961, the balance sheet includes approximately $54,900,000 of accounts receivable and inventories relating to certain United States Government contracts, the proceeds of which are assigned as collateral security under the agreement.

The 4¾% Convertible Subordinated Debentures due March 1, 1980, are convertible into Common Stock at the rate of one share of Common Stock for each $61.54 (subject to adjustment under certain conditions) of principal amount of the debentures. The debentures require a sinking fund beginning in 1970 sufficient to retire 75% of the debentures prior to maturity.

The 5% Convertible Subordinated Debentures outstanding in the amount of $1,234,200 at July 31, 1960, to the extent not converted, were redeemed December 21, 1960 at 104.1%.

First Mortgage Sinking Fund Bonds, together with an additional $1,634,000 to be issued about November 1961, require sinking fund payments, plus interest, of $449,000 in fiscal 1962, $484,000 annually through 1978, and lesser payments thereafter until maturity.

Contracts Payable

CENTRAL SOYA COMPANY, INC.

Current Liabilities:

Construction and equipment commitments	$1,557,000

FOREMOST DAIRIES, INC.

Current Liabilities:

Accounts payable	$15,682,208
Notes and contracts	2,173,438

TEXACO INC.

Current Liabilities:

Notes and contracts payable and long-term debt due within one year	$33,444,866

Owed by Subsidiaries

CRANE CO.

Current Liabilities:

Payable to banks by foreign subsidiaries	$1,435,752

ELECTROLUX CORPORATION

Current Liabilities:

Notes of subsidiary payable to bank	$1,150,000

Owed to Unconsolidated Subsidiaries

OTIS ELEVATOR COMPANY

Current Liabilities:

Payable to subsidiaries—not consolidated	$560,332

REVERE COPPER AND BRASS, INCORPORATED

Current Liabilities:

Due Ormet Corporation on aluminum purchases	$3,597,116

REYNOLDS METALS COMPANY

Current Liabilities:

Other current liabilities (including in 1961 $5,507,057 payable to unconsolidated subsidiaries and other associated and related companies)	$8,792,832

LONG-TERM INDEBTEDNESS

Noncurrent Liabilities

GRANITE CITY STEEL COMPANY

Long-term Debt:

Notes payable to banks (Note 1)	$23,400,000
First mortgage bonds, due $1,800,000 in 1963 through 1966, $11,600,000 in 1967—	
4¼% Series	16,500,000
4⅝% Series B	2,300,000
First mortgage bonds of subsidiary, 5%, due semiannually to 1976	2,545,000
4½% Debentures, due annually to 1973	7,500,000
4% Notes, due semiannually to 1963	1,249,581
6% Notes of subsidiary, due quarterly to 1985	3,336,280
Liability under construction contracts, payable by 1968 through delivery of all by-product tar	4,665,142
	$61,496,003

Note 1: *Revolving credit agreement*—Under a revolving credit agreement dated August 1, 1960 the company has bank loan commitments totaling $30,000,000. Loans thereunder, of which $23,400,000 were outstanding at December 31, 1961, are evidenced by 90-day notes. At its option, the company can convert borrowings under this agreement, up to the maximum of the commitment, to four-year term notes, payable in semiannual installments in accordance with the terms of the agreement. It is the company's present intention to exercise this option prior to the expiration of the agreement, August 1, 1962. The balance outstanding at December 31, 1960 therefore has been reclassified as long-term debt.

INTERNATIONAL SHOE COMPANY

Noncurrent Liabilities:

Long-term debt, less current maturities (Note 4)	$56,820,000

Note 4: *Long-term debt, less current maturities*—

4⅝% promissory installment notes, due annually $1,875,000, 1970 through 1989 and balance in 1990	$50,000,000
3⅛% promissory installment note, payable $1,500,000 annually, 1963 through 1965	4,500,000
Mortgage notes payable, an obligation of Twelfth-Delmar Realty Company, payable $10,000 monthly, and balance December 1, 1963	1,330,000
5½% sinking fund debentures, obligations of Savage Shoes Limited:	
Series A, annual sinking fund requirements of $52,500	262,500
Series B, annual sinking fund requirements $16,500 to 1966 and $17,000 thereafter	167,500
Installment bank loan, an obligation of Savage Shoes Limited, payable $80,000 annually 1962 through 1968. Interest at daily commercial rates	560,000
	$56,820,000

ARMOUR AND COMPANY

Long term obligations, reserves and stockholders' equity:

Long term debt (Note 3):	
First Mortgage Twenty-Five Year 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	$34,000,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	9,486,000
3½% Sinking Fund Debentures, due September 1, 1968	18,400,000
Purchase Money Notes, due in installments to 1968	5,439,751
	67,325,751
Subordinated long term debt (Note 4):	
3½% Cumulative Income Debentures (Subordinated, due November 1, 1972	10,185,000
4½% Convertible Subordinated Debentures, due September 1, 1983	32,648,300
5% Cumulative Income Subordinated Debentures, due November 1, 1984	56,204,680
	$99,037,980

Note 3: *Long term debt*—Long term debt maturities and sinking fund requirements for the fiscal year 1962 aggregate $9,087,606. Of this amount $3,740,000 has been anticipated and paid in advance; the balance of $5,347,606 has been deducted from long term debt and included in current liabilities at October 28, 1961. The amount payable in 1963 will be $9,084,311, in 1964 $9,060,308, in 1965 $6,678,715, and in 1966 $6,646,655.

Note 4: *Subordinated long term debt*—Subordinated long term debt sinking fund requirements for the 1962 fiscal year aggregate $2,731,040 of which $2,153,000 is applicable to the 3½% income debentures and $578,040 to the 5% income debentures. This amount has been deducted from subordinated long term debt and included in current liabilities at October 28, 1961. Since the computation of sinking fund requirements is based on formulae relating principally to annual earnings, such requirements for 1963 and subsequent years are not presently determinable.

On August 24, 1961, the Company issued $32,648,300 principal amount of 4½% Convertible Subordinated Debentures, due September 1, 1983. These debentures are convertible into shares of Common stock of the Company prior to September 1, 1983 at $58 principal amount of debentures for each share of stock, with anti-dilution provisions.

FANSTEEL METALLURGICAL CORPORATION

Long-term Debt:

4¼% promissory notes, due December 31, 1962	$ 500,000
5% to 6% promissory notes, due in annual instalments of $567,000 commencing April 20, 1962 (Note 4)	2,835,000
4½% promissory notes, due in annual instalments of $500,000 commencing December 31, 1963	2,000,000
4¾% subordinated debentures, due in annual instalments of $300,000 commencing October 1, 1967, convertible into common stock on or before October 1, 1966, at rate of $28.76 per share	2,692,000
	$8,027,000
Less—Instalments due within one year included in current liabilities (4¼% notes $500,000 and 5% notes $567,000)	1,067,000
	$6,960,000

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

Long-Term Debt:

Debentures, 2¾%, due December 5, 1965	$ 5,300,000
Debentures, 3.10%, due April 1, 1972	13,700,000
Debentures, 3¾%, due August 1, 1976	22,600,000
Debentures, 4½%, due April 15, 1986	25,000,000
Total long-term debt	$66,600,000

REPUBLIC STEEL CORPORATION

Noncurrent Liabilities:

Long-Term Debt:

Total amount outstanding, less current portion—Note D	$219,783,398

Note D: Long-term debt—Long-term debt outstanding at December 31, 1961, is shown in the following summary:

Republic Steel Corporation:	
4⅜% Sinking Fund Debentures Due 1985 (Annual sinking fund payments: 1965 to 1970—$3,000,000; 1971 to 1983—$7,000,000; 1984—$8,000,000)	$125,000,000
Promissory notes payable to banks (repayable as stated below)	82,500,000
Promissory notes payable to customer—payable in monthly installments based upon steel products purchased—interest at 3%	21,707,750
Purchase money mortgage note, unpaid face amount —$7,500,000, due December 31, 1966, payable in annual installments of $1,500,000 in full of principal and interest—stated on the basis of present worth of future installments at 3% interest	6,869,561
	$236,077,311
Less current portion	16,293,913
Total	$219,783,398

Promissory notes payable to banks amounting to $60,000,000 are payable in installments of $15,000,000 annually with interest at 3½% under the terms of a Revolving and Term Loan Credit Agreement dated August 31, 1955, and promissory notes payable to banks amounting to $22,500,000 are payable under the terms of a Revolving and Term Loan Credit Agreement effective August 31, 1960. Under the 1960 agreement the Corporation has the option to borrow funds on a revolving credit basis during the five-year period ending August 31, 1965, and on a term loan basis for an additional five-year period with the principal amount thereof being payable in five equal annual installments commencing August 31, 1966. The maximum amount which can be outstanding under the 1960 agreement is now $90,000,000, but is increased on August 31, 1962, by an amount equal to the $15,000,000 repayment required on that date under the 1955 agreement.

Among other covenants, the Indenture relating to the 4⅜% Sinking Fund Debentures and the Revolving and Term Loan Credit agreements contain certain restrictions on the payment of dividends. Under the more restrictive covenant of the Indenture, income retained and invested in the business at December 31, 1961, was unrestricted to the extent of approximately $73,900,000.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Noncurrent Liabilities:

Long-Term Debt payable after one year (Note 5)	$192,918,000

Note 5: Long-Term Debt—Long-term debt at December 31, 1961 was as follows:

	Payable within one year	Payable after one year
National Distillers and Chemical Corporation		
4¾% Sinking fund debentures due 1963-1983	$ —	$ 60,000,000
3⅜% Sinking fund debentures due 1963-1974	—	25,934,000
5¼% Promissory notes due 1968-1986	—	50,000,000
3.05% Promissory notes due 1962-1975	150,000	28,800,000
4¼% Promissory notes due 1962-1977	1,300,000	18,400,000
3½% Promissory notes due 1962-1967	400,000	2,260,000
4¼% Promissory notes due 1962-1968	260,000	1,460,000
5% Purchase money mortgage due 1962-1970	106,000	769,000
	2,216,000	187,623,000
Reactive Metals, Inc. Promissory note due 1962-1980	64,000	5,295,000
	$2,280,000	$192,918,000

BOTH SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

BLISS & LAUGHLIN, INCORPORATED

Current Liabilities:

Notes payable—		
Short term, to banks	$1,000,000	
Current portion of long-term note	80,000	$1,080,000
Accounts payable		2,816,074
Accrued liabilities—		
Taxes, other than Federal income taxes	$ 251,118	
Salaries, wages and vacations	209,212	
Pension	175,000	
Other	159,201	794,531
Provision for Federal income taxes		898,582
Total Current Liabilities		$5,589,187
Long-Term Note Payable, due in annual installments of $80,000 with interest at 4%, less current portion above		240,000

MEREDITH PUBLISHING COMPANY

Current Liabilities:

Notes payable	$1,000,000
Accounts payable and accruals	4,263,508
Accrued federal, state, and local taxes	2,217,560
Current portion—long-term indebtedness	2,033,144
Total Current Liabilities	$9,514,212
Long-Term Indebtedness	7,342,168

Notes to Financial Statements

Long-Term Indebtedness: Principal balances of long-term indebtedness are as follows:

Insurance company loan	$ 600,000
Bank term loans	8,550,000
Other	225,312
Total principal balances June 30, 1961	$9,375,312
Less current installments	2,033,144
Noncurrent portion	$7,342,168

The Company is indebted to an insurance company on a 3¾ percent loan dated June 30, 1952.

ALUMINUM COMPANY OF AMERICA

Current Liabilities:

Notes payable to banks	$ 25,000,000
Accounts payable	32,752,587
Dividends on preferred and common stock	7,639,010
Accrued salaries, wages, vacation allowance and other compensation	21,707,753
Provision for taxes, including taxes on income	24,052,044
Other current liabilities	14,845,601
Long-term debt due within one year	13,602,581
Total Current Liabilities	139,599,576
Long-Term Debt, less amount due within one year (Note C)	$385,071,763

Note C: Long-term debt comprises—

Sinking fund debentures:	
3⅛%, due February 1, 1964	$ 29,667,000
3%, due June 1, 1979	70,950,000
4¼%, due January 1, 1982	109,371,000
3⅞%, due April 1, 1983	109,400,000
Notes payable:	
2.55%, due January 1, 1967	12,500,000
3%, due December 1, 1973	60,000,000
	391,888,000
Miscellaneous, principally debt of subsidiaries	6,786,344
Total long-term debt	398,674,344
Less, amount due within one year included in current liabilities	13,602,581
	$385,071,763

SPERRY RAND CORPORATION

Current Liabilities:

Accounts payable and accrued items	$135,632,131
Federal and foreign income taxes, estimated—Note C	26,050,000
Notes payable to banks	110,000,000
Bank and other loans payable in foreign currencies	24,032,414
Payments due within one year on long-term debt	2,413,826
Total Current Liabilities	$298,128,371
Long-Term Debt—Note A:	
5½% Sinking fund debentures, due September 1, 1982	$110,000,000
3⅝% Sinking fund debentures, due February 1, 1972	51,000,000
3⅛% Sinking fund debentures, due June 1, 1969	10,455,000
3⅞% Promissory notes	20,000,000
4½% Promissory notes	15,000,000
Mortgages and other long-term debt	8,039,570
	$214,494,570

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 in 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, 1961, the Company held $3,645,000 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 $2,745,000, respectively.

The indentures and loan agreements contain certain restrictive provisions including a limitation upon the declaration of cash dividends and the purchase, redemption or retirement of outstanding capital stock. At March 31, 1961, approximately $66,600,000 of Earned Surplus was free of such restrictions.

INDEBTEDNESS SECURED BY COLLATERAL

ARDEN FARMS CO.

Current Liabilities:

Notes and contracts payable, partially secured		$12,973,724.46
Accounts payable		24,253,864.09
Accrued liabilities		4,571,084.38
Federal income taxes		4,180,267.81
		45,978,940.74
Notes and contracts payable, due after December 31, 1962:		
Notes payable due 1963-1975 (See Note)	$11,520,621.47	
Other notes and contracts payable, substantially secured	6,628,749.25	18,149,370.72
5% Subordinate Debentures, Series due July 1, 1986		1,373,700.00
6% Subordinate Debentures, Series due July 1, 1990		3,760,000.00

HARNISCHFEGER CORPORATION

Current Liabilities:

Notes payable to banks—	
Secured by real estate mortgage notes receivable aggregating $926,920 and $1,188,610, respectively	$ 820,218
Unsecured	900,000
Installments on long-term notes due within one year	870,000
Accounts payable—trade	3,050,421
Other accounts payable and accrued liabilities	3,015,572
Accrued payrolls and bonuses	1,245,135
Accrued property and general taxes	988,426
Federal, state and foreign income taxes	1,192,190
	$12,081,962
Long-Term Promissory Notes:	
Less installments included in current liabilities—	
4.5% (3.8% in 1960) maturing in equal semi-annual installments to March 1, 1980	$ 7,000,000
6% maturing in equal annual installments to October 1, 1979 with final payment October 1, 1980	8,530,000
6% subordinated convertible notes maturing in annual installments during years 1971 to 1985	3,000,000
	$18,530,000

NAUTEC CORPORATION

Current Liabilities:

Notes payable to bank (Note 5)	$3,200,000
Accounts payable	822,486
Accrued payroll and other expenses	1,190,418
Payable under acquisition agreement (Note 6)	1,269,000
Federal and Canadian income taxes	195,186
Accrued commissions	1,130,198
Total Current Liabilities	$7,807,288
Long-Term Debt (Note 6)	$2,169,000

Note 5: Notes payable to bank—The bank loan is payable on demand and is collateralized by all of the instalment accounts receivable. Under the terms of the loan agreement, the Corporation must, among other things, maintain working capital of $3,000,000 and limit the payment of dividends and repurchase of shares in any fiscal year to one-half of net earnings for the year plus $300,000.

Note 6: *Long-term debt*—At June 30, 1961, the Corporation owed $3,438,000 in connection with the acquisition of the Braden Winch Division in 1959. Of this amount $2,538,000 is evidenced by a 5% note, now payable in equal instalments on October 2, 1961 and August 1, 1962. The Corporation has pledged 120,000 shares of treasury stock as collateral for the note. The remainder of $900,000 will become payable on the basis of earnings of the Braden Winch Division during the period July 1, 1962 to June 30, 1972.

The Corporation has entered into a conditional sales contract for the purchase of three presses at a net cost of approximately $475,000 against which deposits of $28,000 have been made. Customarily such contracts are payable over a three-year period, but final terms of the contract have not yet been arranged.

VTR, INCORPORATED

Current Liabilities:

Accounts Payable—Trade		$3,390,757
Loans Payable (Secured by Assigned Accounts Receivable)		972,526
Notes Payable:		
Banks (Note 2)	$ 903,541	
Other	349,892	1,253,433
6% Convertible Subordinated Sinking Fund Debentures Due May 1, 1974 (Called for Redemption on March 29, 1962)	$ 640,000	
Less: Debentures Convertetd to Common Stock—January 1, 1962 to March 23, 1962 (Note 4)	301,000	339,000
Accrued Expenses and Other Liabilities		382,660
Current Portion of Long-Term Debt		169,433
Total Current Liabilities		$6,507,809
Long-Term Debt:		
Notes Payable, Due in Installments from October 15, 1962 to January 15, 1965 (Note 5)	$1,000,000	
6% Notes Payable (Note 2)	543,430	
Mortgages Payable	62,099	
	$1,605,529	
Less: Current Portion	169,433	1,436,096
6% Convertible Subordinated Sinking Fund Debentures Due May 1, 1974:		
Converted to Common Stock (January 1, 1962 to March 23, 1962) (Note 4)		301,000

Note 2: Notes receivable in the amount of $919,065 are pledged as collateral to secure the $543,430 long-term notes payable and $223,541 of notes payable to banks.

Note 4: The indenture for the 6% Convertible Subordinated Sinking Fund Debentures provides for serial redemptions through the operation of a sinking fund. The indenture further provides that the company may elect at any time to redeem all the outstanding Debentures after giving due notice to the holders. In December 1961, the company called all the outstanding Debentures for redemption on March 29, 1962 at 104.25% and accordingly deposited in the sinking fund the amount of $683,379, equivalent to the aggregate redemption price of the Debentures then outstanding plus interest to March 29, 1962.

At December 31, 1961, there were 93,732 shares of common stock of the company reserved for conversion of the Debentures at $6.83 per share. During the period from January 1, 1962 to March 23, 1962, $301,000 of Debentures were converted into 44,061 shares of common stock.

Note 5: The loan agreement for the long-term notes payable provides for an interest rate equivalent to the lowest rate obtainable by the lender, currently 5½%. The loan is payable in installments with payments due of $50,000 in 1962, $275,000 in 1963, $375,000 in 1964 and $300,000 on January 15, 1965. The agreement provides, among other covenants, that the company may not pay dividends on or purchase company capital stock without the consent of the lender.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

Current Liabilities:

Notes payable to banks—unsecured (Note 2)	$ 7,500,000
Current instalments of mortgages payable	82,635
Accounts payable and accrued liabilities	7,566,424
Provision for Federal and other taxes on income (Note 3)	1,873,443
Total current liabilities	17,022,502
Long-term debt:	
Secured revolving credit (Note 2)	2,900,000
4¾ to 6% mortgages payable, less current instalments	860,936
	$ 3,760,936

Note 2: *Bank Loans*—A short-term unsecured credit agreement which terminates June 30, 1962 permits borrowings up to a maximum amount of $14,000,000 at December 31, 1961 (such maximum amount subject to periodic reductions during the remaining term of the agreement). The interest rate, which is based on the prime rate, was 4¾% 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 5% 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 instalments commencing seven months from the notice date. As of March 1, 1962, 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 1, 1962, the maximum amount of the loan outstanding at December 31, 1961 that would be payable by the end of 1962 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 $12,500,000 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, 1961. Unrestricted consolidated retained earnings at December 31, 1961 amounted to $1,376,846.

THE PILLSBURY COMPANY

Current Liabilities:

Notes payable (Note 3)	$ 881,832
Trade accounts payable	17,248,323
Accrued liabilities and miscellaneous accounts payable	7,175,950
Dividends payable	840,906
Current portion of long-term debt (Note 5)	804,700
Taxes on income	6,696,532
Total current liabilities	$33,648,243
Non-current debt (Note 5)	$25,714,100

Note 3: *Inventories*—

Grain	$14,723,434
Other raw materials	6,302,015
Finished products	17,806,956
Containers and supplies	2,877,638
	$41,710,043

Grain (including wheat for the account of the Canadian Wheat Board) is stated on the basis of market prices at May 31, including adjustment to market of open contracts for purchases and sales. The company follows a policy of hedging grain and certain other inventories to the extent practicable to minimize risk due to market price fluctuations. Other inventories have been stated at cost (first-in, first-out) or market, whichever is lower.

Inventories of $1,651,351 at May 31, 1961, are pledged in connection with bank loans of $881,832 of a Canadian subsidiary, in accordance with usual collateral stipulations of the Canadian Bank Act.

Note 5: Non-Current Debt—

	Current portion	Non-current portion
The Pillsbury Company:		
3⅛% sinking fund debentures due December 1, 1972, with annual sinking fund payments of not less than $850,000; sinking fund payment of $850,000 due June 1, 1961, and $515,000 of amount due June 1, 1962, made prior to May 31, 1961		$12,235,000
5% notes due December 1, 1972		5,000,000
Bank loans repaid from proceeds of debentures sold in June, 1961 (see below)		7,000,000
Pillsbury Grain Elevator Corporation:		
First mortgage 4% sinking fund note, due $30,000 annually to March 1, 1972	$ 30,000	300,000
Pillsbury Holdings (Canada) Limited:		
Promissory notes payable semi-annually to July 1, 1963, non-interest bearing, stated at face amount discounted at 5% compound interest	774,700	1,179,100
	$804,700	$25,714,100

On June 8, 1961, the company sold $10,000,000 of 4⅝% sinking fund debentures due June 1, 1986. Of the net proceeds of $9,887,500 less expenses of sale, $7,000,000 was used to repay short-term bank loans in June, 1961, and the balance was added to working capital. The company is required, beginning in 1966, to retire annually not less than $375,000 principal amount of these debentures.

Property, plant, and equipment in the amount of $551,974 net, are pledged under the mortgage note.

Capital stock of an unconsolidated foreign subsidiary carried at $2,975,236 was pledged as collateral to the promissory notes issued in connection with its purchase.

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. However, some items which are termed "deferred credits" may be either real liabilities or offsets to assets.

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 124 items was disclosed by 108 survey companies, as compared with 116 items disclosed by 100 companies for the year 1960. Such items or accounts have been variously treated—for example, 87 items were presented in the balance sheet above the stockholders' equity section, 15 items were included in the current liability section, while 22 items were shown with the related current asset accounts.

Varying descriptions were given by the companies in referring to these accounts, as detailed in Table 30, some of which are given in the examples which follow:

With Related Current Asset

ALLIS-CHALMERS MANUFACTURING COMPANY

Current Assets:

Cash	$ 27,613,735
Receivables—less reserves of $6,800,000	141,028,441
Inventories	163,025,934
Other current assets	946,981
	$332,615,091
Less—Progress billings and advance collections on contracts	16,942,231
Total current assets	$315,672,860

GOLDBLATT BROS., INC.

Current Assets:

Receivables—	
Trade (including approximately $1,600,000 at January 28, 1961, due after one year) less reserves of $3,708,128 for doubtful accounts, deferred income taxes on installment sales and unearned carrying charges	$13,263,764

HARRIS-INTERTYPE CORPORATION

Current Assets:

Trade accounts and notes receivable:	
Accounts receivable	$16,085,259
Installment notes (principally secured by title-retaining contracts on equipment sold)	6,712,740
Equity in installment notes sold without recourse	1,545,026
	$24,343,025
Less deferred interest income ($1,538,682 in 1961) and allowances for collection losses	1,995,642
	$22,347,383

PULLMAN INCORPORATED

Current Assets:

Accounts and notes receivable (including for 1961, instalments of $17,928,952 due after one year) less allowance for doubtful items (1961—$1,248,737); and unearned finance charges	$59,277,622

TABLE 30: DEFERRED INCOME—DEFERRED CREDITS

Balance Sheet Presentation	1961	1960	1955
With Related Asset:			
Unearned finance charge (*Co. Nos. 15, 86, 133, 229, 362, 389)	13	10	8
Unearned interest (*Co. Nos. 113, 191, 280)	3	4	1
Advances or payments on uncompleted contracts (*Co. Nos. 16, 157, 200, 201, 415)	5	4	—
Profit on sales or installment contracts (*Co. No. 517)	1	—	—
In Current Liability Section:			
Billings on uncompleted contracts (*Co. Nos. 64, 346, 409, 572)	4	3	1
Metal treatment charge (*Co. No. 36)	1	1	2
Rent on leased equipment, films, or meters (*Co. Nos. 5, 550)	2	1	1
Customer service prepayment (*Co. Nos. 5, 119, 195, 394, 502)	5	5	7
"Deferred credit" (*Co. No. 193)	1	1	1
"Deferred income" (*Co. No. 138)	1	2	1
Unearned deposits or royalties (*Co. No. 249)	1	1	—
Above Stockholders' Equity Section:			
Customer service prepayment (*Co. Nos. 290, 491, 561)	3	2	—
Discount on reacquired securities	—	—	1
Government contract income (*Co. No. 347)	1	1	1
Magazine subscription income (*Co. Nos. 365, 374, 545)	3	5	5
Premium on debentures issued (*Co. No. 250)	1	1	1
Profit on sales or installment contracts (*Co. Nos. 194, 397, 400, 483)	6	7	9
Profit on fixed assets sold (*Co. Nos. 70, 142, 169, 531, 534, 535)	9	9	4
Rentals on leased equipment, films, or meters, or rent (*Co. Nos. 119, 196, 376, 442, 585)	9	6	7
Deferred or unearned royalties, deposits, or contract payments (*Co. Nos. 196, 237, 497)	3	4	3
Unearned finance charges (*Co. No. 592)	1	2	3
Unearned interest (*Co. Nos. 561, 592)	2	2	3
Unfinished voyage revenue (*Co. No. 559)	1	1	1
Various other (*Co. Nos. 469, 561)	2	4	3
"Deferred credits" (*Co. Nos. 169, 236, 326, 444, 500, 518)	20	20	20
"Deferred income" (*Co. Nos. 158, 184, 352, 367, 449)	12	10	12
Equity in net assets of subsidiary over cost (*Co. Nos. 32, 222, 277, 301, 404, 541)	14	10	—
Total	124	116	95

Number of Companies presenting Deferred Income items in:	1961	1960	1955
Current asset section	21	16	8
Current asset section and *above* stockholders' equity section	—	1	1
Noncurrent asset section	1	1	—
Current liability section	12	13	12
Above stockholders' equity section	74	69	63
	108	100	84
Not presenting deferred income items	492	500	516
Total	600	600	600

*Refer to Company Appendix Section.

In Noncurrent Asset Section

STANDARD OIL COMPANY (INDIANA)

Investments and Sundry Assets:

Long-term receivables and sundry assets (including at December 31, 1961, installment notes receivable of $140,612,000 from sale, in 1960, of certain gas and oil properties less deferred income of $127,-329,000) $52,943,528

In Current Liability Section

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

Current Liabilities:

Supply, service and rental contract obligations, less applicable federal income tax . $5,475,457

AMERICAN METAL CLIMAX, INC.

Current Liabilities:

Unearned treatment charges, etc., on metals in process $3,645,056

GENERAL DYNAMICS CORPORATION

Current Liabilities:

Customers' deposits and advances in excess of related costs $87,209,663

SMITH-CORONA MARCHANT INC.

Current Liabilities:

Customers' prepayments for uncompleted maintenance agreements and coupon books $3,764,848

UNIVERSAL AMERICAN CORPORATION

Current Assets:

Excess of costs plus profits on uncompleted contracts over related billings $1,671,614

Current Liabilities:

Billings in excess of costs and profits on uncompleted contracts $2,612,203

Notes to Financial Statements

Note: *Uncompleted Contracts*—

	Excess of costs plus profits over related billings	Billings in excess of costs and profits
Costs plus profits determined by percentage of completion measured by costs (contracts of $130,400,000) (a)	$11,917,595	$57,294,775
Less progress billings	10,245,981	59,906,978
Balances	$ 1,671,614	($ 2,612,203)

(a) Does not include share of joint venture contracts aggregating $94,700,000. Costs plus profits determined by percentage of completion amounted to $65,900,000 to December 31, 1961.

Above Stockholders' Equity Section

DIANA STORES CORPORATION

Unrealized Profit in Customers' Balances on Lay-away Merchandise Sales $207,265

WALT DISNEY PRODUCTIONS

Unearned Deposits and Rentals $2,071,144

EX-CELL-O CORPORATION

Deferred Credits:

Rental income—leased machines	$1,813,639
Unamortized excess of equity (at book value) in subsidiaries at date of acquisition over cost of the investment, Note 2	1,588,000
Total deferred credits	$3,401,639

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 ratably 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.

THE HOBART MANUFACTURING COMPANY

Deferred Credits:

Excess of equity acquired over cost of investment in subsidiaries	$ 642,987
Customers' service contracts, etc.	730,217
Total deferred credits	$1,373,204

LESLIE SALT CO.

Deferred Profit—Installment sale of land (Note 1) $3,085,583

Note 1: The $3,254,580 note receivable, noninterest bearing and payable on or before August 19, 1967, arose from a sale of land in 1960 and is secured by a deed of trust on a portion of the acreage sold. The note has been deposited as additional security with the Trustee under the bond indenture referred to in Note 4. That portion of the gain on the sale applicable to cash received in 1960 was reported as a special credit in the statement of income and retained income for that year; no payments were received in 1961 and the balance of the gain on the sale, $3,085,583 before income taxes (estimated to be $857,000) remains as a deferred credit at December 31, 1961, to be reported in the statement of income and retained income when payments on the note are received and acreage is released from the deed of trust.

LOCKHEED AIRCRAFT CORPORATION

Deferred Income (Note 5) $8,819,000

Note 5: 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.

McCALL CORPORATION

Deferred magazine subscription income (Note 5) $19,005,763

Note 5: *Deferred magazine subscription income*—For financial statement purposes the Company follows the practice of deferring subscription income, net of any related commissions retained by subscription agents, over the term of the subscription. However, as a result of a 1957 ruling by the Internal Revenue Service, commissions retained by agents (for all publications other than Saturday Review) are deducted in the year incurred for federal income tax purposes.

Tax reductions applicable to the years 1952 through 1956 resulting from the deduction of such commissions resulted in federal income tax refunds of $2,287,290 plus interest of $636,933 in 1960 and $205,447 plus interest of $92,444 in 1961. These tax refunds were added to the deferred magazine subscription income account and the interest was credited to other income. Tax reductions resulting from the deduction of similar expenses in the federal income tax returns in subsequent years have also been added to the deferred magazine subscription account. As a result, the balance in the deferred magazine subscription income account includes deferred federal income taxes at December 31, 1961 of $7,409,729 and at December 31, 1960 of $5,650,854.

Because of the tax treatment referred to above and in Notes 4 and 6 and other miscellaneous items, deferred income taxes amounted to $1,892,400 in 1961 and $1,032,200 in 1960. The refund expected in 1961 is included in accounts receivable.

RICHFIELD OIL CORPORATION

Deferred Income:

Production payments sold, net of income taxes (Note 2) $4,544,000

Note 2: *Deferred income from sales of production payments*—A portion of the Corporation's interest in future oil production from certain properties was sold in 1961 for $6,300,000. It is estimated that the oil will be produced during 1962 at which time the net proceeds will be reported as income.

RITTER COMPANY, INC.

Deferred Credits:

Deferred income and other credits on installment contracts owned and/or sold and miscellaneous $1,146,755

SCHENLEY INDUSTRIES, INC.

Deferred Income (Note 3) $8,965,716

Note 3: The Company sells certain whiskey in barrels in bond under agreements which provide for future bottling. The profits on such sales are treated as deferred income until the whiskey is bottled and shipped.

THE WHITE MOTOR COMPANY

Deferred Interest and Finance Fees $9,315,429

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 1961 survey reports. Only 118 of the 530 survey companies presenting consolidated financial statements disclosed the existence of minority interests in the consolidated subsidiary companies.

TABLE 31: MINORITY INTERESTS

Balance Sheet Presentation	1961	1960	1955
Above Stockholders' Equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 25, 41, 157, 266, 329, 516)	101	93	60
Minority interest in capital stock and surplus (*Co. Nos. 54, 57, 85, 453)	7	6	11
Minority interest in capital stock (*Co. Nos. 205, 473, 480)	4	7	5
Within Stockholders' Equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 178, 278, 500)	3	3	3
Total	115	109	79
Income Statement Presentation			
In separate last section:			
After current tax estimate (*Co. Nos. 32, 40, 168, 257, 446, 572)	29	29	30
Before current tax estimate (*Co. Nos. 34, 148, 205)	3	2	2
With current tax estimate (*Co. Nos. 250, 461)	2	2	1
Listed among operating items (*Co. Nos. 72, 120, 266, 329, 421, 553)	39	34	20
Within Earned Surplus section of Combined Income and Earned Surplus statements	—	—	2
Total	73	67	55
Consolidated Financial Statements with Minority Interest set forth in:			
Balance sheet only	45	45	27
Balance sheet and income statement	70	64	52
Income statement only	3	3	3
Accompanying footnotes only	—	2	1
	118	114	83
Not referred to in report	412	402	376
	530	516	459
Unconsolidated Financial Statements with:			
Subsidiary companies	20	20	42
No subsidiary companies	50	64	99
Total	600	600	600

*Refer to Company Appendix Section.

Examples—Minority Interests

The balance sheet and income statement presentations of the minority interests in consolidated subsidiary companies are illustrated in the following examples selected from the 1961 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

THE AMERICAN HARDWARE CORPORATION
Consolidated Balance Sheet

Minority Interests in Subsidiary Companies	$5,610,382

Income Statement Presentation

Net income before minority interest	$2,792,388
Minority interests in net income of subsidiary companies	132,401
Net income for the year	$2,659,987

DURA CORPORATION
Consolidated Balance Sheet

Minority Interest in Consolidated Subsidiary (represented at July 31, 1961 by 5% cumulative preferred stock)—Note 1	$ 367,379
Income Statement Presentation	
Earnings before minority interest and Federal income tax	$ 122,386
Minority interest in operating loss of subsidiary, and adjustment of interests in 1961—Note 1	1,136,905
Earnings before Federal income tax	1,259,291
Federal income tax, estimated	1,013,500
Net earnings	$ 245,791

Note 1: The consolidated financial statements include the accounts of Dura Corporation and all of its subsidiaries, including a finance company. Operations for 1961 include those of the Page & Page group of companies acquired as of August 1, 1960. All of the subsidiaries are wholly-owned as of July 31, 1961 except for a subsidiary's issue of 5% cumulative preferred stock held by others. The minority interest holdings in this subsidiary were reduced, by agreement dated July 19, 1961, to reflect the decrease in the net book value of the assets to date of July 31, 1961, and the amount of $1,136,905 (including $183,217 applicable prior to July 31, 1960) representing the minority interest in operating losses of the subsidiary has been credited to consolidated earnings.

THE GENERAL TIRE & RUBBER COMPANY
Consolidated Balance Sheet

Minority Interest in Consolidated Subsidiaries:	
3% Cumulative preferred stock of Aerojet-General Corporation redeemable annually to 1964	$ 675,000
Common stock equity in Aerojet-General Corporation—16.14%, and its subsidiaries	11,788,378
Income Statement Presentation	
Costs and Expenses:	
Minority shareholders equity in profit of Aerojet-General Corporation and its subsidiaries	$ 1,933,599

PARAMOUNT PICTURES CORPORATION
Consolidated Balance Sheet

Interest of Minority Stockholders in Capital and Retained Earnings of Affiliated Companies	$14,418,000
Income Statement Presentation	
Costs and Expenses:	
Income applicable to minority holders of stocks of affiliated companies	$ 1,056,000

THE PITTSTON COMPANY
Consolidated Balance Sheet

Equity of Minority Stockholders in Subsidiary Companies	$ 992,347
Income Statement Presentation	
Income before Provision for Minority Interest	$8,139,630
Portion of income applicable to minority stockholders of subsidiaries	172,525
Net Income for the Year	$7,967,105

RAYONIER INCORPORATED
Consolidated Balance Sheet

Minority interests in Canadian subsidiaries	$ 2,132,055
Income Statement Presentation	
Income before taxes and minority interests	$13,926,099
U.S. and Canadian taxes on income	5,830,000
Income applicable to minority interests	106,061
Net income	$ 7,990,038

SAFEWAY STORES, INCORPORATED
Statement of Financial Position

Preferred stock of Canadian subsidiary held by public—par value	$8,068,100

Within Stockholders' Equity Section

HARBISON-WALKER REFRACTORIES COMPANY
Consolidated Financial Position

Minority Shareholders' interest in subsidiaries	$5,379,471
Income Statement Presentation	
Costs:	
Minority shareholders' interest in subsidiaries' income	$ 295,336

SINCLAIR OIL CORPORATION
Consolidated Balance Sheet

Minority Stockholders of Sinclair Venezuelan Oil Company	$3,278,114
Income Statement Presentation	
Costs, Expenses and Taxes:	
Net income applicable to minority interest in Sinclair Venezuelan Oil Company	$ 398,788

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 as covered in the following pages, the survey showed that in 1961 a change was apparent in approximately 60 per cent of the reserves but the offsetting charge or credit to the reserve was not disclosed. About 10 per cent showed no dollar change; approximately 22 per cent of the changes were made through the income account; only in 5 per cent of the cases was the adjustment made through retained earnings. The remaining 3 per cent of changes 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 1961 annual reports.

CONTINGENCY RESERVES

The committee on accounting procedure of the American Institute of Certified Public Accountants considered problems arising in the accounting treatment of general contingency reserves and in *Accounting Research Bulletin No. 43* (Chapter 6), expressed its opinion that if a reserve of this type is set up:

(a) it should be created by a segregation or appropriation of earned surplus,
(b) no costs or losses should be charged to it and no part of it should be transferred to income or in any way used to affect the determination of net income for any year,
(c) it should be restored to earned surplus directly when such a reserve or any part thereof is no longer considered necessary, and
(d) it should preferably be classified in the balance sheet as a part of shareholders' equity.

The use of a reserve for contingencies appears to be a declining practice. In 1950, 155 out of 600 survey companies, or over 25 per cent, disclosed contingency reserves. The number of companies employing this type of account has decreased each year since that time and in 1961 only 42 companies or 7 per cent reported reserves for contingencies.

As disclosed in Table 32, such reserves were usually shown either above the stockholders' equity section (31 reserves in 1961), or within the stockholders' equity section of the balance sheet (11 reserves in 1961). 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 either 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 1961, 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 retained earnings (*Co. Nos. 174, 184), one company (*Co. No. 427) to an asset account, and one company (*Co. No. 564) to a noncurrent liability account. Examples of operation and elimination of contingency reserves as presented in the 1961 annual reports are provided below.

TABLE 32: CONTINGENCY RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
Among: *Current Liabilities*	—	—	1	2
A: Above: *Stockholders' Equity*	31	35	42	107
B: Within: *Stockholders' Equity*	11	13	29	46
Total	42	48	72	155
Terminology Used				
Reserve	30	37	55	125
Provision	2	2	1	3
Various other terms	10	9	16	27
Total	42	48	72	155
Number of Companies with:				
Contingency reserves	42	48	72	155
No contingency reserves	558	552	528	445
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 9, 20, 162, 190, 243, 252, 376, 438, 568, 589; B: Co. Nos. 57, 174, 211, 234, 285, 424, 481, 510, 564, 580.

Reserves Maintained

THE CURTIS PUBLISHING COMPANY
Above Stockholders' Equity
Reserves:
Contingencies ... $861,927

ELASTIC STOP NUT CORPORATION OF AMERICA
Within Stockholders' Equity
Earnings:
Reserved for contingencies ... $250,000

FMC CORPORATION
Within Stockholders' Equity
Retained earnings:
Appropriated as a reserve for contingencies ... $3,353,186

METRO-GOLDWYN-MAYER INC.
Above Stockholders' Equity
Reserve for contingencies ... $1,568,265

*Refer to Company Appendix Section.

ST. CROIX PAPER COMPANY
Within Stockholders' Equity

Earned surplus:	
Appropriated for contingencies	$100,000

UTAH-IDAHO SUGAR COMPANY
Above Stockholders' Equity

Reserves—workmen's compensation insurance and contingencies	$1,080,127

Reserves Eliminated

AMERICAN AIR FILTER COMPANY, INC.

Long-term Notes:	1961	1960
4⅝%, maturing $250,000 anually to February 1, 1972	$2,550,000	$2,800,000
Reserve for Contingencies	0	18,000

DICTAPHONE CORPORATION

Net Earnings	$ 1,732,420
Earnings reinvested at beginning of year	11,856,941
Restoration of prior years' appropriations for contingencies	328,000
	13,917,361
Dividends paid in cash:	
Preferred stock	45,475
Common stock	822,181
	867,656
Earnings reinvested at end of year	$13,049,705

EMPLOYEE BENEFIT RESERVES

There were 114 employee benefit reserves shown by 103 of the 600 survey companies in their 1961 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, 1960, and 1961. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (103 reserves in 1961); seven reserves were classified as current liabilities, and four reserves were presented within the stockholders' equity section in the reports for 1961.

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, 179, 209, 338, 597) and in some reports the related charges were found in the income statement (*Co. Nos. 42, 94, 148, 250, 421). An extensive list of references to those survey companies which indicated reserves for employee benefits in their 1961 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:

*Refer to Company Appendix Section.

TABLE 33: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
A: Among: *Current Liabilities* for—				
Incentive compensation plan	—	2	2	1
Profit sharing, welfare or benefit plans	3	2	2	3
Pension plan not funded	2	1	2	1
Pension plan—past and current service costs	2	5	1	—
B: Above: *Stockholders' Equity* for—				
Deferred or contingent compensation plan	26	22	13	6
Incentive compensation plan	13	10	8	2
Bonus plan	6	6	7	6
Profit sharing plan	1	2	2	1
Retired employee benefits	8	11	2	3
Welfare or benefit plans	8	4	8	11
Employment contract	2	1	1	1
Severance pay	2	3	—	—
Supplemental unemployment benefits	1	2	—	—
Pension or Retirement Plans:				
Pension plan costs	31	33	33	34
Past service costs	2	1	5	14
Past and current service costs	—	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	2
Pension plan costs	2	2	—	—
Deferred compensation	2	2	—	—
Total	114	115	96	97
Terminology Used				
Reserve	68	67	56	75
Provision	11	13	14	13
Various other terms	35	35	26	9
Total	114	115	96	97
Number of Companies with:				
Employment benefit reserves	103	103	84	82
No employee benefit reserves	497	497	516	518
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 90, 197, 392, 445, 507; B: Co. Nos. 3, 9, 42, 148, 199, 277, 296, 382, 486, 534; C: Co. Nos. 174, 284, 367, 373.

Deferred or Contingent Compensation Plans

ACME STEEL COMPANY
Above Stockholders' Equity

Reserves:	
For deferred compensation, less applicable income taxes	$ 372,414
For deferred income taxes—Note D	3,178,570
For unfunded pensions of retired employees	582,000
	$4,132,984

DRAVO CORPORATION

Above Stockholders' Equity

Other Liabilities and Reserves:	
Repairs and self-insured risks	$ 700,000
Deferred income taxes	840,000
Deferred compensation	158,000
Minority interest	229,046
Total Other Liabilities and Reserves	$1,927,046

LIGGETT & MYERS TOBACCO COMPANY

Above Stockholders' Equity

Reserve:	
For deferred contingent compensation (net of estimated future income tax reductions)	$256,940

STANDARD KOLLSMAN INDUSTRIES INC.

Above Stockholders' Equity

Other liabilities:	
Deferred federal taxes on income	$ 97,500
Deferred compensation plan payments	72,000
	$169,500

Incentive Compensation Plans

ALCO PRODUCTS, INCORPORATED

Above Stockholders' Equity

Reserves:	
Deferred income taxes	$2,110,000
Deferred incentive compensation awards (Note 5)	615,305
Self-insurance under Workmen's Compensation laws and operating reserves	955,759
Reserve for contingencies	323,000
	$4,004,064

Note 5: Acting in accordance with the provisions of the Incentive Compensation Plan, no credit was made to the Incentive Compensation Reserve in respect to the year 1960. On March 27, 1961 the Incentive Compensation Committee of the Board of Directors stated that no awards would be made from the previous year's balance in the reserve of $59,243 and that it be carried forward for future years.

HOUDAILLE INDUSTRIES, INC.

Above Stockholders' Equity

Other Liabilities—Extra-compensation plan (Note H)	$147,224

Note H: 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 1961 the maximum available for awards amounted to $271,074 consisting of $269,551 provided from the current year's income plus $1,523 carried forward from 1960.

The Compensation and Audit Committee has determined awards for 1961 under the Plan in the amount of $218,750 leaving a balance of $52,324 carried forward and available for extra compensation awards in subsequent years.

The consolidated balance sheet at December 31, 1961 includes in "Accrued payrolls, taxes, interest, etc." the portion of the extra compensation awards for 1960 and 1961 which are payable in cash in 1962 amounting to $53,601. The remainder of the extra compensation awards for 1960 and 1961 amounting to $94,900 and payable in cash and common stock has been included in "Other Liabilities—Extra-compensation plan." Common stock held in treasury at December 31, 1961 for extra-compensation purposes amounted to 3,375 shares carried at $70,188 awarded for the years 1962 and 1963 and held for future delivery under the earning out provisions of the Extra-Compensation Plan.

KELSEY-HAYES COMPANY

Above Stockholders' Equity

Deferred Incentive Compensation (less estimated reduction in future income taxes)	$162,074

WARNER-LAMBERT PHARMACEUTICAL COMPANY

Above Stockholders' Equity

Incentive Compensation Reserve—deferred contingent allotments	$172,000

Bonus Plans

E. I. du PONT de NEMOURS & COMPANY

Above Stockholders' Equity

Bonus Awarded in Cash—Payable Beyond One Year	$37,414,387
"B" Bonus Fund—Unawarded Balance	$ 1,690,899

PARKE, DAVIS & COMPANY

Above Stockholders' Equity

Deferred Liabilities:	
Awards under Bonus Plan, less related reduction in future income taxes	$ 307,000
United States income taxes on undistributed earnings of subsidiaries in other countries	7,920,000
Total Deferred Liabilities	$8,227,000

REMINGTON ARMS COMPANY, INC.

Provision for Awards to Employees under Bonus Plan, exclusive of amount included in other accounts payable, $1,058,893 in 1961; $1,164,254 in 1960	$1,623,853

Pensions, Retirement Benefits, and Annuities

ALLIED CHEMICAL CORPORATION

Above Stockholders' Equity

Reserves:	
Pensions	$52,556,777
Insurance	803,465
	$53,360,242

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY

Above Stockholders' Equity

Reserves:	
Self-insurance	$ 835,302
Retirement Payments (Note 1)	905,000
	$1,740,302

Note 1: Under the Retirement Benefit Plan, the companies made retirement payments during the year ended June 30, 1961, directly to retired employees for services rendered prior to July 1, 1956. The consolidated statement of income for the current year includes a charge of $222,778, 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 $8,700,000, 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 $490,000, all of which was charged to operations.

CRADDOCK-TERRY SHOE CORPORATION
Within Stockholders' Equity

Earned Surplus:		
Reserved for contingencies:		
Balance—December 3, 1960		$ 299,207.65
Current requirements for retirement pay in excess of provision		19,833.60
		$ 279,374.05
Unappropriated:		
Balance—December 3, 1960		$8,234,272.89
Net income for the fiscal year ended December 2, 1961		675,713.80
		$8,909,986.69
Dividends: (Note 6)		
Preferred	$ 70,987.50	
Common	200,000.00	270,987.50
		8,638,999.19
Balance—December 2, 1961		$8,918,373.24

HERCULES POWDER COMPANY
Above Stockholders' Equity

Reserves:	
Insurance	$ 4,471,236
Pensions	24,511,214
Total Reserves	$28,982,450

Note 2: Pensions and Social Security Taxes—During 1961 $3,539,000 was paid into the pension trust funds and $2,604,000 was set aside in the company pension reserve. The total cost to the company, after taxes, for 1961 for pensions was $4,303,000 and for 1960 was $3,268,000. In addition Social Security taxes amounted to $3,227,000 in 1961 and $2,615,000 in 1960.

PITTSBURGH STEEL COMPANY
Among Current Liabilities

Current liabilities:	
Notes payable to banks (Note G)	$10,000,000
First Mortgage Bonds payable within one year	1,750,000
Accounts payable	7,741,335
Accrued liabilities:	
Payrolls and vacation wages	5,413,423
Federal and state income taxes (Note C)	731,138
Pensions (Note B)	2,600,269
Other taxes, interest, etc.	1,645,208
Total current liabilities	$29,881,373

Note B: Pension Plans—The company and its subsidiaries have pension plans, which provide generally that employees are eligible for retirement on pension at age 65, the amount of such pensions being based on length of service and compensation. Pension costs are being provided and funded over a five-year period as the employees become eligible to retire under certain of the plans, and on the basis of current service cost plus interest on past service costs under the other plans. Pension costs were $2,894,197 for 1961 and $2,991,992 for 1960. The average annual cost of pensions for employees expected to retire in the next 10 years is estimated at $3,000,000 per annum. The aggregate amount provided and funded is greater than the cost of all pensions granted to December 31, 1961.

SCOVILL MANUFACTURING COMPANY
Above Stockholders' Equity

Reserve for Unfunded Retirement Benefits $2,195,000

Note E: The Company's contributions for 1961 to its funded non-contributory pension plans for the benefit of bargaining unit employees aggregated $1,573,317, of which $1,048,500 was applicable to past service costs on a 30-year funding basis.

Effective December 31, 1961, the Company adopted a funded contributory retirement plan for salaried employees, to replace existing arrangements which had been on an unfunded basis. It is estimated that the Company's future annual contribution to the fund will be $1,238,000, of which $464,000 will be applicable to current service cost and $774,000 to interest on past service costs. This contribution is approximately equivalent to the amounts paid or provided for in 1961 under the then existing arrangements.

LERNER STORES CORPORATION
Above Stockholders' Equity

Long Term Debt, less current portion shown above—Note A $14,271,777

Note A: Long term debt consists of the following—

	Total	Current Portion	Non-Current Portion
3% Sinking Fund Debentures —due July 1, 1967	$ 6,200,000	$ 600,000	$ 5,600,000
Less: In treasury	689,000	600,000	89,000
	5,511,000	—	5,511,000
4% Notes Payable—due July 1, 1967	2,331,000	333,000	1,998,000
Notes Payable—bank	5,000,000	500,000	4,500,000
Mortgages Payable (on land and buildings amounting to $1,655,000 after reserves for depreciation)	1,538,545	167,894	1,370,651
Reserve for Retirement Allowances	442,646	31,976	410,670
Sundry	523,690	42,234	481,456
	$15,346,881	$1,075,104	$14,271,777

McGRAW-HILL PUBLISHING COMPANY, INC.
Within Stockholders' Equity

Income retained in the business:	
Appropriated:	
For pensions	$ 1,050,000
For unexpired subscriptions—Net of related Federal income taxes (Note 2)	4,361,279
Unappropriated	50,918,238
	$56,329,517

SUNSHINE BISCUITS, INC.
Above Stockholders' Equity

Mortgages payable	$ 319,840
Reserve for employees' pensions (see note)	1,000,000
Deferred credit from transfer of buildings to pension plan (see note)	2,979,732
	$4,299,572

Note: At December 31, 1961 the aggregate past service liability under the Company's several pension plans for employees was estimated at $17,500,000. Pension costs charged to expense amounted to $2,324,203 in 1961 and $2,206,511 in 1960, net of $200,000 reduction in reserve for employees' pensions.

Prepaid past service costs consist principally of the appraised value of buildings transferred to one of the pension plans in 1960; as such costs are charged to expense, a pro rata portion ($332,432 in 1961 and none in 1960) of the deferred credit arising from the transfer is credited to other income.

Other Employee Benefit Reserves

ALLEGHENY LUDLUM STEEL CORPORATION
Above Stockholders' Equity

Reserves:	
Employment contracts	$ 777,700
Other	1,425,382
	$2,203,082

BELL & HOWELL COMPANY
Within Current Liabilities

Current Liabilities:	
Notes payable to banks	$ 500,000
Accounts payable	8,027,032
Salaries, wages, and other expenses	3,339,006
Employees' profit-sharing trusts—Note C	41,746
Payments on long-term debt due within one year	150,457
Taxes on income—Note D	2,514,248
Total Current Liabilities	$14,572,489

Note C: *Profit sharing retirement plan*—Employees of Bell & Howell Company and of certain subsidiaries participate in a plan which provides for annual contributions by such companies of aggregate amounts ranging from 20% downward to 12% of the consolidated net income (as defined in the plan, but before provisions for contributions under the plan and taxes on income) of the companies covered by the plan. However, the contribution for any year may not reduce the consolidated net income of the companies covered by the plan below an amount equal to 5% of their consolidated net worth, nor below 4.75% of their net assets (as defined) as at the beginning of the year. The amount charged to income for this plan was $838,000 in 1961, and $1,683,000 in 1960.

P. LORILLARD COMPANY
Above Stockholders' Equity
Reserves for Employee Benefits (Note 2) . $2,383,932

Note 2: During 1961 the Company reacquired 21,300 shares of its common stock by purchases on the open market at a cost of $1,407,456 for use in the discharge of obligations of a like amount incurred in prior years under its incentive compensation plan. The cost of such shares has been deducted from the reserves for employee benefits, heretofore provided in respect of such obligations.

UNITED FRUIT COMPANY
Above Shareholders' Equity
Provision for Severance and Death Benefit Payments (net after taxes) $8,017,800

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 as presented in the balance sheets of the 600 survey reports for the year 1961 (together with comparative statistics for prior years). Forty-one companies disclosed 59 such reserves. In most instances they were placed above the stockholders' equity section of the balance sheet (34 reserves in 1961).

TABLE 34: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
A: With: *Related Assets* for—				
Foreign investment	12	10	4	—
Foreign losses	5	4	1	—
B: Above: *Stockholders' Equity* for—				
Foreign exchange	7	7	7	11
Foreign investments	5	3	4	5
Foreign losses	3	3	2	3
Foreign operations	11	10	4	3
Unremitted foreign profits	3	3	4	2
Foreign statutory requirements	5	3	3	5
C: Within: *Stockholders' Equity* for—				
Foreign investment	1	1	1	2
Foreign losses	2	1	1	1
Unremitted foreign profits	—	—	—	2
Foreign statutory requirements	5	5	5	7
Total	59	50	36	41
Terminology Used				
Reserve	50	40	29	39
Various other terms	9	10	7	2
Total	59	50	36	41
Number of Companies with:				
Foreign activity reserves	41	43	31	33
No foreign activity reserves	559	557	569	567
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 36, 127, 274, 349, 369, 457, 470, 472; B: Co. Nos. 28, 41, 149, 230, 329, 422, 451, 480, 518, 578; C: Co. Nos. 45, 57, 120, 285.

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. 33, 141, 429, 470, 472, 560).

Extensive references are given within Table 34 to various balance sheet presentations of reserves by survey companies, and examples illustrating the nature of the disclosures taken from the 1961 reports are given below.

Reserves for Foreign Investment and Foreign Exchange

AMERICAN HOME PRODUCTS CORPORATION
Above Stockholders' Equity
Reserves:
Contingent liabilities, including possible additional taxes of prior years $4,976,912
Foreign losses and exchange adjustments 2,500,000

*Refer to Company Appendix Section.

KIMBERLY-CLARK CORPORATION
Above Stockholders' Equity

Reserve for Deferred Income Taxes (Note 6)	$2,108,950
Reserve for Foreign Exchange Fluctuations	97,859

THE PROCTER & GAMBLE COMPANY
Above Stockholders' Equity

Reserves:	
Self-insured risks	$ 3,948,599
Foreign exchange fluctuations	4,900,000
Deferred income taxes	20,208,005
Total reserves	$29,056,604

G. D. SEARLE & CO.
Above Stockholders' Equity

Reserve for Possible Losses on Foreign Investments and Future Income Taxes on Undistributed Earnings of Foreign Subsidiaries	$1,052,000

VTR, INCORPORATED
Above Stockholders' Equity

Reserve for Investment in Foreign Subsidiary	$200,000

Reserve for Foreign Losses

AMERICAN CHICLE COMPANY
Above Stockholders' Equity

Reserves:	
General reserves (Note C)	$212,479
Foreign operating contingencies (Note D)	702,915

Note D: *Reserve for Foreign Operating Contingencies*—This reserve is retained specifically for possible losses on foreign net current assets and was reduced $80,744 during the year for loss resulting from devaluation of currency in Venezuela.

J. I. CASE COMPANY
Investments and Other Assets:

Investment in J. I. Case Credit Corporation, at equity in underlying net assets (see accompanying financial statements)	$53,368,950
Investment in and advances to French subsidiaries, less reserves of $8,508,296 in 1961 and $5,965,113 in 1960 (Note 4)	1,551,892
Miscellaneous	2,821,818
	$57,742,660

Note 4: *Investment in and Advances to French Subsidiaries*—Losses incurred by the French subsidiaries during the 1961 fiscal year have been recognized in the consolidated loss from operations. In order to reduce the carrying value of the Company's investment in and advances to French subsidiaries to its equity in their net assets at October 31, 1961, the amount of $1,383,350, arising from adjustments in the French accounts applicable to prior years, was charged to accumulated earnings (deficit). An additional advance of $400,000 was made to these subsidiaries in December 1961.

During 1959, the Company guaranteed $3,700,000 of the French subsidiaries' debt. At January 20, 1962, there was a remaining contingent liability under these guarantees of $2,340,000.

R. J. REYNOLDS TOBACCO COMPANY
Other Assets:

Investments in (at cost, less reserves) and advances to non-consolidated foreign affiliates	$5,473,968

UNITED-GREENFIELD CORPORATION

Investment in and Advances to Foreign Subisiary Company, not consolidated, at cost less reserve of $855,000 and $705,000, respectively (Note 1)	$627,667

Note 1: The consolidated financial statements include the Company and all domestic subsidiary companies. The investment in and advances to a foreign subsidiary company shown in the consolidated statement of financial position, represent an investment in a wholly-owned Dutch tool manufacturing company, together with advances made to that company, aggregating $607,791. The Company has agreed to subordinate $350,000 of these advances to loans granted to the Dutch company by banks in that country, which loans have been guaranteed to the extent of $889,000 by the Company.

The investment in the Dutch company is carried at cost less a reserve of $855,000 and $705,000 at December 31, 1961 and 1960, respectively; the net carrying value is approximately equal to the book value of the underlying net assets. Consolidated net income has been reduced by the estimated net loss of the Dutch company for 1961 of $150,000. The Company's share of the accumulated losses of the Dutch company to December 31, 1960 was charged to retained earnings in 1960.

Reserves for Operations and Unremitted Foreign Profits

THE COCA-COLA COMPANY
Above Stockholders' Equity

Reserve for Unremitted Foreign Profits	$56,328,282

THE GOODYEAR TIRE & RUBBER COMPANY
Above Stockholders' Equity

Reserves:	
For sundry liabilities, foreign operations, etc.	$19,547,998
For foreign investments—general reserve	12,588,855
	$32,136,853

INTERCHEMICAL CORPORATION
Above Stockholders' Equity

Reserve:	
For assets in foreign countries (Note 3)	$1,334,243

Note 3: Net assets in foreign countries of $3,745,259 in 1961 and $3,212,720 in 1960 (included in the consolidated balance sheet) are reserved for in the amount of $1,334,243 in 1961 and $1,428,212 in 1960, which include unremitted foreign income in the amounts of $834,243 and $928,212, respectively.

GENERAL MOTORS CORPORATION
Above Stockholders' Equity

Reserves:	
Employes benefit plans	$ 26,206,824
Contingent credits under Stock Option Plan	22,500,000
General reserve applicable to foreign operations	141,667,396
Miscellaneous	25,201,617
Total Reserves	$215,575,837

Notes to Financial Statements

Foreign Operations: Net investments of the Corporation and its consolidated subsidiaries outside the United States and Canada, after deducting the general reserve of $141,667,396 applicable to foreign operations, amounted to $470,038,538 at December 31, 1961 and are summarized in the table on the opposite page. In addition, General Motors Acceptance Corporation, a wholly-owned non-consolidated subsidiary, had total assets outside the United States and Canada at December 31, 1961 of $109,659,074. After deducting foreign borrowings, other foreign liabilities and reserves, the related net investment of General Motors Acceptance Corporation was $2,275,960.

The general reserve applicable to foreign operations established at the end of 1954 is available to absorb any extraordinary losses which might arise from foreign operations, including the effect of major exchange revaluations and losses from discontinuing foreign operations in any locality, either voluntarily or because of conditions beyond the Corporation's control. There has been no change in this reserve since 1954.

The United States dollar equivalents of local working capital items are determined generally on the basis of the official rates of exchange. The free rates of exchange are used when such rates are significantly lower than the official rates of exchange. In the event that changes in foreign exchange rates result in a reduction in the value, as measured in dollars, of the net working capital of any foreign subsidiary or branch, the reduction becomes a charge against consolidated net income to the extent that it exceeds applicable reserves. Changes in foreign exchange rates had no substantial effect on consolidated income in 1961 or 1960.

MERCK & CO., INC.
Above Stockholders' Equity
Reserve Applicable to Foreign Operations $3,900,000
Notes to Financial Statements

All active wholly-owned subsidiaries have been included in the consolidated financial statements. The accounts of foreign subsidiaries and branches have been translated into United States dollars on the following bases: fixed assets and related depreciation have been translated at exchange rates prevailing at dates of acquisition; net assets protected against exchange fluctuation have been translated at rates of exchange fixed by contract; the remaining net assets have been translated at the free rates of exchange in effect at the year-end. Income and expense items other than depreciation have been translated at month-end average rates of exchange.

Net income of consolidated foreign subsidiaries and branches, as translated into U. S. dollars and included in consolidated net income, amounted to $9,024,000 in 1961 and $10,483,000 in 1960. The foregoing amounts do not include the profits of the parent company and domestic subsidiaries from their sales to foreign customers, subsidiaries and branches. Remittances of earnings from consolidated foreign subsidiaries and branches amounted to $6,567,000 in 1961 and $6,467,000 in 1960. U. S. and foreign government taxes may be payable in the event of the remittance of that portion of retained foreign earnings not permanently invested in the business. A reserve applicable to foreign operations has been established for possible additional taxes arising from income related to such operations and for possible losses incident thereto.

The Company's equity in the unconsolidated foreign subsidiaries approximated its investment therein.

A summary of the investment in unconsolidated foreign subsidiaries and the net assets of consolidated foreign subsidiaries and branches, as translated into U. S. dollars and included in the consolidated balance sheets, follows:

(U. S. Dollars in Thousands)

	Net Assets Subject to Exchange Fluctuation	Net Assets Not Subject to Exchange Fluctuation*	Total Net Assets 1961
Canada	$ 2,177	$ 2,423	$ 4,600
Other Western Hemisphere Countries & Bermuda	6,491	24,082	30,573
England & Europe	3,175	4,613	7,788
Far East	3,422	1,855	5,277
	$15,265	$32,973	$48,238

*Includes net fixed assets of $14,008,000.

UNITED STATES RUBBER COMPANY
Above Stockholders' Equity
Reserves:

Foreign activities	$16,182,741
Retirement allowances	10,994,110
Insurance	3,768,523
Total Reserves	$30,945,374

Notes to Financial Statements

The Reserve for Foreign Activities at December 31, 1961 consists of $8,858,758 unremitted earnings of foreign operations and $7,323,983 representing principally the excess of certain foreign subsidiaries' net assets over cost thereof at date of acquisition.

Deferred charges include $1,656,987 representing excess of cost over net assets at date of acquisition for certain subsidiaries consolidated for the first time in 1961.

Reserves for Foreign Statutory Requirements

AMERICAN SMELTING AND REFINING COMPANY
Within Stockholders' Equity
Earnings Employed in the Business (Note 8) $207,797,679

Note 8: *Earnings Employed in the Business*—This caption includes $1,918,908 (1960—$1,783,914) in legal reserves on the books of Mexican and South American subsidiaries to comply with the laws of the respective countries.

CORN PRODUCTS COMPANY
Within Stockholders' Equity
Shareholders' equity—Notes 3 and 4:

Common stock, par value $ .50, authorized 30,000,000 shares, issued 1961, 22,079,306; 1960, 21,907,446	$ 11,039,653
Capital surplus	136,190,338
Earned surplus	141,855,232
Total shareholders' equity	$289,085,223

Note 4: The company's equity in net assets of subsidiaries included in consolidation is $81,318,817 in excess of its investment of $58,165,530 at cost or less, and this amount has been included in earned and capital surplus as follows:

Earned surplus:	
Unappropriated	$30,581,883
Appropriated	16,661,614*
	$47,243,497
Capital surplus	34,075,320
Total	$81,318,817

*Consolidated earned surplus of $141,855,232 includes $16,661,614 appropriated for legal, statutory, contingency and other reserves of certain international subsidiaries.

OWENS-ILLINOIS GLASS COMPANY
Within Stockholders' Equity
Retained earnings (Note 7) $198,387,434

Note 7: *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, 1961, the amount of consolidated retained earnings so restricted was approximately $73,375,000.

The consolidation of foreign subsidiaries has the effect of adding $3,996,489 to consolidated retained earnings at December 31, 1961, which amount includes statutory reserves aggregating $313,646.

SPRAGUE ELECTRIC COMPANY
Above Stockholders' Equity
Reserve for Severance Pay (foreign employees) $91,178

UNITED STATES RUBBER COMPANY
Notes to Financial Statements

Earned Surplus: The indentures and the loan agreements contain certain provisions prohibiting dividends (except stock dividends) and other distributions to stockholders unless stipulated requirements are met. Under the most restrictive covenants, the amount of consolidated earned surplus not restricted at December 31, 1961 was $113,706,605.

Included in consolidated earned surplus at December 31, 1961 are statutory legal reserves of foreign subsidiaries totaling $424,469 which are not available for dividend distribution.

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-seven such reserves were disclosed in the balance sheets of 25 of the 600 survey companies in the 1961 reports. Thirteen of the reserves were shown in the balance sheets among current liabilities and thirteen were shown above the stockholders' equity section.

TABLE 35: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
A: Among: *Current Liabilities* for—				
Product guarantee	4	4	2	3
Product warranty	3	6	3	3
Service guarantee	2	1	2	2
"Guarantee"	1	4	1	2
Contract completion	2	2	2	3
Coupon redemption	1	—	—	—
B: Above: *Stockholders' Equity* for—				
Product guarantee	6	5	11	12
Product warranty	1	—	1	3
Service guarantee	—	—	1	1
Service warranty	2	—	—	1
"Guarantee"	1	1	2	4
"Warranty"	2	2	2	1
Coupon redemption	1	1	3	2
Commercial paper guarantee	—	—	1	3
Contract completion	—	—	—	1
Miscellaneous	—	—	—	2
C: Within: *Stockholders' Equity* for—				
Contract completion	1	—	—	—
Total	27	26	31	43
Terminology Used				
Reserve	13	15	21	29
Provision	3	2	5	6
Various other terms	11	9	5	8
Total	27	26	31	43
Number of Companies with:				
Guarantee or warranty reserves	25	23	30	41
No guarantee or warranty reserves	575	577	570	559
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 75, 233, 241, 367, 389, 476; B: Co. Nos. 6, 77, 105, 267, 300, 471; C: Co. No. 284.

Certain companies (*Co. Nos. 6, 409) 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.

Reserves for Service Guarantee

McGRAW-HILL PUBLISHING COMPANY, INC.
Current Liabilities:
Unearned service contracts $1,591,425

SONOTONE CORPORATION
Current Liabilities:
Estimated cost of discharging unexpired service guarantees $250,000

Reserves for Contract Completion

THE BABCOCK & WILCOX COMPANY
Current Liabilities:
Provision for additional costs on contracts . $2,000,000

HAZELTINE CORPORATION
Within Stockholders' Equity

Appropriated earned surplus:		
Reserve for patent infringement, replacement of Government furnished equipment and possible losses in connection with future performance of contracts		
Balance at beginning and end of year		$1,241,915
Reserve for estimated amount of deferred compensation, net of taxes, payable at death or retirement contingent upon certain conditions		
Balance at beginning of year	$395,000	
Transferred to accrued expenses for liability upon death of covered employee	79,000	
Balance at end of year		316,000
Total appropriated earned surplus		$1,557,915

Reserves for Product Guarantee or Warranty

BALDWIN-LIMA-HAMILTON CORPORATION
Above Stockholders' Equity
Reserves for Product Guarantees and Other Expenses $560,000

CARRIER CORPORATION
Current Liabilities:
Progress billings, product guarantees, etc. . $9,137,878

JOHNS-MANVILLE CORPORATION
Above Stockholders' Equity

Notes payable, 2.7 per cent, principal payable $250,000 annually to July 15, 1966, balance payable July 15, 1967	$2,250,000
Reserves for self-insurance and product guarantees	1,808,000
	$4,058,000

THE RUBEROID CO.
Above Stockholders' Equity

Reserves for guaranteed roofs and compensation insurance	$2,259,701
Deferred federal income taxes	1,014,000
Long-term 5% notes due in instalments to 1963	600,000
	$3,873,701

TECUMSEH PRODUCTS COMPANY
Above Stockholders' Equity
Other Liabilities:

Provision for product guarantee	$ 916,637
Notes payable—non-current	1,285,000

INSURANCE RESERVES

There were 70 insurance reserves shown by 62 of the 600 survey companies in their 1961 annual reports. Table 36 discloses the various types of insurance reserves together with their balance sheet presentation.

Of the 70 reserves disclosed, 67 were presented above the stockholders' equity section. Of the remainder, two were shown among the current liabilities and the third 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 1961, disclosed the accounts to which the related charges or credits were made.

Examples illustrating the presentation in the financial statements of insurance reserves follow:

Self-Insurance Reserves

ALLIED MILLS, INC.
Above Stockholders' Equity

Reserve for Self-Insurance, Etc.	$609,073.18

THE FIRESTONE TIRE & RUBBER COMPANY
Above Stockholders' Equity
Reserves:

For Foreign Investments	$6,759,207
For Risks Not Covered by Insurance Policies	1,200,000
	$7,959,207

LONE STAR CEMENT CORPORATION
Noncurrent Assets:

Self-insurance funds—cash and investments	$2,977,491

Above Stockholders' Equity
Reserves:

Contingent management compensation	$ 442,433
Self-insurance	2,875,303
	$3,317,736

Workmen's Compensation Reserves and Self-Insurance Reserves

THE EASTERN COMPANY
Above Stockholders' Equity

Reserve for Workmen's Compensation Awards	$30,000

TABLE 36: INSURANCE RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
A: Among: *Current Liabilities* for—				
Self-insurance	1	2	1	—
Workmen's compensation self-insurance	—	—	1	1
Workmen's compensation	1	1	1	—
Miscellaneous	—	—	1	3
B: Above: *Stockholders' Equity* for—				
Self-insurance**	1	1	5	7
Self-insurance	19	21	18	22
Workmen's compensation self-insurance	8	11	18	34
Workmen's compensation**	3	1	7	5
Workmen's compensation	6	14	14	13
General insurance**	—	—	2	1
General insurance	18	18	22	31
Fire loss	3	8	4	8
Accident insurance	2	2	2	5
Public liability	1	—	2	5
Employer's liability	1	1	2	2
Marine insurance	3	—	1	2
Tornado insurance	1	—	1	2
Casualty risks	1	—	1	2
C: Within: *Stockholders' Equity* for—				
Self-insurance**	—	1	2	1
Self-insurance	1	1	—	—
General insurance	—	—	4	4
Employer's liability	—	—	1	—
Fire loss	—	2	2	1
Miscellaneous	—	—	—	2
Total	70	84	112	151
Terminology Used				
Reserve	66	79	98	136
Provision	2	2	5	7
Various other terms	2	3	9	8
Total	70	84	112	151
Number of Companies with:				
Insurance reserves	62	73	102	128
No insurance reserves	538	527	498	472
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 79, 233; B: Co. Nos. 14, 44, 123, 293, 310, 388, 444, 500, 569; C: Co. 125.
**With cash or securities segregated therefor.

GENERAL ANILINE & FILM CORPORATION
Above Stockholders' Equity
Non-Current Liabilities:

Notes payable (Note 2)	$24,500,000
Deferred federal income taxes	161,000
Provision for workmen's compensation self-insurance	267,596
Other non-current items contingently payable	1,353,412
	$26,282,008

THE AMERICAN SHIP BUILDING COMPANY
Noncurrent Assets:

United States Treasury Bonds on deposit in connection with workmen's compensation guarantees—at cost, quoted market $171,759 (1960—$169,913)	$197,000
Miscellaneous securities, accounts receivable, and advances	469,024

Above Stockholders' Equity

Reserves:	
For workmen's compensation and public liability insurance	$300,000
For insurance on floating equipment and cargo loss	56,550
Total Reserves	$356,550

THE ANACONDA COMPANY
Above Stockholders' Equity

Reserve for workmen's compensation insurance and employee termination benefits	$4,457,596

Fire Insurance Reserves

J. C. PENNEY COMPANY
Above Stockholders' Equity

Reserves for fire losses and associates' death benefits	$6,708,185

STANDARD OIL COMPANY (NEW JERSEY)
Above Stockholders' Equity

Long-term debt	$816,449,000
Deferred credits	175,353,000
Annuity, insurance, and other reserves	410,074,000
Equity of minority shareholders in affiliated companies	305,482,000

Financial Review (Page 23): Annuity, insurance, and other reserves at December 31, 1961, consisted of $263,454,000 for annuities, $54,657,000 for marine and fire insurance, $65,694,000 for employee service and separation allowances required in foreign countries, and $26,269,000 for other purposes.

Other Insurance Reserves

THE ATLANTIC REFINING COMPANY
Above Stockholders' Equity

Reserve for Insurance and Contingencies	$10,261,726

HOLLY SUGAR CORPORATION
Above Stockholders' Equity

Reserves (principally self-insurance for certain workmen's compensation and property risks)	$2,439,028

JONES & LAUGHLIN STEEL CORPORATION
Above Stockholders' Equity

Long-term debt (Note D)	$138,895,000
Accrued pensions, accident compensation and deferred compensation	5,575,000
Deferred federal income taxes (Note A)	20,029,000

PITTSBURGH PLATE GLASS COMPANY
Above Stockholders' Equity

Accumulated Provisions for:	
Maintenance and repairs	$5,771,935
Insurance and unfunded and uninsured pensions	3,571,140
Foreign operations	543,346

UNITED STATES STEEL CORPORATION
Above Stockholders' Equity

Reserves for insurance, contingencies and accident and hospital expenses	$117,091,540

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

The reserves for contingencies and accident and hospital expenses of $67,091,540, provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

Reserves—

	Dollars in millions			
	Reserve for insurance	Reserve for contingencies	Accident and hospital	Total other
Balance December 31, 1960	$50.0	$55.0	$ 9.4	$114.4
Additions charged income	1.2	—	20.7	21.9
Deductions	1.2	2.7	20.7	19.2
Balance December 31, 1961	$50.0	$57.7	$ 9.4	$117.1

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 1961, 1960, 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-one survey companies presented 57 reserves in their 1961 reports. The reserves were presented most frequently above the stockholders' equity section of the balance sheet (24 reserves in 1961), but a substantial number were also presented with the related assets (23 reserves in 1961).

In instances where there were increases or decreases in these reserves during 1961 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. 42, 220, 269, 388, 536).

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

SWIFT & COMPANY
Above Stockholders' Equity

Reserve for estimated costs to be incurred in closing plants (net after income taxes) —see page 4	$10,384,175

Page 4: Over the years changes in sources of raw material and markets have made it uneconomical to continue operations of some of our processing and marketing facilities. A decision has been made

*Refer to Company Appendix Section.

TABLE 37: PROPERTY RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
A: With: *Related Fixed Assets* for—				
Revaluation of property	5	6	2	7
Loss on property	15	16	5	3
Extraordinary depreciation	—	—	5	10
Purpose not stated	—	1	1	—
Intangible drilling costs	—	1	1	—
Miscellaneous	3	—	1	1
B: Among: *Current Liabilities* for—				
Furnace rebuilding, relining	2	2	1	—
Moving expenses	1	—	—	—
Miscellaneous	—	—	—	1
C: Above: *Stockholders' Equity* for—				
Loss on property	1	—	—	—
Furnace rebuilding, relining	6	7	9	13
Glass tank renewal	1	1	1	1
Plant rehabilitation	—	—	3	1
Repairs, painting, maintenance	9	9	10	13
Mine development costs	1	1	1	1
Moving expenses	2	2	—	—
Normal depreciation	2	4	2	4
Obsolescence of property	2	1	2	3
Accelerated amortization	—	—	1	1
Higher plant replacement costs	—	1	3	9
Miscellaneous	—	—	3	10
D: Within: *Stockholders' Equity* for—				
Revaluation of property	1	2	2	4
Loss on property	2	1	1	1
Plant contingencies	—	—	1	—
Higher plant replacement costs	3	4	6	13
Steamship replacements	—	—	1	—
Property replacement	—	1	—	—
Miscellaneous	1	—	—	1
Total	57	60	62	97
Terminology Used				
Reserve	37	38	44	65
Provision	7	5	4	8
Various other terms	13	17	14	24
Total	57	60	62	97
Number of Companies with:				
Property reserves	51	54	53	81
No property reserves	549	546	547	519
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 41, 63, 92, 127, 255, 296, 388, 576;
B: Co. Nos. 55, 219, 345;
C: Co. Nos. 8, 28, 142, 170, 387, 402, 464, 568;
D: Co. Nos. 91, 109, 265, 374, 590.

to close certain of these facilities. Accordingly, this year we have provided a reserve of $12,700,000, after income taxes, from accumulated earnings to cover costs of these closings. We have charged $2,315,825 against this reserve during this year, and the balance of $10,384,175 will be used to cover future closings.

ARCHER-DANIELS-MIDLAND COMPANY

Property, Plant and Equipment (Note 4) . $38,275,323

Note 4: Property, Plant and Equipment—at cost

Land	$ 784,019
Buildings	26,600,753
Machinery, equipment and other	41,760,060
Construction in progress	6,159,188
	$75,304,020
Less allowance for depreciation	33,235,092
	$42,068,928
Less allowance for possible loss on disposal and abandonment of certain properties, after federal income tax effect	3,793,605
Total	$38,275,323

ARMOUR AND COMPANY

Plant and equipment:	
Land, at cost	$ 14,279,899
Buildings, machinery and fixed equipment, at cost	233,159,466
Accumulated depreciation	(121,272,423)
Refrigerator cars, delivery equipment, tools, etc., at cost less accumulated depreciation	10,610,120
Short term investments set aside for capital commitments	20,819,857
Revaluation of certain facilities in respect of anticipated replacement or relocation	(5,109,120)
	$152,487,799

CANADA DRY CORPORATION

Property, Plant and Equipment:	
Land	$ 833,295
Buildings, machinery, equipment, etc. (less reserves for depreciation and amortization—1961, $14,807,058; 1960, $13,579,076)	15,250,839
Containers—including estimated quantities in hands of customers:	
Bottles	11,686,299
Cases (less reserve, for balance sheet purposes, provided from earned surplus and equal to 50% of ledger value of cases—1961, $3,999,329; 1960, $4,049,386)	3,999,329
Total property, plant and equipment—net	$31,769,762

WEYERHAEUSER COMPANY

Timber and Timberlands, etc., at March 1, 1913 values plus subsequent additions at cost	$108,622,045
Shareholders' Interest:	
Capital stock, authorized 31,000,000 shares; issued 30,545,369 shares, par value $7.50 per share	$229,090,268
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation ($772,478 realized and transferred to earned surplus in 1961)	21,327,321
Earned surplus (income retained in the business)—see accompanying statement	298,033,303
Paid-in surplus	3,103,208
Treasury stock, at cost, 532,994 and 450,244 shares at respective dates (see Note)	*19,603,398*
Total shareholders' interest	$531,950,702

MOTOR WHEEL CORPORATION

Property, Plant, and Equipment—on basis of cost:	
Buildings and equipment	$25,280,829
Less allowances for depreciation, including, in 1961, special allowance of $365,000 (net of tax benefit) applicable to unused facilities offered for sale	10,922,756
	$14,358,073
Land	730,536
Tools and dies, less amortization	553,131
	$15,641,740

Repairs, Furnace Rebuilding, and Leased Property Restoration

ALAN WOOD STEEL COMPANY
Above Stockholders' Equity

Reserves:	
Rebuilding and repairs	$654,210
Workmen's compensation, supplemental unemployment benefits, etc.	784,862

AMERICAN-SAINT GOBAIN CORPORATION
Above Stockholders' Equity

Reserves, net of estimated future income tax effect:	
Furnace repairs	$464,842
Pensions (Note 2)	444,773
Total Reserves	$909,615

ANCHOR HOCKING GLASS CORPORATION
Current Liabilities:

Accounts payable	$ 5,804,620
Wages, commissions and other expenses	5,661,521
United States and Canadian income taxes	4,413,433
Estimated furnace repairs	2,022,632
	$17,902,206

ARMCO STEEL CORPORATION
Above Stockholders' Equity

Long-term Debt, less current portion (page 19)	$151,480,000
Deferred Credits Applicable to Future Periods (Note 5)	25,279,200
Reserves (principally for furnace repairs)	7,408,144

CITIES SERVICE COMPANY
Above Stockholders' Equity

Reserves:	
Prior years' and deferred taxes on income	$28,204,389
Maintenance and other operating reserves	3,198,654
	$31,403,043

CITY STORES COMPANY
Above Stockholders' Equity

Reserves—Note G	$1,178,315

Note G: *Reserves*—The reserves are provided for the following:

Restoration of leased properties	$ 441,899
Termination of store operations	89,298
Excess rentals	647,118
	$1,178,315

HUNT FOODS AND INDUSTRIES, INC.
Above Stockholders' Equity

Reserve for Renewal of Glass Tanks	$1,107,535

THE TORRINGTON COMPANY

Property, Plant, and Equipment:	
Land	$ 626,196
Buildings	8,317,687
Machinery and Equipment	26,138,660
	$35,082,543
Less Reserves for Depreciation, Amortization, and Special Reserves	19,530,747
Net Property	$15,551,796

Moving Expenses

LILY-TULIP CUP CORPORATION
Among Current Liabilities:

Reserve for relocation of plant facilities—Note C	$2,000,000

Note C: In connection with the Company's plans to close down the manufacturing operations at College Point and the Bronx, and to relocate such operations in the new Holmdel (N.J.) plant, the Company has provided, by a charge to Earned Surplus in 1961, for closing-down costs, severance pay, moving expenses and new plant starting-up costs in the estimated amount of $4,350,000, less the effect of income taxes of approximately $2,350,000. This provision does not include any allowance (now indeterminable) for gain or loss on disposition of the College Point and Bronx facilities (including the leasehold interest in the latter).

JOHN MORRELL & CO.
Above Stockholders' Equity

Reserve for Losses and Expenses Anticipated in Connection with Relocation and Closing of Processing and Marketing Facilities—See Pages 2-3	$961,022

Pages 2-3: While all of our major units and most of our other units operated at a profit during the year, total earnings were adversely affected by substantial losses in the operations at certain of our smaller units. After a thorough analysis of the problems and outlook attached to these unprofitable units, action has or will be taken to discontinue or revise operations at these plants. It is estimated tha losses and expenses attached to the closing or revision of operations could amount to approximately $1 million after income tax credits. Therefore, shareholders' equity has been reduced by the net amount of $1 million to provide a special reserve for such expenses and losses. Prior to the close of the fiscal year, this special reserve was charged with the net amount of approximately $39,000 for plant closing expenses already incurred, leaving a balance in the reserve of $961,000 at October 28, 1961.

Higher Replacement Cost

THE B. F. GOODRICH COMPANY
Within Stockholders' Equity

Income retained in the business—Note C:	
Appropriated for increased replacement cost of facilities	$ 33,000,000
Unappropriated	272,913,526
	$305,913,526

TAX RESERVES

The 1961 annual reports of the 600 survey companies disclosed 215 tax reserves shown in the balance sheets of 190 companies, while in 1960 there were 208 reserves revealed by 185 companies. Both 1960 and 1961 show a significant increase in the use of tax reserves as compared with the figure 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 (200 reserves in 1961). 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. 18, 148, 178, 245, 332, 488, 509)	99
Offsetting entry within retained earnings account (*Co. No. 167)	1
No dollar change from previous year	1
Change in the tax reserve account apparent, but the entry not disclosed	83
Other accounts	6
No tax reserve account	410
Total Companies	600

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

CONSOLIDATED FOODS CORPORATION

Current Liabilities:

Taxes, payable and accrued:	
Federal taxes on income (Note 3):	
Current year	$5,211,757
Reserve for prior years	261,244

Note 3: Federal Taxes on Income—For income tax purposes, a subsidiary of the Corporation formerly computed depreciation and profit or loss on the sale of property and equipment on a stepped-up basis resulting from its purchase of the stock of its predecessor Company and subsequent liquidation of the predecessor. The Internal Revenue Service did not agree to this, and the resultant deficiencies in federal income taxes are now in the process of settlement. It is believed that the reserve for income taxes of prior years is adequate to cover them.

CONSOLIDATION COAL COMPANY

Above Stockholders' Equity

Reserves:	
Management Unit Plan—Note C	$4,944,831
General tax contingencies, etc.	3,051,422
Total Reserves	$7,996,253

*Refer to Company Appendix Section.

TABLE 38: TAX RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
A: With: *Related Assets* for—				
Deferred tax on installment sales	1	1	1	1
Amortization of emergency facilities	—	1	1	1
New depreciation methods	1	1	—	—
Miscellaneous	2	3	1	—
B: Among: *Current Liabilities* for—				
Prior years' taxes	4	5	7	3
Tax contingencies	1	2	—	3
Deferred tax:				
On installment sales	3	2	1	1
Re amortization of emergency facilities	—	—	2	—
New depreciation methods	1	3	—	—
Taxes	—	—	—	1
Future taxes	1	1	—	—
C: Above: *Stockholders' Equity* for—				
Prior years' taxes	2	4	9	20
Tax contingencies	7	7	7	13
Future taxes (1954 Internal Revenue Code)	77	67	9	—
Taxes	3	4	1	5
Foreign taxes	8	6	—	—
Deferred tax:				
On installment sales	8	9	1	2
On mine development costs	4	4	2	—
Re amortization of emergency facilities	10	15	24	—
Re amortization under Certificates of Necessity new depreciation methods	4	3	5	1
On undistributed earnings of consolidated foreign subsidiaries	9	6	—	—
New depreciation methods (1954 Internal Revenue Code)	68	62	7	—
D: Within: *Stockholders' Equity* for—				
Tax contingencies	1	2	1	1
Taxes	—	—	1	—
Total	215	208	80	52
Terminology Used				
Reserve	69	74	49	37
Provision	6	6	3	5
Various other terms	140	128	28	10
Total	215	208	80	52
Number of Companies with:				
Tax reserves	190	185	73	50
No tax reserves	410	415	527	550
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 54, 247, 264, 367;
B: Co. Nos. 144, 211, 255, 261, 354, 468, 536;
C: Co. Nos. 3, 33, 69, 78, 142, 167, 233, 292, 373, 404, 439, 559, 596;
D: Co. No. 57.

CONTINENTAL CAN COMPANY, INC.
Above Stockholders' Equity

Reserves for Deferred Income Taxes, etc.	$17,815,000

Notes to Financial Statements

In 1961 an amount of $4,400,000 was provided out of retained earnings for possible additional prior years' income taxes and related interest on sales of can closing equipment, as more fully explained in the text of this Annual Report. (See "Income Taxes.")

Financial Review

Income Taxes: Depreciation for tax purposes, computed using accelerated depreciation methods permitted by the Internal Revenue Service, was greater than the depreciation charged for financial statement purposes. This reduced income taxes currently payable on 1961 earnings by approximately $4,947,000 compared with $3,427,000 in 1960. These amounts were added to the reserve for deferred income taxes.

Under a consent decree entered against the Company in 1950, we were required to offer our can closing machines for sale as well as lease. Many of our customers availed themselves of this right of purchase resulting in substantial profits to the Company. These gains were reported, on advice of counsel, as capital gains for tax purposes. However, in another, but similar case, the Tax Court recently held that such gains are ordinary income. We are advised that this decision will probably be appealed.

We shall vigorously contest this issue in our own case. Nonetheless, in the interest of conservative accounting, we have provided an additional $4,400,000, by a charge against retained earnings, to cover possible prior years' tax liabilities which may ultimately result.

ELASTIC STOP NUT CORPORATION OF AMERICA
Current Liabilities:

Accrued liabilities:	
Payroll and sundry taxes	$ 161,743.64
U.S. and Canadian taxes on income—estimated:	
Prior years	73,732.30
Current year	1,152,735.14
Sundry accruals	319,872.33

NATIONAL STEEL CORPORATION
Above Stockholders' Equity

Reserves:	
General operating purposes, including pensions	$22,372,303
Prior years' federal taxes on income	4,552,272
Rebuilding and repairs	8,017,086
Total Reserves	$34,941,661

Deferred Tax on Installment Sales

GOLDBLATT BROS., INC.
Current Assets:

Receivables—	
Trade (including approximately $1,600,000 at January 28, 1961, due after one year) less reserves of $3,708,128 and $3,645,117 at respective dates for doubtful accounts, deferred income taxes on installment sales and unearned carrying charges	$13,263,764

HOLLAND FURNACE COMPANY
Above Stockholders' Equity

Deferred Federal Income Taxes (Note C)	$1,206,262

Note C: The Company and its finance subsidiary, Heating Acceptance Corp., file consolidated federal income tax returns and use the installment method of reporting income. Under the installment method, federal income taxes become payable as collections are received on customers' installment notes. For accounting purposes, income is recorded at the time of sale. During 1961 Heating Acceptance Corp. sold the major portion of its installment notes receivable and discontinued the purchase of new installment notes. The financial statements reflect (1) federal income taxes currently payable on income realized on the above-described sale of installment notes by Heating Acceptance Corp. and (2) the deferred federal income taxes which may become payable when income on the remaining installment notes is realized for tax purposes.

NAUTEC CORPORATION

Deferred Federal Income Taxes (Note 1)	$370,000

Note 1: *Instalment sales and federal income taxes*—The Corporation includes profits on instalment sales in earnings in the year in which sales are made, but for federal income tax purposes reports profits on these sales on the instalment basis. The provision for federal income taxes includes amounts estimated to be required in future periods by reason of such deferral of profits on instalment sales. Due to the carry-forward of prior years' operating losses, the provision for federal income taxes was approximately $80,000 less than would otherwise have been required.

SPIEGEL, INC.
Current Liabilities:

Notes payable	$86,450,000
Accounts payable	10,643,395
Due customers and accrued expenses	8,528,909
Federal income tax payable (Note 2)	643,102

Note 2: In accordance with past practice the foregoing statement of profit and loss was prepared on the accrual basis, whereas for federal income tax purposes the income of Spiegel, Inc. arising from instalment sales is reported on the cash collection basis. On the latter basis the required federal income tax provision for the year 1961 was $580,000. In addition, an amount of $5,950,000, equivalent to reduction in federal income tax arising from use of the instalment basis for tax purposes, was also charged to profit and loss and this amount was included in the deferred credit on the balance sheet.

Deferral of Tax Benefits re Amortization of Emergency Facilities

ARMCO STEEL CORPORATION
Above Stockholders' Equity

Long-term Debt, less current portion	$151,480,000
Deferred Credits Applicable to Future Periods (Note 5)	25,279,200
Reserves (principally for furnace repairs)	7,408,144

Note 5: The Company owns 50% of the capital stock of Reserve Mining Company, the other 50% being owned by Republic Steel Corporation. The two shareholders are obligated (until the principal amount of first mortgage bonds of Reserve is paid in full) to take the entire production of Reserve, and as to each half-owner, to pay 50% of Reserve's operating costs and interest charges. If and to the extent that Reserve shall not have made the necessary payments, each shareholder is also obligated to pay one-half of amounts needed by Reserve for (a) fixed sinking fund requirements and final maturity amount on the said bonds, (b) construction costs (estimated at $120,000,000), under a current expansion program, in excess of $96,000,000 to be derived by Reserve from the sale of Series B bonds, and (c) certain future capital replacements.

At December 31, 1961, Reserve had outstanding $122,747,000 Series A and $52,000,000 Series B first mortgage bonds and, in connection with the expansion program referred to above, may issue up to $44,000,000 additional Series B Bonds.

A substantial portion of Reserve's facilities has been certified as being eligible for amortization for Federal income tax purposes. The excess of such amortization over depreciation based upon normal rates has not been included in Reserve's operating costs but is deductible by the two shareholders in determining their Federal income taxes. The Company has followed the practice of deferring (through a charge to provision for Federal income taxes) the resulting reduction in such taxes attributable to this deduction. The accumulated amount at December 31, 1961, $22,914,346, is included in deferred credits applicable to future periods in the statement of consolidated financial condition.

BETHLEHEM STEEL CORPORATION
Above Stockholders' Equity

Other Liabilities and Reserves:	
Long-term debt	$138,667,500
Accrued liabilities payable after one year (Note B)	68,600,000
Insurance reserve	30,000,000

Note B: The investments in mining enterprises include 45% of the outstanding capital stock of Erie Mining Company and

$120,453,000 (out of a total of $267,984,000), principal amount, of its outstanding First Mortgage Bonds due in 1983. The Corporation is entitled to receive its proportionate share based on stock ownership (45%) of the taconite pellets produced by Erie and is committed to pay its proportionate share of all Erie's costs, including depletion, depreciation and obsolescence in an amount in each year not less than the sinking fund requirements for Erie's outstanding bonds. A substantial part of the expenditures for the Erie project is subject to amortization under the provisions of the Internal Revenue Code and the Corporation deducts from its income in computing its Federal income taxes its proportionate share of such amortization. In the foregoing financial statements such amortization has not been deducted from income but there has been deducted from income in 1961 a provision for future Federal income taxes in the amount of $7,500,000, which is equal to the current reduction in Federal income taxes resulting from the deduction of such amortization in computing such taxes. Such provision and the corresponding provisions made in earlier years commencing with 1954 have been credited to accrued liabilities payable after one year and aggregate $54,100,000 at December 31, 1961.

WORTHINGTON CORPORATION

Above Stockholders' Equity

Long-term Liabilities:

Long-term debt	$38,400,000
Deferred federal income taxes (See page 20)	1,370,000

Page 20: Provision for Taxes on Income comprises the following—

Federal:	
Current year	$3,372,000
Deferred in connection with special amortization	*130,000*
Canadian	*37,000*
	$3,205,000

Amortization under Certificates of Necessity and New Depreciation Methods

BEAUNIT MILLS, INC.

Above Stockholders' Equity

Federal income taxes relating to accelerated amortization of facilities under certificate of necessity (Note 3) $2,142,500

Note 3: 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, 1961, $260,000 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

Above Stockholders' Equity

Deferred Federal income taxes (Note 3) .. $1,044,000

Note 3: *Federal Taxes on Income*—The Federal income tax returns of the company have been examined through 1958. The Internal Revenue Service has examined the returns for the years 1952 to 1958 of Allen B. Du Mont Laboratories, Inc. (which was merged into Fairchild on July 5, 1960) and has asserted certain deficiencies, 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.

At December 31, 1961 the company had approximately $4,850,000 of unused tax credits available against future income from which the maximum benefit would amount to approximately $2,520,000.

The company has claimed accelerated amortization for income tax purposes on certain facilities acquired in 1952, 1953 and 1961 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 is now being restored to income as the book depreciation now exceeds tax depreciation.

GENERAL REFRACTORIES COMPANY

Above Stockholders' Equity

Reserve for deferred federal income taxes (Note 4) $3,123,672

Note 4: The adjustments of federal income tax benefits charged (or credited) to income for the year 1961 arise from the following:

Excess of declining-balance depreciation claimed for income tax purposes over straight-line depreciation provided in accounts	$370,423
Excess of normal depreciation provided in accounts on facilities covered by Certificates of Necessity over allowable tax amortization thereon	(245,415)
Total adjusted through reserve for deferred federal income taxes	125,008
Pension costs provided in accounts not deductible for income tax purposes	(125,008)

UNION TANK CAR COMPANY

Above Stockholders' Equity

Deferred Income Taxes $32,096,000

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 $1,241,000 in 1961 and $3,075,000 in 1960. 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.

MONSANTO CHEMICAL COMPANY

Above Stockholders' Equity

	(*In Thousands*)
Other Liabilities:	
Deferred income taxes	$28,069
Miscellaneous	3,394
	$31,463

Financial Review

In certain prior years, provisions were made for income taxes payable in future years resulting from the excess of depreciation and amortization of facilities constructed under Certificates of Necessity for income tax purposes over depreciation for accounting purposes. For the years 1961 and 1960, $4,049,000 and $3,021,000 of such taxes became payable and were charged against the reserve provided in prior years.

New Depreciation Methods

BROCKWAY GLASS COMPANY, INC.

Above Stockholders' Equity

Reserve for Future Income Taxes—Note 2 .. $822,100

Note 2: *Reserve for Future Income Taxes*—In accordance with prior years' policy the Company used, for income tax purposes only, the declining balance method of computing depreciation with respect to certain assets as permitted under the Internal Revenue Code of 1954. In its financial statements depreciation is computed by the straight line method over estimated useful lives. The excess of tax depreciation over book depreciation approximated $450,400 during the year ended September 30, 1961, which resulted in a reduction in income taxes currently payable of $242,500. This amount has been charged against income, and is included in the provision for income taxes. The Reserve for Future Income Taxes shown on the consolidated balance sheet provides for deferred income taxes which will be payable in future years when annual depreciation for tax purposes is less than that provided in the financial statements.

CELANESE CORPORATION OF AMERICA

Above Stockholders' Equity

Deferred Federal Taxes on Income (Note 3) $6,635,000

Note 3: *Depreciation*—The Corporation and its domestic subsidiaries have followed the general policy of providing for depreciation and obsolescence of site improvements, buildings, machinery and equipment over the estimated useful lives of the assets or asset groups on the straight-line method. During 1961 asset groups and related accumulated depreciation were combined by principal activities or divisions and computation of depreciation charges was made by application of composite rates. This change had no effect on earnings for the year.

For Federal income tax purposes, depreciation has been accumulated under declining-balance and other methods which have resulted in amounts different from those used in the Corporation's financial statements Future Federal taxes resulting from these differences have been provided for in Deferred Federal Taxes on Income.

CONTINENTAL MOTORS CORPORATION
Above Stockholders' Equity

Deferred Federal Taxes on Income—applicable to excess of depreciation permitted for tax purposes over normal depreciation reflected in the financial statements	$1,045,000

GENERAL AMERICAN TRANSPORTATION CORPORATION
Above Stockholders' Equity

Reserve for Deferred Federal Income Tax —Note B	$47,823,000

Note B: *Federal Taxes on Income*—Federal income tax returns of the Corporation and of subsidiaries have been examined by the Internal Revenue Service through the year 1958, and no matters relating to such examinations remain unresolved which involve a material amount of taxes on income.

Amounts of depreciation deductible in federal income tax returns are based upon accelerated rates permitted under the Internal Revenue Code and exceed those used for general accounting purposes. A reserve has been provided for estimated income tax deferred to future years applicable to the depreciation differences which arise from this practice. Other depreciation differences exist; however, it is impractical to estimate the effect thereof on the earnings of future years.

W. T. GRANT COMPANY
Above Stockholders' Equity

Deferred Federal Income Tax—Note D	$372,000

Note D: As permitted by the Internal Revenue Code, the Company has adopted accelerated depreciation methods for income tax purposes, but has continued to use straight-line depreciation for financial statements. Provision has been made for deferred federal taxes on income to provide for the estimated additional future taxes which may become payable when depreciation based on accelerated methods will be less than that based on the straight-line method.

UNION BAG-CAMP PAPER CORPORATION
Above Stockholders' Equity

Deferred Federal Income Taxes	$1,675,000

Notes to Financial Statements

The Company follows the practice of claiming accelerated depreciation for Federal income tax purposes using straight-line depreciation for accounting purposes. In 1961, this resulted in an estimated saving of taxes, payable in future years, of $900,000, which amount has been charged against income and credited to deferred Federal income taxes.

Undistributed Earnings of Consolidated Foreign Subsidiaries

AMERICAN MOTORS CORPORATION
Above Stockholders' Equity

Noncurrent Liabilities:	
Executive compensation payable after one year, less applicable income taxes	$1,412,000
Deferred income taxes on undistributed earnings of subsidiaries	2,095,000

CORN PRODUCTS COMPANY
Above Stockholders' Equity

Reserves:	
For reduction of normal inventories to fixed prices	$1,484,844
For deferred federal taxes on income	3,693,389

Financial Review

Our provision for U.S. and foreign income taxes ($41,710,000 in 1961) was 5.6 cents of each sales dollar and 48 per cent of net income before taxes. This percentage changes from year to year because of the proportionate "mix" of income from various countries, all of which have different tax rates, and from the difference between "book" and "taxable" income. We set aside a reserve (reduce earnings) to provide for any possible future U.S. tax on earnings in countries abroad which *might* be remitted in a future year.

PARKERSBURG-AETNA CORPORATION
Above Stockholders' Equity

Reserve—Note A	$115,169

Note A: The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned foreign subsidiary, Parkersburg Rig & Reel Company de Venezuela C. A. All intercompany accounts and transactions have been eliminated. Provision has been made for federal income taxes ($115,169) which will become payable upon the distribution of the accumulated earnings of such subsidiary; of this amount $52,863 is applicable to 1960 and the financial statements for that year have been restated to give effect thereto.

Other Tax Reserves

AMERICAN SMELTING AND REFINING COMPANY
Above Stockholders' Equity

Deferred Credits (Note 5)	$17,566,958

Note 5: *Deferred Credits*—This caption includes $16,535,900 (1960—$12,321,587) representing the deferred tax benefit resulting from allowable deductions taken in the income tax returns in excess of depreciation and mine development charged against earnings in the accounts. Such deferred credits will be transferred to earnings in later years when the related depreciation and mine development will not be deductible for income tax purposes.

DOUGLAS AIRCRAFT COMPANY, INC.
Above Stockholders' Equity

Reserves:	
For deferred federal taxes on income—Note J	$1,535,321

Note J: *Income Tax*—The provision ($5,678,000) for federal taxes on income for fiscal year 1961 includes $563,367 estimated to be payable for that year and $5,114,633 attributable to the difference between amounts charged off in the accounts and the related amounts currently deductible for income tax purposes. The $5,114,633 included in the current provision was recorded in the accounts by (1) a credit (arising from items charged against 1960 income) of $6,239,000 to "estimated future income-tax benefits" and (2) a charge of $1,124,367 to "reserve for deferred federal taxes on income."

NATIONAL DAIRY PRODUCTS CORPORATION
Above Stockholders' Equity

Deferred Federal and Foreign Taxes on Income	$10,341,592

PENNSALT CHEMICALS CORPORATION
Above Stockholders' Equity

Reserves (Note 7):	
Deferred federal income taxes	$3,627,824

Note 7: *Deferred Federal Income Taxes*—In view of tax developments during 1961 the Company may be held to have realized a capital gain on the transfer of certain real properties to the pension trust on which a tax, not exceeding approximately $1,800,000, may be assessed by the Internal Revenue Service. Although the Company presently intends to contest any such assessments, recognition in its accounts for such possible liability is included in deferred federal income taxes with a corresponding charge included in deferred pension costs. Such charge to deferred pension costs will be amortized over the same period as the related depreciated costs of contributed property. Amortization in the amount of $231,767 is included in the provision for federal income taxes for 1961.

Deferred federal income taxes resulting from prepayments of current service costs and deductibility for federal income tax purposes of past service costs over a period less than the ten year book amortization period amounted to $624,516 for 1961.

TEXAS GULF SULPHUR COMPANY
Above Stockholders' Equity
Deduct Reserves for:

Deferred Federal income taxes	$9,300,000
Uninsured risks	314,433

Note 4: Deferred Federal Income Taxes—The Company has deferred to future periods the tax savings resulting from the deduction for tax purposes of certain expenditures included among the assets on the balance sheet. The deferred tax reserve pertains principally to certain production costs included in the cost of sulphur inventory and to development costs and advance net profit payments incurred on the potash property.

MISCELLANEOUS OTHER RESERVES

The assorted types of miscellaneous other reserves found in the reports of the survey companies for the years 1950, 1955, 1960, and 1961 and their balance sheet presentation are shown in Table 39. There were 166 such reserves shown by 138 companies in their 1961 annual reports.

This sixteenth edition of *Accounting Trends and Techniques* is the third 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.

TABLE 39: MISCELLANEOUS OTHER RESERVES

Balance Sheet Presentation*	1961	1960	1955	1950
A: With: *Related Assets* for—				
Loss on investments	25	27	2	—
Discounts	37	30	N/A	N/A
Returns and/or allowances	16	18	N/A	N/A
Other	11	8	—	1
B: Among: *Current Liabilities* for—				
Appraisal claims	2	4	1	—
Discontinued operations	2	3	—	—
Sales returns or allowances	4	2	2	2
Contract settlements and adjustments	—	1	—	—
Sugar-beet crop payments	2	2	1	1
Additional costs	—	1	1	—
"General" and "Sundry" purposes	5	5	1	3
Price redetermination refund	—	1	—	—
Other	4	2	—	2
C: Above: *Stockholders' Equity* for—				
Discontinued operations	4	3	2	—
Deposits refundable	—	1	2	1
Estimated claims payable	1	1	1	1
Litigation pending	—	1	3	1
Loss on receivables	—	—	1	2
Preferred stock retirement	—	—	1	2
Sales returns or allowances	1	3	2	1
"General" and "Sundry" purposes	32	33	31	28
"Operating" purposes	11	10	11	13
Unrealized profit on land contracts receivable	—	—	1	—
Other	2	1	2	2
D: Within: *Stockholders' Equity* for—				
Preferred stock retirement	3	3	5	3
Charter requirement	—	—	1	1
Sinking fund	—	2	1	2
Working capital	—	—	1	1
"General" and "Sundry" purposes	4	5	2	4
Total	166	167	75	71
Terminology Used				
Reserve	89	98	61	57
Provision	18	14	6	3
Various other terms	59	55	8	11
Total	166	167	75	71
Number of Companies with:				
Miscellaneous reserves	138	138	70	66
No miscellaneous reserves	462	462	530	534
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 43, 83, 111, 160, 221, 256, 366, 390, 412, 463, 551, 563;
B: Co. Nos. 6, 86, 127, 159, 190, 212, 219, 293, 296, 336, 345, 409, 462;
C: Co. Nos. 14, 41, 79, 104, 191, 223, 252, 265, 326, 351, 387, 402, 466, 500, 533;
D: Co. Nos. 121, 123, 165, 284, 367, 386, 405.
N/A—Not Available.

Loss on Investments

GENERAL ELECTRIC COMPANY
Noncurrent Assets:

Investments and advances* (mainly securities of wholly owned companies not consolidated, plus loans to them)	$272,884,527

**Details—(Page 28 of Report)*

Investments and Advances:	
General Electric Credit Corporation —Equity	$ 69,091,916
—Advances	59,000,000
Jelco Corporation—Equity and advances	679,881
Foreign nonconsolidated subsidiaries —Investments at cost	45,758,263
—Advances	38,700,295
General Electric common stock at cost	27,083,908
Miscellaneous securities at cost	40,070,264
	280,384,527
Less: Reserve	7,500,000
	$272,884,527

Investments and Advances: All earnings of General Electric Credit Corporation, its subsidiary, and Jelco Corporation are included in the consolidated statement of current earnings, and investment represents the Company's equity in, and advances to, these subsidiaries. Statements for General Electric Credit Corporation above at right form a part of these notes.

Only dividends received from foreign nonconsolidated subsidiaries are included in the Company's statement of current earnings, and carrying value of these subsidiaries represents cost of investment in, and advances to, these companies. Combined statements of foreign nonconsolidated subsidiaries as of September 30, 1961 and 1960 are shown on page 19.

Investment in General Electric common stock at the close of 1961 represented the cost of 372,601 shares being held for corporate purposes, such as requirements for the General Electric Savings and Security Program, Savings and Stock Bonus Plan, Incentive Compensation Plan, and patent awards to employees. On December 31, 1961 these shares had a quoted market value of $28,038,225.

On December 31, 1961 the fair value of miscellaneous securities was approximately $98 million.

COLONIAL STORES INCORPORATED

Noncurrent Assets:

Investments and sundry assets, at cost less in 1961 provision for reduction in equity value $750,000 (Note 7)	$256,799

Note 7: One of the two special items affecting 1961 income is the provision authorized by the Board of Directors of a $750,000 reserve to provide for the reduction in equity value of investment in 5% Cumulative First Preferred Stock of Stop & Shop Super Markets, Inc.

JACOB RUPPERT

Noncurrent Assets:

Other Assets:	
Accounts and loans receivable—not current, less reserves: 1961—$72,000; 1960—$50,000	$ 27,871
Insurance deposits	64,483
Security investments, less reserves—$68,000	105,933
Total other assets	$198,287

UNION OIL COMPANY OF CALIFORNIA

Noncurrent Assets:

Other Assets	$39,405,311

Notes to Financial Statements

Other Assets:

Investments in securities at cost, long term receivables, and other advances; less allowance for losses	$35,309,610
Deferred charges	4,095,701
	$39,405,311

Sales Returns, Allowances, and Discounts

BURLINGTON INDUSTRIES, INC.

Current Assets:

Customers' accounts receivable after deduction of $5,550,913 ($5,210,571 in 1960) for returns, allowances, discounts, and doubtful accounts	$132,089,482

J. I. CASE COMPANY

Current Liabilities:

Notes payable to banks (Note 6)	$85,118,761
Accounts payable	7,988,619
Discounts, allowances, etc.	5,632,000

CONSOLIDATED CIGAR CORPORATION

Current Assets:

Accounts receivable—customers, less allowances for bad debts, returns and discounts, $876,922 (1960—$749,062)	$10,888,659

DENNISON MANUFACTURING COMPANY

Current Assets:

Trade accounts receivable, less allowances for discounts, etc. of $201,000 in 1961 and $160,000 in 1960	$8,915,558

INTERCHEMICAL CORPORATION

Current Assets:

Accounts and notes receivable, less $780,045 for doubtful accounts and allowances ($753,240 in 1960)	$13,201,203

UNITED ENGINEERING AND FOUNDRY COMPANY

Current Liabilities:

Amounts Provided for Customer Allowances	$1,300,000

Contract Settlements and Adjustments

BATH IRON WORKS CORPORATION

Excess of expenditures on shipbuilding contracts plus estimated earnings and less estimated losses recorded thereon over billings (Note 2)	$6,506,142

Note 2: *Earnings*—The company follows the practice of recording estimated retainable earnings on long-term shipbuilding contracts by applying the percentages of completion in each year to the estimated final retainable earnings for the respective contracts. In the case of long-term contracts with the Department of the Navy, the percentages used are furnished by U.S. Navy representatives. When the estimate on a contract indicates a loss, it is the company's practice to provide a reserve for the entire loss, after consideration of any expected reduction in income taxes resulting from the loss.

GENERAL ELECTRIC COMPANY

Current Assets:

Deduct: Collections from customers on contracts in progress and anticipated price adjustments on contracts	$171,893,002

Current Liabilities:

Other Costs and Expenses Accrued* (amounts to be paid employees, interest owed, etc.)	$268,267,225

**Other Costs and Expenses Accrued*:

Payrolls accrued	$ 26,115,842
Interest expense accrued	1,357,417
Other costs and expenses accrued—includes liabilities for replacements under guarantees, renegotiation, allowances to customers, employee benefit costs, etc.	240,793,966
	$268,267,225

Discontinued Operations

S. H. KRESS AND COMPANY

Above Stockholders' Equity

Estimated loss on lease commitments for stores closed	$2,268,146

LILY-TULIP CUP CORPORATION

Current Liabilities:

Reserve for relocation of plant facilities—Note C	$2,000,000

Note C: In connection with the Company's plans to close down the manufacturing operations at College Point and the Bronx, and to relocate such operations in the new Holmdel (N.J.) plant, the Company has provided, by a charge to Earned Surplus in 1961, for closing-down costs, severance pay, moving expenses and new plant starting-up costs in the estimated amount of $4,350,000, less the effect of income taxes of approximately $2,350,000. This provision does not include any allowance (now indeterminable) for gain or loss on disposition of the College Point and Bronx facilities (including the leasehold interest in the latter).

ARCHER-DANIELS-MIDLAND COMPANY
Noncurrent Assets:

Property, Plant and Equipment (Note 4)	$38,275,323

Note 4: Property, Plant and Equipment—at cost

Land	$ 784,019
Buildings	26,600,753
Machinery, equipment and other	41,760,060
Construction in progress	6,159,188
	$75,304,020
Less allowance for depreciation	33,235,092
	$42,068,928
Less allowance for possible loss on disposal and abandonment of certain properties, after federal income tax effect	3,793,605
Total	$38,275,323

Litigation

HAZELTINE CORPORATION
Within Stockholders' Equity
Appropriated earned surplus:

Reserve for patent infringement, replacement of Government furnished equipment and possible losses in connection with future performance of contracts Balance at beginning and end of year	$1,241,915

General and Sundry Purposes

AMERICAN METAL CLIMAX, INC.
Above Stockholders' Equity

Reserves and other noncurrent liabilities (Page 32)	$8,103,119

Page 32: Reserves and Other Noncurrent Liabilities—

Reserves for pensions for United States hourly paid employees	$3,339,853
Reserves for workmen's compensation self-insurance	520,450
Miscellaneous reserves	808,386
Federal income tax deferred credit	3,262,552
Other noncurrent liabilities	171,878
	$8,103,119

KENNECOTT COPPER CORPORATION
Above Stockholders' Equity

Sundry reserves and deferred credits	$5,576,287

LUKENS STEEL COMPANY
Above Stockholders' Equity

Reserves*	$4,436,000

**Supplementary financial information*:
Reserves:

Deferred income taxes	$3,587,000
Other	849,000
	$4,436,000

OTIS ELEVATOR COMPANY
Above Stockholders' Equity

General reserve	$1,354,991

REPUBLIC STEEL CORPORATION
Above Stockholders' Equity

Operating and other reserves	$13,353,588

Operating Purposes

THE COLORADO FUEL AND IRON CORPORATION
Above Stockholders' Equity

Operating reserves	$8,196,028

AMERICAN SMELTING AND REFINING COMPANY
Above Stockholders' Equity
Reserves:

Operating	$1,187,549
Additional compensation (Note 6)	1,478,360
Total Reserves	$2,665,909

THE BENDIX CORPORATION
Above Stockholders' Equity
Reserves:

Sundry operating reserves	$1,922,970
For contingencies (see Note 6)	2,500,000
Total Reserves	$4,422,970

CITIES SERVICE COMPANY
Above Stockholders' Equity
Reserves:

Prior years' and deferred taxes on income	$28,204,389
Maintenance and other operating reserves	3,198,654
	$31,403,043

Preferred Stock Retirement

CONTAINER CORPORATION OF AMERICA
Within Stockholders' Equity
Capital:

4% cumulative preferred stock, $100 par value; authorized and issued 67,000 shares at December 31, 1961	$ 6,700,000
Common stock, $5 par value; authorized 15,000,000 shares, issued 10,710,328 shares at December 31, 1961 (Note 1)	53,551,640
Shareholders' investment in excess of par value (Note 1)	3,009,888
Earnings retained for requirements of the business (Note 2)	93,523,539
Deduct—Cost of 4% cumulative preferred stock held in treasury and provision for sinking fund on preferred stock; 4,458 shares and $156,513 at December 31, 1961	591,778
	$156,193,289

NEPTUNE METER COMPANY
Within Stockholders' Equity

Paid-in surplus	$ 1,137,440
Reserve for purchase and retirement of preferred stock	69,750
Accumulated earnings	14,827,151

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. This table indicates a trend towards the simplification of the capital structure, for, as may be observed, 280 of the survey companies in 1950 had only one class of stock (common or "capital") compared with 302 companies in 1961.

A further analysis of the figures in Table 40 also indicates a trend in the terminology used. Thus it may be noted that of the number of companies having only one class of stock, 158 used the term "common" in 1950; this number increased to 211 in 1961. On the other hand, of the 122 companies using the term "capital" in 1950 to describe their class of stock, only 91 companies used such designation in 1961.

The remaining major category in Table 40 relates to companies having both one class of common stock and one class of preferred; the number of such companies declined from 269 in 1950 to 241 in 1961. This decline is additional evidence of simplification. Extensive references are given throughout the table to the various classes of stock summarized therein.

TABLE 40: CLASSIFICATION OF CAPITAL STOCK

Combination of Stock Classes	1961	1960	1955	1950
Common Stock and one type of Preferred Stock (*Co. Nos. 80, 179, 239, 261, 343, 528)	241	246	254	269
Common Stock (*Co. Nos. 5, 194, 250, 346, 444, 500)	211	206	186	158
"Capital Stock" (*Co. Nos. 190, 210, 326, 348, 411, 535)	91	95	113	122
Common Stock and two types of Preferred Stock (*Co. Nos. 78, 126, 256, 399, 527, 566)	42	39	36	36
Common Stock (two types) (*Co. Nos. 88, 123, 124, 243, 352, 522)	6	6	4	3
Common Stock (two types) and one type of Preferred Stock (*Co. Nos. 192, 344, 366)	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. 117, 233, 362, 520)	4	3	1	3
Common Stock (two types) and two or more types of Preferred Stock (*Co. No. 298)	1	1	2	1
Total	600	600	600	600
Number of Companies presenting:				
Only Common Stock	217	212	190	161
Both Common and Preferred Stock	291	292	296	315
Only "Capital Stock"	92	96	114	124
Total	600	600	600	600

*Refer to Company Appendix Section.

VALUES SHOWN FOR SHARES OF STOCK

The various methods used by the 600 survey companies to indicate the value shown for shares of stock in the balance sheet are summarized in Table 41.

TABLE 41: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1961	1960	1955	1950
Common Stock with Shares described as:				
Par value stock	428	421	395	319
Par value stock at—				
"Stated value" per share	5	7	3	3
"Stated value" per total	12	10	2	—
"Assigned value" per share	—	—	—	1
No par value stock at—				
"Stated value" per total	17	15	12	—
"Stated value" per share	12	13	16	28
"Assigned value" per share	1	1	—	1
"Declared value" per share	—	—	1	1
Not further described	44	44	65	135
Total	519	511	494	488
"Capital Stock" with Shares described as:				
Par value stock	65	69	82	81
Par value stock at—				
"Stated value" per total	4	4	—	1
"Stated value" per share	1	1	—	—
No par value stock at—				
"Stated value" per total	4	5	3	—
"Stated value" per share	4	4	6	9
Not further described	15	14	24	35
Total	93	97	115	126
Preferred Stock with Shares described as:				
Par value stock	262	242	230	272
Par value stock at—				
"Redemption value" per share	2	1	1	—
No par value stock at—				
"Stated value" per total	8	8	2	—
"Stated value" per share	21	13	21	25
"Liquidating value" per share	8	9	7	8
"Assigned value" per share	—	—	1	1
Not further described	32	29	40	54
Share value not mentioned	2	3	—	3
Total	335	305	302	363

The trend, as indicated by this table, is towards the use of the term "par value" in describing common or capital stocks; 515 such stocks were so described in 1961 as against 404 in 1950. As a corollary to this, there is a trend away from the use of the term "no par value" in this connection; there were only 97 common or capital stocks described as "no par value" in 1961 compared with 209 in 1950.

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.

In 1950 the terms mostly used in the balance sheets with reference to common stocks were *authorized, is-*

sued, outstanding; the table indicates that this designation is steadily declining and that the use of the terms *authorized, issued* is gaining and now predominates.

TABLE 42: STATUS OF CAPITAL STOCK

Number of Shares Shown for—	1961	1960	1955	1950
Common Stock				
Authorized, issued, outstanding	161	166	175	192
Authorized, issued	204	196	183	159
Authorized, outstanding	139	135	117	111
Authorized, issued, outstanding, unissued	3	3	3	6
Authorized, outstanding, unissued	1	1	1	5
Authorized	6	4	3	3
Authorized, issued, unissued	2	1	—	—
Issued	—	—	3	2
Outstanding	—	1	4	2
Issued, outstanding	2	3	1	1
Status not set forth	1	1	4	7
Total	519	511	494	488
"Capital Stock"				
Authorized, issued	45	47	51	58
Authorized, issued, outstanding	30	31	42	49
Authorized, outstanding	16	16	15	10
Authorized, issued, outstanding, unissued	—	—	1	1
Issued	—	1	2	1
Issued, outstanding	—	—	2	3
Outstanding	1	1	—	1
Authorized	—	—	1	—
Status not set forth	1	1	1	3
Total	93	97	115	126
Preferred Stock				
Authorized, issued	91	78	94	115
Authorized, outstanding	102	86	87	96
Authorized, issued, outstanding	75	76	77	100
Authorized, outstanding, unissued	1	1	1	2
Authorized, issued, outstanding, unissued	—	5	—	1
Authorized	3	5	4	3
Outstanding	3	2	4	4
Issued	1	2	1	1
Issued, outstanding	2	—	—	—
Authorized—None issued to date	50	46	27	32
Status not set forth	5	4	6	8
Authorized, issued; undesignated and unissued	2	—	1	1
Total	335	305	302	363

Examples of Balance Sheet Presentation

The following examples illustrate the various methods of presentation of capital stock information in the balance sheets, supplemented by the notes to financial statements relative thereto.

THE AMERICAN HARDWARE CORPORATION

Capital Stock and Surplus (Note 10):

Common stock	$13,072,475
Capital surplus	11,857,495
Earned surplus (Note 5)	11,350,894
Capital stock and surplus	$36,280,864

Note 10: Information with respect to the Company's capital stock is as follows:

	Cumulative, Non-convertible Preferred	Common
Par value	$100	$12.50
Number of shares authorized	75,000	2,000,000
Number of shares issued and outstanding:		
1961		1,045,798
1960		1,043,085

BASIC PRODUCTS CORPORATION

Capital Stock and Surplus:

Convertible preferred stock—Series A—4½%, par value $25 per share; authorized, issued and outstanding, 37,050 shares—Note 4	$ 926,250
Preferred stock—without par value; authorized, 250,000 shares, no shares issued or outstanding—Note 4	
Common stock—par value $1 per share; authorized, 2,000,000 shares; issued, 1,334,105 shares—Notes 2, 3, 4, 5	1,334,105
Capital surplus	1,222,281
Income reinvested—Note 3	17,646,677
Total	$21,129,313

Note 4: The shares of Series A convertible preferred stock may be converted into shares of common stock at the basic conversion price of $25 per share at any time prior to April 1, 1963 or prior to the tenth day preceding the date fixed for the redemption of such shares, if such call for redemption shall be made prior to April 1, 1963. 150 shares of the number of shares authorized and issued have been converted into shares of common stock prior to July 31, 1961. Preferred shares converted are not authorized for reissue.

The outstanding shares of Series A convertible preferred stock and the 250,000 authorized, but not issued, shares of preferred stock, without par value, have full voting rights.

CHERRY BURRELL CORPORATION

Stockholders' equity represented by:

Preferred stock (Note B)	$ 3,113,600
Common stock (Note C)	4,078,267
Capital contributed in excess of stated value of capital stock (Note D)	806,959
Retained earnings (Note A)	8,587,084
	$16,585,910

Note B: Preferred stock, $100 par value:

	Shares	Amount
Authorized (less shares purchased for retirement, not subject to reissue)	51,136	
Issued and outstanding, 4% cumulative:		
1946 series	25,136	$2,513,600
1947 series	6,000	600,000
	31,136	$3,113,600

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.

Note C: Common stock, $5 par value, $8 1/3 stated value:

Authorized shares	600,000
Issued:	
Shares	489,392
Amount	$4,078,267

ART METAL, INC.

Stockholders' Equity:	
Capital Stock, $1.00 par value, authorized 2,000,000 shares; issued and oustanding —894,009 shares at stated value of $12.00 a share	$10,728,108
Retained earnings	7,784,735
	$18,512,843

CONTINENTAL BAKING COMPANY

Capital Stock:	
$5.50 dividend cumulative preferred stock, without par value:	
Authorized—274,425 shares	
Outstanding—128,000 shares—stated at	$12,800,000
Common stock, $5.00 par value (Notes 3 and 4):	
Authorized—4,000,000 shares	
Outstanding—2,007,577 shares (1,995,217 in 1960)—stated at	32,739,036

FREEPORT SULPHUR COMPANY

Capital:	
Common stock, par value $10, authorized 10,000,000 shares, issued and outstanding 7,555,525 shares December 31, 1961, and 7,519,140 shares December 31, 1960 (Note 8)	$75,555,250

GENERAL CABLE CORPORATION

Capital Stock and Surplus:	
4% Cumulative First Preferred Stock:	
Authorized and issued, 104,661 shares of a par value of $100.00 each (call price $103.00 per share, plus accrued dividends)	$10,466,100
Common Stock:	
Authorized, 4,000,000 shares of no par value (Note 7, page 12)	
Issued and outstanding—1961—3,175,095 shares; 1960—3,170,445 shares of a stated value of $1.00 each	3,175,095
Surplus:	
Capital	26,866,772
Earned (Note 6, page 12)	52,833,663
	$93,341,630

GRUMMAN AIRCRAFT ENGINEERING CORPORATION

Capital Stock and Earnings Retained for Use in the Business:	
Capital stock—authorized 3,000,000 shares of $1.00 par value; outstanding 1961, 2,210,300 shares; 1960, 2,201,400 shares (Note 4) (at stated value)	$17,830,725
Earnings retained for use in the business	38,825,107
	$56,655,832

INTERNATIONAL SHOE COMPANY

Stockholders' Equity:	
Represented by:	
Common stock without nominal or par value: Authorized 4,000,000 shares; issued 3,400,000 shares	$ 51,000,000
Capital in excess of stated amount	1,023,607
Retained earnings (Note 5)	57,889,860
	$109,913,467

COLONIAL STORES INCORPORATED

Stockholders' equity:	
Cumulative preferred stock of $50 par value per share (Note 1). Authorized and outstanding:	
4% series: 40,800 and 42,000 shares	$ 2,040,000
5% series: 23,342 and 24,082 shares	1,167,100
Common stock of $2.50 par value per share (Notes 2 and 3). Authorized 4,000,000 shares; outstanding 2,775,077 and 2,766,642 shares	6,937,693
Capital in excess of par value of capital stock	4,874,370
Earnings retained and invested in the business (Note 5)	27,947,067
	$42,966,230

RADIO CORPORATION OF AMERICA

Shareholders' Equity:	
Capital stock, no par, at stated value	
$3.50 cumulative first preferred stock, shares authorized 920,300, outstanding 900,824 (preference on liquidation $100 per share, $90,082,400)	$ 14,575,000
Common stock, authorized 18,500,000 shares issued (1961, 16,682,317 shares; 1960, 16,324,555 shares)	33,365,000
2% stock dividend payable (1961, 331,008 shares; 1960, 323,854 shares)	662,000
Capital surplus	155,613,000
Reinvested earnings (Note 3)	244,984,000
Total Shareholders' Equity	$449,199,000

STANDARD PACKAGING CORPORATION

Stockholders' Equity:	
Capital stock outstanding (Note 6):	
Cumulative convertible preferred, par $20:	
6% series (789,178 shares in 1961 and 789,209 shares in 1960)	$ 15,783,560
$1.20 series (514,256 shares in 1961 and 513,464 shares in 1960)	10,285,120
$1.60 series (68,197 shares in 1961 and 79,141 shares in 1960)	1,363,940
Common, par $1 (2,586,044 shares in 1961 and 2,544,473 shares in 1960)	2,586,044
Capital surplus (Note 6)	886,539
Earned surplus (restricted as to dividends —Note 3b)	37,347,798
Total stockholders' equity	68,253,001
Total	$116,648,504

Note 6: Capital Stock and Capital Surplus—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, 1961, therefore, the total number of shares of preferred stock effectively authorized was 1,537,210 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 redemption or 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.

Common stock has been authorized in the amount of 5,300,000 shares of a par value of $1 each.

Shares stated as outstanding in the accompanying balance sheet are exclusive of shares held in treasury, which, except for 1,000 shares of $1.60 series preferred stock purchased during 1961 (see below), were the same at December 31, 1961 and 1960: Common stock—7,751 shares; Preferred stock; 6% series—568 shares; $1.20 series—10 shares; and $1.60 series—1,600 shares.

NATIONAL PRESTO INDUSTRIES, INC.

Capital Stock and Surplus:

Capital stock authorized and issued 1,000,000 shares, par value $2	$ 2,000,000.00
Paid-in capital	5,429,304.64
Balance of earnings retained in the business	13,281,334.74
Excess of assets of consolidated companies acquired over cost, net	155,386.22
	$20,866,025.60

THE L. S. STARRETT COMPANY

Capital Stock and Surplus: (Note B)

Common Stock—627,926 Shares—No Par Value (Note C)	$ 1,569,815
Capital Surplus	2,877,894
Operating Surplus	10,644,992

Note C: Common stock authorized 1,500,000 shares; issued 680,000 shares (aggregate stated value $1,700,000); in treasury 52,074 shares. Of the issued shares 74,282 represent option plan shares which are not fully paid for.

CARRYING VALUE OF CAPITAL STOCK GREATER THAN PAR VALUE

In their 1961 reports 52 of the survey companies presented the aggregate carrying value of their capital stocks at greater amounts than the aggregate "par value" of issued shares.

Common stock was represented in 42 cases of which 12 companies (*Co. Nos. 2, 94, 233, 383, 494, 582) showed in the balance sheet that the stock was extended at "stated value," while in 30 cases (*Co. Nos. 13, 93, 312, 332, 444, 583) the companies did not make any reference to such differences. Similarly, of 9 reports presenting "capital" stock, 4 companies (*Co. Nos. 100, 157, 214, 273) referred to "stated value" while 5 reports (*Co. Nos. 75, 111, 120, 477), in addition to one report (*Co. No. 416) presenting preferred stock, made no reference to the greater carrying value. However, in some cases the footnotes to financial statements in disclosing capital changes, indicate in part, the source of the differences between the aggregate carrying value and the total par value of the issued shares.

The following examples illustrate various presentations shown in the 1961 reports of the survey companies:

J. C. PENNEY COMPANY

Shareholders' equity:

Common stock, par value $1.00 (Note 3):	
Authorized, 27,000,000 shares	
Outstanding, 24,695,856 shares	$ 34,122,767
Retained earnings	274,196,727
Total shareholders' equity	$308,319,494

Note 3: The certificate of incorporation was amended in 1960 to change each of the 9,000,000 shares of the Company's previously authorized stock without par value into three shares (aggregating 27,000,000 shares) of common stock with a par value of $1.00 each; this change did not affect the aggregate amount of capital.

*Refer to Company Appendix Section.

CALIFORNIA PACKING CORPORATION

Sources from which Capital was Obtained:

Capital and Retained Earnings:	
Capital — represented by 5,161,426 shares (February 28, 1961) of capital stock, par value $5 per share — authorized, 10,000,000 shares (Note D)	$103,000,000
Earnings retained for use in the business (Note C):	
Appropriated for contingencies in respect of assets and obligations in foreign countries	5,000,000
Unappropriated	46,289,015
	$154,289,015

Note D: *Capital*—On May 5, 1960 the Board of Directors declared a stock dividend of one share of capital stock for each twenty shares of the 4,915,644 shares then outstanding, making a total of 5,161,426 shares outstanding after issue of the dividend. In connection with the stock dividend $8,000,000 was transferred from unappropriated earnings to capital, or approximately $33 per share for each of the 245,782 shares issued as a stock dividend.

COMBUSTION ENGINEERING, INC.

Capital stock—	
Authorized—7,500,000 shares at $1 par value	
Issued—1961, 3,397,969 shares; 1960, 3,396,578 shares, stated at	$15,416,866

CONSOLIDATED CIGAR CORPORATION

Stockholders' equity:

Cumulative Preferred Stock, without par value—authorized, 100,000 shares; outstanding 9,532 shares (1960—65,383 shares) designated as $5.00 Dividend Cumulative Preferred Stock, Series of 1953 (Notes 4 and 5)	$ 953,200
Common Stock, par value $1 per share—authorized, 4,000,000 shares; issued 2,483,604 shares at stated value (1960—1,359,338 shares) (Note 5)	21,417,668
Capital surplus (sale of stock through rights) (Note 5)	6,443,202
Earnings employed in the business, per accompanying statement (Notes 3 and 6) (after deducting $14,285,234 transferred to capital for stock dividends)	18,614,672
Total Stockholders' Equity	$47,428,742

Note 5: On January 26, 1962 by amendment of the Certificate of Incorporation of the Corporation the number of authorized shares of Common Stock was increased from 2,000,000 shares to 4,000,000 shares and a three-for-two stock split was effected and each of the then outstanding shares of Common Stock was changed into 1½ shares of such stock. Retroactive effect has been given to the foregoing in the consolidated balance sheet at December 31, 1961 and in the rates of cash dividends paid per share for the years 1961 and 1960.

Pursuant to an offer made on November 24, 1961 to the holders of the 1953 Preferred Stock of the Corporation to exchange their shares for shares of Common Stock at the rate of 1 2/3 shares of the latter for each share of the former, 91,425 shares of Common Stock (137,138 shares after giving effect to the three-for-two stock split) were issued in exchange for 54,855 shares of the Preferred Stock. The aggregate stated value ($5,485,500) of such shares of Preferred Stock was transferred from the preferred stock capital account to the common stock capital account.

In May 1961 the Corporation made an offering to the holders of its Common Stock to subscribe for additional shares of such stock at the rate of one share for each eight shares held. As a result, 173,263 shares of Common Stock were issued (259,895 shares after giving effect to the three-for-two stock split). The net proceeds, $6,616,465, have been reflected in the financial statements by credits of $173,263 and $6,443,202 to common stock capital account and capital surplus, respectively. . . .

OUTBOARD MARINE CORPORATION

Stockholders' Investment:	
Preferred stock of Canadian subsidiary, 5% noncumulative, $100 par value, authorized and issued 50,000 shares in both years	$5,079,375

WESTINGHOUSE AIR BRAKE COMPANY

Shareholders' Equity—represented by:	
$10 par value common stock—authorized 7,500,000 shares, outstanding 4,221,669 shares in 1961 and 4,207,961 shares in 1960	$ 43,708,188
Capital resulting from issue of capital stock by a consolidated subsidiary	1,864,512
Retained earnings	74,843,496
Total shareholders' equity	$120,416,196

CONTINENTAL BAKING COMPANY

Common stock, $5.00 par value (Notes 3 and 4):	
Authorized—4,000,000 shares	
Outstanding—2,007,577 shares (1,995,217 in 1960)—stated at	$32,739,036

Note 4: Changes during the year in common stock, to which account total consideration has been credited, may be summarized as follows:

	Shares	Stated value
Outstanding at December 31, 1960—as originally reported	1,957,217	$31,511,066
Shares issued in a pooling of interests	38,000	794,715
Outstanding at December 31, 1960—as revised	1,995,217	32,305,781
Shares issued upon exercise of options	12,360	433,255
Outstanding at December 30, 1961	2,007,577	$32,739,036

In December 1961 the Company exchanged 38,000 shares of its common stock for the business and substantially all of the net assets of Holsum Bakers, Inc. and Di-Me Rental Corporation. The accompanying financial statements for both 1961 and 1960 include the accounts of these companies.

TREASURY STOCK

Of the 600 survey companies, 317 referred to treasury stock in their 1961 reports as follows:

Two hundred and fifteen companies referred only to *common* treasury stock; 40 companies showed only *preferred* stock in treasury; and 62 companies referred to both *common* and *preferred* treasury stock.

BALANCE SHEET PRESENTATION

The usual practice of the survey companies is to present treasury stock within the stockholders' equity section of the balance sheet, either as a deduction from the total of capital stock and surplus or as a deduction from issued stock of the same class. Other methods of presentation are less frequently used within the stockholders' equity section. In a few instances, treasury stock was set forth in the noncurrent asset section of the balance sheet, or information with regard to such stock was presented in notes to the financial statements, 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 1961 is summarized in Table 43.

Examples of the various methods of presentation of treasury stock from the 1961 reports follow:

Within Stockholders Equity Section
(a) Deducted from Capital Stock and Surplus:

KELLOGG COMPANY

Capital and Retained Earnings:	
3½% Cumulative Preferred Stock of $100 Par Value—	
Authorized and issued—130,513 shares in 1961 and 134,263 shares in 1960	$ 13,051,300
Common Stock of $.50 Par Value—	
Authorized 9,000,000 shares; issued 8,933,580 shares in 1961 and 8,905,805 shares in 1960	4,466,790
Other Capital	3,874,814
Retained Earnings Used in the Business	91,400,631
	$112,793,535
Cost of Preferred Stock Held in Treasury—17,133 shares in 1961 and 20,100 in 1960	1,454,945
	$111,338,590
	$144,200,244

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 $101.50 in 1961 to $100 a share after 1975, or apply shares purchased as the equivalent of cash. In 1961, 3,750 shares purchased in prior years were retired satisfying this requirement with $69,426 excess of par value over cost added to other capital. Preferred shares may be redeemed at prices varying from $102.50 in 1962 to $100 a share after 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.

MOORE DROP FORGING COMPANY

Stockholders' Equity:	
Preferred stock, 4¾%, cumulative, Note 3	$ 459,250
Common stock, Note 3	339,752
Total capital stock	799,002
Capital surplus	1,651,377
Earnings retained for use in the business, Note 2	6,994,279
Sinking fund for retirement of preferred stock	17,845
	9,462,503
Preferred stock in treasury, 2,249 shares at cost (2,458 in 1960)	96,492
Total Stockholders' Equity	$9,366,011

Note 3:

Preferred stock, 4¾% cumulative, par value $50 each, Authorized and issued 9,185 shares (1961) and 9,608 shares (1960)	$459,250
Common stock, par value $1 each; Authorized 500,000 shares; Issued 339,752 shares (1961) and 339,352 shares (1960)	339,752
	$799,002

TABLE 43: TREASURY STOCK

Balance Sheet Presentation	"Common" Treasury Stock 1961	1955	1950	"Preferred" Treasury Stock 1961	1955	1950
Within Stockholders' Equity Section:						
Deducted from *total* of capital stock and surplus (*Co. Nos. 106, 317, 466; †74, 386, 571)	173	124	103	37	41	36
Deducted from *total* of capital stock and capital surplus	—	1	1	—	—	—
Deducted from *total* of capital surplus and retained earnings (*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. 1, 38, 566; †125, 355, 565)	82	77	97	61	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. 9, 29, 120, 248, 589; †377)	10	10	10	1	1	1
Set forth therein as a part of various special funds or with other assets (*Co. Nos. 75, 156, 269, 304, 432; †47, 153)	5	8	2	2	1	1
Set forth in Notes to Financial Statements (*Co. Nos. 63, 209, 517; †35, 117, 370)	8	10	6	4	8	3
Total Presentations	281	238	235	105	102	100
Basis of Valuation						
Per-share value shown at:						
Cost	186	133	113	40	44	36
Par value	67	49	56	51	38	38
Stated value	6	8	9	6	4	6
Cost or less than cost	1	2	2	—	—	—
Less than cost	2	2	3	—	—	—
Carrying value	—	—	—	1	1	—
Lower of cost or market	—	2	—	—	—	—
Liquidation value	—	—	—	1	1	1
Various other	2	—	4	—	—	1
Per-share value not shown	17	42	48	6	14	18
Total Valuations	281	238	235	105	102	100
Number of Companies presenting:						
Only "common" treasury stock	215	181	182	—	—	—
Both "common and preferred" treasury stock	62	49	48	62	49	48
Only "preferred" treasury stock	—	—	—	40	48	52
Total Treasury Stock	277	230	230	102	97	100
No treasury stock	323	370	370	189	199	204
No "preferred" stock class	—	—	—	309	304	296
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.
†Indicates preferred stock.

The preferred stock is redeemable in whole, or in part, at the option of the board of directors, on 30 days notice at $52 per share, plus accrued dividends.

The preferred stock is entitled to the benefit of a cumulative sinking fund payable out of the annual net earnings after preferred dividends, beginning with the first fiscal year ending after July 1, 1955, in an amount equal to 3% of the total par value of preferred stock outstanding July 1, 1955.

During the year ended June 30, 1961, 423 shares of Preferred Stock were retired from shares in the Treasury and $17,845.50 has been set aside for retirement of Preferred Stock in the year ending June 30, 1962.

At the stockholders' annual meeting held September 16, 1958 a stock option plan was adopted under which 24,000 shares of the company's common stock were reserved for options, 14,400 shares to eight officers and/or directors and 9,600 shares to key employees, at $12.50 per share. The number of shares under each option shall be allotted in approximate equal annual installments, and any option not exercised by September 17, 1963 shall become null and void.

On September 17, 1959 the first installment of 6,000 shares under the plan became available. Of the shares now available 2,450 shares were purchased during the year ended June 30, 1960 and 400 shares during the year ended June 30, 1961.

J. J. NEWBERRY CO.

Stockholders' Equity (Notes 1 and 2):	
Cumulative Preferred Stock, par value $100 per share:	
Authorized 125,000 shares, issuable in series	
Issued 100,000 shares, 3¾% Series (redeemable at $101.50 per share, plus accrued dividends)	$10,000,000
Common Stock, no par value:	
Authorized 2,500,000 shares	
Issued 1,891,092 shares	10,668,544
Subscribed and unissued 5,848 shares	236,044
Retained earnings (approximately $3,300,000 free of restrictions pertaining to payment of dividends, etc.)	58,519,357
	79,423,945
Less cost of 59,472 shares of Common Stock in treasury	302,962
Total Stockholders' Equity	$79,120,983

SWIFT & COMPANY

Shareholders' Equity:	
Capital stock, par value $25—Note 3—	
Authorized—1961—8,000,000 shares	
1960—6,000,000 shares	
Issued—6,000,000 shares	$150,000,000
Accumulated earnings	230,715,052
	380,715,052
Less: Treasury stock (1961—8,826 shares; 1960—35,761 shares)—Note 3	(253,148)
Total shareholders' equity	$380,461,904

Note 3: Stock Options and Treasury Stock—Under the Company's stock option plan, options were granted at prices equal to 95% of market value to eligible officers and key employes. The options become exercisable not earlier than one year or later than six years from dates of grant. During the current year options on 593 shares were terminated and options on 26,935 shares were exercised. At October 28, 1961, options were outstanding on 8,900 shares (at prices ranging from $28.39 to $33.85 per share) of which options on 8,730 shares were exercisable. No future options may be granted under the plan.

The carrying value of the treasury stock has been reduced to an amount equivalent to the approximate sales (option) price of the shares which are expected to be delivered under the stock option plan in future years.

UNITED WHELAN CORPORATION

Capital Stock and Surplus—Note F:	
Capital Stock:	
Convertible Preferred Stock, par value $100.00 a share, $3.50 dividend cumulative (each share exchangeable for four shares of Common Stock):	
Authorized—50,000 shares	
Issued—10,467 shares in 1961 and 12,000 shares in 1960	$ 1,046,700
Common Stock, par value 30¢ a share:	
Authorized—3,000,000 shares	
Issued—2,307,388 shares in 1961 and 2,307,308 shares in 1960	692,216
Capital Surplus	6,179,958
Earned Surplus	9,689,889
	17,608,763
Less: Treasury stock, at cost—125 shares Convertible Preferred Stock and 872,851 shares Common Stock in 1961 and 340 shares Convertible Preferred Stock and 877,113 shares Common Stock in 1960	4,223,631
	13,385,132

Note F: Capital Stock and Surplus—During 1961, the Corporation (a) purchased for its treasury 585 shares of its Convertible Preferred Stock and 16 shares of its Common Stock, (b) acquired 713 shares of its Convertible Preferred Stock in exchange for 4,278 shares of its treasury Common Stock, (c) retired 1,513 shares of its Convertible Preferred Stock held in treasury, and (d) converted 20 shares of outstanding Convertible Preferred Stock into 80 shares of Common Stock. As a result of the foregoing, Capital Surplus was increased by $75,859.

THE ARUNDEL CORPORATION

Stockholders Investment:	
Common stock—authorized 600,000 shares without any nominal or par value; issued, 495,426 shares stated at $10 per share	$ 4,954,260
Capital surplus	1,712,979
Earnings retained:	
Balance at beginning of year	12,062,894
Add net earnings for the year	1,355,232
	$13,418,126
Deduct cash dividends—$1.75 and $2.10 per share	841,297
	$12,576,829
Equity in undistributed earnings of The Maryland Slag Company during period of 50% ownership—Note A	176,377
Balance at end of year	12,753,206
	$19,420,445
Less common stock in treasury at stated value	65,810
Total Stockholders Investment	$19,354,635

Note A: In 1961, the Corporation purchased for $772,411 approximately 52% of the voting preferred stock and 48% of the common stock of Baltimore Brick Company; at December 31, 1961, the Corporation's equity in underlying net assets was $1,259,000.

During the year, the Corporation purchased 3,600 shares of its common stock for $126,667 and, on December 31, 1961, exchanged 11,000 shares of its treasury stock taken at its market value of $34 per share for the remaining 50% of the shares of The Maryland Slag Company. These transactions resulted in a net increase in capital surplus of $173,233 and a decrease in the number of shares held in the treasury to 6,581. The accounts of The Maryland Slag Company have been consolidated in the Balance Sheet at December 31, 1961, but have not been consolidated in the Statement of Earnings for 1960 or 1961, during which it was 50% owned. At December 31, 1960, the Corporation's 50% equity in The Maryland Slag Company's net assets was $546,145. The Corporation received dividends of $240,000 in 1961 and $37,500 in 1960 based upon its 50% investment in The Maryland Slag Company.

(b) Deducted from Issued Stock of the Same Class:

ASSOCIATED DRY GOODS CORPORATION

Stockholders' Equity:		
Preferred:		
Preferred stock, cumulative, $100 par — authorized, 186,401 shares issuable in series: 5.25% series — authorized, 155,916 shares; outstanding, 145,016 shares, excluding 10,900 shares held in treasury (Note C)		$14,501,600
Common:		
Common stock, $1 par — authorized, 3,000,000 shares; outstanding, 1,762,032 shares, excluding 65,280 shares held in treasury (Note D)	$ 1,762,032	
Additional paid-in capital	15,702,377	
Accumulated earnings retained (Note E)	64,114,557	81,578,966

Note C: *Preferred stock*—The preferred stock may be redeemed, in whole or in part, at $110 per share plus accrued dividends. In the event of involuntary liquidation this stock is entitled to only $100 per share plus accrued dividends.

The sinking fund requirements for the redemption of the preferred stock, at 5% of consolidated net earnings of the current year after deduction of the preferred stock dividends, amounted to $405,165. On January 28, 1961, the Company had available in the treasury 3,461 shares of preferred stock which may be applied against the sinking fund requirements for the year.

THE KENDALL COMPANY

Capital and Retained Earnings:	
Preferred stock, $4.50 cumulative, no par value:	
Authorized and issued—33,238 shares	
Outstanding (excluding shares held for retirement)—32,439 shares in 1961, 32,795 shares in 1960, at involuntary liquidation value	$ 3,243,900
Common stock, par value $8 per share (Note F):	
Authorized—3,000,000 shares	
Issued—2,051,876 shares in 1961, 2,030,000 shares in 1960	16,415,008
Additional capital (Note F)	474,716
Retained earnings (Note E)	39,682,916
	$59,816,540

R. H. MACY & CO., INC.

Investment of Stockholders, represented by:	
Cumulative preferred stock, 500,000 shares authorized; par value $100 each:	
4¼% Series A—165,000 shares issued; 5,990 in treasury; 159,610 outstanding, callable at $107.50 each	$ 15,961,000
4% Series B—100,000 shares issued and outstanding (Note 2)	10,000,000
Common stock, $1 par value, assigned value $15 per share:	
4,000,000 shares authorized; 1,986,035 and 1,882,307 issued; 3,939 in treasury; 1,982,096 and 1,878,368 outstanding (Notes 3, 4, and 5)	29,731,440
Additional paid-in capital; 1961 increase comprises $228,019 received over assigned value of common stock issued under options and $1,490,100 credit from conversions of 5% debentures into common stock	14,812,244
Earnings reinvested in the business, per accompanying statement; at July 29, 1961, $27,872,224 is not distributable to common stockholders under terms of long-term debt agreements	51,074,596
Total investment of stockholders	$121,579,280

TEXTRON INC.

Capital stock and surplus:	
Capital stock (Note I):	
$1.25 convertible preferred:	
Outstanding 355,462 shares in 1961 and 368,647 shares in 1960	$ 8,886,550
Common:	
Outstanding 4,903,736 shares in 1961 and 4,672,429 shares in 1960 after deducting 97,486 shares and 313,200 shares in treasury	2,451,868
	11,338,418
Capital surplus (principally paid-in)	70,683,197
Earned surplus (Note H)	45,293,847
Total capital stock and surplus	$127,315,462

Note 9: *Capital Stock*—At December 30, 1961, there were 10,000,000 shares of common stock, 50¢ par value, authorized of which 4,903,736 shares, after deducting 97,486 shares held in the treasury, were outstanding. Shares of common stock reserved were as follows:

For issuance on exercise of stock options	245,774
For conversion of $1.25 Convertible Preferred Stock	383,505
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 until expiration in 1984)	600,000
	$1,406,393

SERVEL, INC.

Capital:	
Capital Stock:	
Cumulative preferred stock, without par value (Note 6):	
Authorized 73,000 shares, issued and outstanding 33,000 shares; $5.25 cumulative preferred stock, stated at $100 per share, less 1,710 shares in treasury	$ 3,129,000
Common stock, par value $1 per share (Note 7):	
Authorized 3,000,000 shares, issued and outstanding 1,925,345 shares	1,925,345
Paid-in and Other Capital Surplus	5,236,070
Retained Earnings (Note 8)	3,458,127
	$13,748,542

Note 6: The Company's Certificate of Incorporation provides that after full dividends on the $5.25 cumulative preferred stock have been paid or provided for, the Company shall retire annually shares of such preferred stock through a sinking fund. The Company has retired a sufficient number of shares of preferred stock to meet the sinking fund requirements through 1961. Beginning in 1962 the Company must retire annually through the sinking fund 2,700 shares of preferred stock. At October 31, 1961, 1,710 shares had been acquired towards the 1962 requirement. . . .

(c) Other Presentations within Stockholders' Equity Section:

TIME INCORPORATED

Stockholders' Equity—Notes F, G, and I:		
Common Stock—par value $1 a share		$ 2,044,000
Additional paid-in capital		4,808,000
Retained income		94,144,000
		$100,996,000
Represented by outstanding shares:		
Authorized	2,168,000	
Less unissued	124,036	
Issued	2,043,964	
Less in treasury (cost of $199,000 charged to retained income)	6,545	
Outstanding	2,037,419	

THE TORRINGTON COMPANY

Capital:	
Common Stock, Without Par Value	
Authorized 2,000,000 shares	
Outstanding 1,628,970 shares	
Held in Treasury 51,030 shares	
Issued 1,680,000 shares at stated value	$ 7,000,000
Net Earnings Retained in the Business	35,714,676
Deduct Common Stock reacquired and held in Treasury, at cost less reserve—51,030 shares	354,030
Balance	$35,360,646

THE GENERAL TIRE & RUBBER COMPANY

Capital Stock:	
Preferred and preference (Note G)	$ 19,642,000
Common—83-1/3¢ par value	
Authorized—7,500,000 shares (Notes H and I)	
Outstanding—5,424,832 shares	4,520,693
	$ 24,162,693
Surplus, per accompanying statements:	
Capital surplus	57,573,591
Earned surplus (Note J)	105,396,882
	$162,970,473
Less—in treasury—7,545 common shares —at cost (Note H)	30,800
	$162,939,673
	$425,734,436

(d) Presented in Noncurrent Assets:

THE AMERICAN SUGAR REFINING COMPANY

Pension Fund—Note 3:	
Cash	$ 69,482
U.S. Government, state and municipal bonds, at lower of cost or market	3,920,240
Company's own preferred stock, 20,000 shares, at cost	632,650
	$4,622,372

Note 3: *Pensions*—It is intended that the assets of $4,622,372 segregated for the pension fund of the Company, and the pension fund reserves of $5,205,582 of the Company and its subsidiaries, augmented by additional provisions from future earnings will be used for funding the full past service costs of the plans over a period of years. However, the right is reserved to make the assets and reserves available for other corporate purposes at any time.

THE BABCOCK & WILCOX COMPANY

Prepaid Expenses and Other Assets (includes cost of shares of the Company's stock acquired for stock options—76,256 shares in 1961; 83,927 shares in 1960—see page 7)	$3,929,735

Page 7: *Employees*—Because only previously issued shares must be used to meet the stock options granted, the Company acquired sufficient shares on the open market for that purpose. The cost of shares acquired for options outstanding on December 31, 1961 was $2,542,915. This amount is included in Prepaid Expenses and Other Assets in the Statement of Financial Condition. If all outstanding options are exercised, $2,405,651 will be returned to the Company.

RADIO CORPORATION OF AMERICA

Investments:	
Foreign subsidiaries, at or below cost (Note 1) (less reserve: 1961, $5,450,000; 1960, $3,950,000)	$19,670,000
RCA Credit Corporation, at cost plus undistributed earnings	4,468,000
Whirlpool Corporation common stock, 1,158,563 shares, at cost	21,600,000
Other investments, at cost (less reserve: 1961, $3,681,000; 1960, $4,104,000)	16,024,000
RCA common stock held in treasury, at cost (Notes 4 and 5) 1961, 109,864 shares; 1960, 111,189 shares	5,168,000
Total Investments	$66,930,000

Note 5: *Stock options*—In 1957 and 1960 the shareholders approved a stock option plan and an amendment, respectively, under which options may be granted to key employees selected by a committee of the Board of Directors for the purchase, at a price not less than fair market value at date of grant, of up to 600,000 shares of common stock from the Corporation's treasury or from authorized but unissued shares.

MIDWEST RUBBER RECLAIMING COMPANY

Other Assets:	
Preferred stock held in treasury, at cost, 4,441 shares, 1961; 5,580 shares, 1960	$ 193,379
Miscellaneous investments	20,629
Other Assets	$ 214,008
Shareholders' Equity:	
Preferred stock, 4½% cumulative, $50 par value, callable at par, authorized 33,200 shares, 1961; 34,400 shares, 1960—issued 23,200 shares, 1961; 24,400 shares, 1960 (Company is required to retire 1,200 shares annually)	$1,160,000

(e) Set Forth in Notes to Financial Statements Only:

GULF OIL CORPORATION

Other investments and long-term receivables include $31,334,975 representing the cost of 920,299 shares of the corporation's capital stock held in connection with the Incentive Compensation Plan and for other corporate purposes, and $8,790,111 of cash deposits equivalent to the estimated restricted earnings of a pipeline subsidiary.

P. R. MALLORY & CO., INC.

Notes to Financial Statements

Note 3: *Preference and Common Stocks*—Capital stock at December 31, 1961 and December 31, 1960 comprised:

	Shares
Cumulative convertible preference stock, 5%, Series A, par value $50 per share (original authorization 250,000 shares):	
Authorized	239,144
Issued	79,539
Less reacquired and held in treasury, at par value	5,634
Outstanding	73,905
Common stock par value $1 per share:	
Authorized	3,000,000
Less unissued:	
Reserved for conversion of 79,539 and 82,323 preference shares	94,464
Reserved for issuance under restricted stock option plan (Note 4)	86,498
Unreserved	1,317,236
	1,498,198
Issued	1,501,802
Less reacquired and held in treasury, at par value	535
Outstanding	1,501,267

THE MAY DEPARTMENT STORES COMPANY

Notes to Financial Statements

Note G: Preferred Stock:

Preferred Stock:	Shares	Amount
$3.75 Cumulative Preferred Stock (1945)	130,435	
$3.40 Cumulative Preferred Stock	100,382	
$3.75 Cumulative Preferred Stock, 1947 Series	78,627	
3¾% Cumulative Preferred Stock (1959)	40,320	
	349,764	$34,976,400
Less, in treasury	20,589	2,058,900
Outstanding	329,175	$32,917,500

Note H: Common Stock:

The common stock (par value $5 a share, authorized 10,000,000 shares) consisted of:

	Shares	Amount
Issued	7,196,403	$35,982,015
In treasury	309,564	1,547,820
Outstanding	6,886,839	$34,434,195

"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 financial statements of the 1961 survey companies from which the earnings have been accumulated is the year 1949. Two companies (*Co. Nos. 15 and 529) discontinued the dating of retained earnings in their 1961 reports. The respective years "dropped" were 1935 and 1956. 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: 1961*	1960	1955
1925-1927	—	—	1
1928-1930	—	—	1
1931-1933	—	—	5
1934-1936	—	1	7
1937-1939	—	—	6
1940-1942	—	—	4
1943-1945	—	—	4
1946-1948	—	—	1
1949-1951	1	1	1
1952-1954	2	2	1
1955-1957	—	1	—
1959-1960	3	2	—
	6	7	31

*Refer to Company Appendix Section—Co. Nos. 21, 181, 223, 443, 562, 581.

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 1961 annual survey reports disclosed 453 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 13 companies (*Co. Nos. 58, 78, 83, 190, 241, 331) and such plans were amended or modified by 20 companies (*Co. Nos. 33, 67, 99, 118, 133, 187, 225, 347).

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

*Refer to Company Appendix Section.

TABLE 44: EMPLOYEE STOCK OPTION PLANS

Relationship of Option Price to Market Value at date of grant of option	1961	1960	1955
Option Price shown as a percentage, which was:			
Not less than 95% of market value (*Co. Nos. 36, 59, 178, 236, 286, 321)	169	157	72
Exactly 95% of market value (*Co. Nos. 39, 141, 162, 234, 254, 502)	67	61	51
Between 94% and 86% of market value (*Co. Nos. 3, 167, 263)	4	3	—
Not less than 85% of market value (*Co. Nos. 6, 26, 82, 113, 145, 374)	16	12	8
Exactly 85% of market value (*Co. Nos. 323, 408, 409, 421, 543, 578)	6	10	3
More than one percentage used (*Co. Nos. 317, 375, 380)	3	6	—
	265	249	134
Option Price shown in dollar amount only, which was:			
Above market value (*Co. Nos. 77, 550)	2	2	5
Equal or approximately equal to market value (*Co. Nos. 49, 62, 109, 127, 223, 251)	67	58	39
Below market value (*Co. Nos. 153, 190, 390, 592)	4	4	4
Market value not shown or referred to (*Co. Nos. 1, 15, 24, 88, 101, 272)	100	102	65
	173	166	113
Option Price not shown in either per cent or dollars, but stated to be:			
Above market value (*Co. No. 73)	1	1	—
Equal to market value (*Co. Nos. 4, 41, 142, 201, 343, 468)	15	14	4
Below market value	—	—	1
	16	15	5
Neither Option Price nor Market Value stated or indicated (*Co. Nos. 54, 74, 154, 186, 230, 298)	21	25	19
Total number of plans	475	455	271
Date of Option Price Determination			
Date of grant of option to employee	351	323	
Day prior to grant of option to employee	5	5	
Time plan initially established	—	2	N/A
Time stock allotted to employee	1	1	
No reference to time of determination of price per share to employee	118	124	
Total	475	455	
Number of Companies:			
Referring to employee stock option plans	453	440	251
Not referring to employee stock option plan	147	160	349
Total	600	600	600

*Refer to Company Appendix Section.
N/A—Not Available.

(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 ninety-two companies referred to "restricted stock option plans," but the compensation feature received little or no comment; however, one company (*Co. No. 408) reported a restricted stock option plan based on employee earnings.

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 1961 are presented extensively in Section 4 under "Employee Stock Plans.")

Initially Established During Year

ALLEN INDUSTRIES, INC.
Notes to Financial Statements

Note B: During the year the Corporation adopted a "Restricted Stock Option Incentive Plan," subject to approval by the shareholders. On June 13, 1961, the Corporation purchased 42,000 shares of its Common Stock for the treasury and concurrently granted options to certain officers which entitle them to purchase an aggregate of that number of shares at a price of $18.29 per share, representing 95% of the fair market value on that day.

The options are exercisable, cumulatively, to the extent of 25% after two years following date of grant and 25% after each of the next succeeding three years, and expire June 13, 1971.

APCO OIL CORPORATION
Notes to Financial Statements

Note 4: *Stock Plan*—On March 8, 1961, the Board of Directors and the stockholders approved a restricted stock option plan for

*Refer to Company Appendix Section.

key executive employees and on the same date options were granted for all of the 30,000 shares subject to the plan. The number of such shares was subsequently increased to 75,000 shares to reflect the 2½-for-1 split effective October 31, 1961. The option price (adjusted for the stock split) is $4.00 a share. At December 31, 1961 none of the options were exercisable.

BASIC INCORPORATED
Notes to Financial Statements

Note H: *Restricted Stock Option Plan*—On April 11, 1961, the shareholders approved a restricted Stock Option Plan under which 70,000 shares of unissued Common Shares were reserved for issuance to officers and other key employees. The plan provides, among other things, that no option shall run for more than ten years from the date granted and that the option price shall not be less than the fair market value of the shares covered by the option at the time the option is granted.

Subsequently, options for 50,000 shares were granted at a price of $17.25 a share, (market price at date of grant) aggregating $862,500. An option for 1,540 shares was terminated and options for 48,460 shares at an aggregate price of $835,935 remain outstanding at December 31, 1961.

The options outstanding are exercisable after the optionee has been in the continuous employ of the companies for one full year from date of grant at the rate of 10% per year, except the rate has been increased on options issued to individuals over 55 years of age at time of grant. No options were exercisable at December 31, 1961.

BATES MANUFACTURING COMPANY
Notes to Financial Statements

Note C: *Incentive Stock Option Plan*—On July 17, 1961, the stockholders approved the adoption of an Incentive Stock Option Plan under which options may be granted to not more than 20 key employes to purchase an aggregate of not more than 100,000 shares of common stock of the Company. The stock, which may be either reacquired in the open market for that purpose or stock authorized but yet unissued, will be sold under the options at prices of not less than $10 a share and at least 95% of the fair market value at the time of granting the options. The plan is to be in effect until October 1, 1965.

Also on July 17, 1961, the stockholders approved the granting of an option to purchase 50,000 of the 100,000 aforesaid shares to the President of the Company at $10.925 per share, which in general may be exercised to the extent of a maximum of 20,000 shares between January 1, 1962 and October 1, 1962, and thereafter to the extent of a maximum of 10,000 shares per year through September 30, 1965, the right being cumulative to the extent not exercised in prior years. At December 30, 1961 no further options had been granted and no options under the plan had been exercised.

Pursuant to authorization by the stockholders at the meeting of July 17, 1961 the Company has reacquired in the open market 100,000 shares of its common stock which is being held in the Treasury for the purposes of the plan.

FOOTE MINERAL COMPANY
Financial Review

Employee Relations: The Company has continued to enjoy satisfactory employee relations. During the year 1961 there were no strikes or production stoppages attributable to employee problems.

At the Annual Meeting of the Shareholders held on April 27, 1961, the Restricted Stock Option Plan for selected employees of the Company was approved. Subsequent to this approval initial grants of options were made to some employees.

Notes to Financial Statements

Note 5: *Stock Option Plan*—Under the stock option plan authorized by the shareholders in 1961, options exercisable on a cumulative basis over a period of ten years or less may be granted to selected employees to purchase common stock at a price not less than 95% of the market price on the date of granting. Options were granted during the year for the purchase of 21,300 shares at $23.75 per share. Options for 300 shares were cancelled, leaving a balance of 21,000 shares outstanding at December 31, 1961. In addition to the shares reserved for outstanding options, 41,894 shares of common stock are reserved for the granting of future options.

S. S. KRESGE COMPANY
Notes to Financial Statements

Note D: *Stock Option and Stock Purchase Incentive Plans*—Subject to the approval of the shareholders, the Board of Directors on November 14, 1961 authorized the adoption of a stock option plan and a stock purchase incentive plan. Under the terms of the proposed stock option plan shares will be available to officers and other key salaried employees at 95% of the fair market value of the stock on the dates of granting the options. The proposed stock purchase incentive plan provides for the sale of shares to eligible officers and employees under a payroll deduction plan at 85% of the fair market value on the applicable option dates as defined in the plan. It is presently proposed to request shareholder approval for 90,000 shares for the stock option plan and 125,000 shares for the stock purchase incentive plan, which shares may be either authorized and unissued or reacquired shares.

THE PARKER PEN COMPANY
Notes to Financial Statements

Note 4: *Stock Option Plan*—In February 1961, the board of directors approved a restricted stock option plan for officers and key executive personnel. Under the plan, up to 75,000 shares of capital stock may be optioned from treasury stock, at not less than 85% of fair market value. Options are exercisable at varying dates, not to exceed 10 years from date of grant. At February 28, 1961, options for 7,500 shares of Class A stock and 16,700 shares of Class B stock, have been granted.

Amended or Modified During Year

DAN RIVER MILLS, INCORPORATED
Notes to Financial Statements

Note 4: *Capital Stock*—(*b*) The Corporation has an Incentive Stock Option Plan for Employees, which was amended in April, 1961, by approval of the Stockholders to include employees of subsidiaries. The Plan, as amended, provides for the granting of options not exceeding in the aggregate 225,000 shares of Common Stock (of which 150,000 shares relates to authorized but unissued stock) with the stipulation that no one employee may be granted an option for more than 20,000 shares. The term of any option granted under the Plan may not exceed seven years, the option price may not be less than 95% of the fair market value of the stock on the date the option is granted and, generally, the individual must agree to remain in the employment of the Corporation, or a subsidiary, for at least two years after the option is granted. At December 30, 1961, options for 10,700 shares had been exercised, and there were outstanding options under the Plan with certain officers and employees to purchase 139,800 shares, of which 56,650 shares were granted in 1955, 7,000 shares in 1956, 2,000 shares in 1959, 35,450 shares in 1960, and 38,700 shares in 1961 at prices ranging from $12.53 to $14.73 per share. The aggregate option price for the optioned shares at the dates the options were granted amounted to $1,952,023, in comparison with an aggregate fair market value of approximately $2,051,000 at the same dates. During the current year, options to one officer and two employees aggregating 2,850 shares were exercised at option prices ranging from $12.53 to $14.15 per share, an aggregate of $40,089 in comparison with the fair value thereof at the dates the options were exercised of $14.31 to $15.13 per share, or an aggregate fair value of $42,825. No accounting is made for options until they are exercised, at which time the aggregate option price is credited to common stock and capital in excess of par value accounts.

FAIRCHILD STRATOS CORPORATION
Notes to Financial Statements

Note 7: Under the Corporation's Incentive Stock Option Plan, adopted in 1955, 125,000 shares of common stock were originally reserved for the granting of options to officers and key employees. The plan provided that no options would be granted subsequent to April 27, 1960. On April 27, 1960, the stockholders approved a new Incentive Stock Option Plan (the 1960 Plan). The Plan authorizes the granting of options to officers and other key employees at the fair market value of the stock on the date the options are granted. On April 26, 1961, the stockholders approved an amendment to the plan whereby the total shares issuable thereunder were increased from 151,912 shares to 201,912 shares. Following is a summary of activity for the year ended December 31, 1961:

	1955 Plan	1960 Plan
Shares subject to option:	Shares	Shares
Balance, January 1, 1961	55,300	35,000
Options granted		122,200
Options cancelled	17,100*	7,500*
Options exercised	10,900*	
Balance, December 31, 1961	27,300	149,700
Number of employees holding options	20	49
Shares available for options	None	52,212

*Deduction

All shares under the 1955 Plan are currently exercisable; 35,000 shares under the 1960 Plan become exercisable in 1962 and the balance become exercisable in 1963.

Proceeds from the sale of stock to officers and employees during 1961 aggregated $89,256. Of this amount $10,900, representing the par value of the shares, was credited to common stock; the balance, $78,356, was credited to additional paid in capital.

ARVIN INDUSTRIES, INC.
Notes to Financial Statements

Note 4: Under the company's 1955 stock option plan for key executives, options were exercised on a total of 5,073 shares. The plan terminated in 1961 and a new plan was adopted under which 95,000 shares of the company's authorized but unissued stock have been reserved. Options covering 22,250 shares were granted in 1961 under the new plan.

BLUE BELL, INC.
Notes to Financial Statements

Note 2: Under a stock option plan adopted in 1952, 50,000 shares of the Company's authorized common stock were reserved for sale to certain officers and employees at a price substantially equivalent to 95% of the fair market value of such stock on the granting dates. On May 23, 1952, stock options were granted for 41,000 shares of such common stock at an option price of $9.75 a share, which options were exercised during the year ended November 30, 1961.

The net increase of $188,754 in paid-in surplus during the year ended November 30, 1961 represents the excess of the option price over the par value of 41,000 shares of common stock issued and sold less a loss of $5,995 on the sale of treasury stock.

Under a new stock option plan adopted by the Board of Directors effective April 20, 1961, 50,000 shares of the Company's authorized common stock (including the 9,000 shares reserved but not granted under the initial plan commented upon above) are reserved for sale to key employees of the Company at a price equivalent to 95% of the fair market value of such stock on the granting dates which must occur not later than November 30, 1966. Accordingly, options were granted on April 21, 1961 for 19,030 shares at a price of $16.15 a share and options were granted on May 12, 1961 for 8,220 shares at an option price of $17.10 a share. The plan is subject to the approval of stockholders at their annual meeting in March, 1962.

LOCKHEED AIRCRAFT CORPORATION
Notes to Financial Statements

Note 7: In 1957 the Company adopted a stock purchase plan for employees, authorizing shares to be granted for options at not less than market prices. In 1961 the Company amended the plan to authorize an additional 300,000 shares. Information with respect to 1961 option transactions is as follows:

		Shares available for option grants	Shares issuable under options granted
Balance at December 25, 1960		78,828	370,639
Additional shares authorized by amendment to plan		300,000	—
Options granted		(200,350)	200,350
Options terminated		11,752	(12,162)
Options exercised at:			
$16.18 per share	87,462		
$30.39 to $31.37 per share	10,973		
$2.93 to $23.00 per share	1,650	—	(100,085)
Fractional shares eliminated upon exercise		—	(60)
Balance at December 31, 1961		190,230	458,682

Options were exercisable at December 31, 1961 for 29,131 shares at $16.18; 13,954 shares at $30.39; and 3,983 shares at $31.37 per share.

The option agreements with the individual employees provide that varying percentages of the shares subject to option will become exercisable at various dates and for various periods. All options granted expire no later than seven years from date of grant.

MIRRO ALUMINUM COMPANY
Notes to Financial Statements

Note 2: Under the Employees' Incentive Stock Option Plan, approved by the stockholders on April 14, 1954, 54,287 shares of common stock were reserved for option to key employees at not less than 95% of the fair market value at date of grant. Options are exercisable after two years and within ten years of date of grant. At December 31, 1961, options had been granted for 53,787 of the reserved shares with options on 3,550 shares not yet exercised. During 1961 options for 550 shares were exercised at $22.00 per share; $6,600 proceeds in excess of par value have been added to capital in excess of par value. On April 12, 1961, the stockholders terminated this plan and 500 shares of stock, for which options had not been granted, were returned to an unreserved status. However, this termination did not affect outstanding options under the plan.

On April 12, 1961, the stockholders approved the Employees' Incentive Stock Option Plan of 1961 under which 75,000 shares of common stock were reserved for option to key employees at not less than 95% of the fair market value at date of grant. Options are exercisable after two years and within ten years of date of grant. Options for 29,500 shares of common stock were granted on May 17, 1961, at $24.50 per share.

STOCK PURCHASE PLANS

There were 63 survey companies that indicated in their 1961 annual reports the existence of various employee stock purchase plans. The information contained in the annual reports of the survey companies for 1961, 1960, and 1955 concerning the determination under these plans of the subscription price and its relation to the market value of the stcok is summarized in Table 45.

Examples from 1961 annual reports illustrating the information given with regard to employee stock purchase plans follow. (Plans which resulted in entries to the surplus accounts during 1961 are presented extensively in Section 4 under "Employee Stock Plans.")

AIR REDUCTION COMPANY, INCORPORATED
Notes to Financial Statements

Note D: *Stock Option and Investment Plans*—Under the 1953 stock option plan, options to purchase shares of the Company's common stock were granted, prior to April 23, 1958, to certain executive employees (including officers) at a price of not less than 95% of the fair market value of the shares on the grant date, or $26.67 a share, whichever was higher. Such options are exercisable in cumulative instalments commencing 18 months after the date of grant, with option periods not to exceed ten years from the grant date. At January 1, 1961, 48,917 shares were issuable under outstanding options. In 1961, options for 16,347 shares were exercised for an aggregate option price of $513,567, and options for 188 shares were terminated. At December 31, 1961, options were outstanding with respect to 32,382 shares having an aggregate option price of $1,398,933.

Under the 1957 stock option plan (the provisions of which are substantially the same as those of the 1953 plan) options to purchase shares of the Company's common stock may be granted prior to April 25, 1962, at a price of not less than 95% of the fair market value of the shares on the grant date. At January 1, 1961, options were outstanding with respect to 94,500 shares, and 5,500 shares were available for the granting of additional options. In 1961, options for the 5,500 shares were granted for an aggregate option price of $343,060. At December 31, 1961, options were outstanding with respect to 100,000 shares having an aggregate option price of $7,259,540.

Under the employee stock investment plan, the Company is offering up to an aggregate total of 200,000 shares of its unissued common stock to employees eligible to participate in the plan, at a price determined by the last sale of the Company's common stock on the New York Stock Exchange on certain quarterly dates, except that no sale may be made under the plan at a price of less than $26.67 a share. For each five shares of common stock purchased by a participating employee, the Company will contribute to the employee one additional share of its common stock purchased in the open market. Through 1961, 56,631 shares had been issued to 2,608 employees under the plan for an aggregate consideration of $3,166,518, and 10,504 shares were purchased for such employees at a cost of $572,304.

Of the total authorized unissued shares of common stock, 275,751 shares were reserved at December 31, 1961 for the purposes of the 1953 and 1957 stock option plans and the employee stock investment plan. The plans may be suspended or discontinued by the Board of Directors at any time, but no such action can affect options already granted.

BRUNSWICK CORPORATION
Notes to Financial Statements

Note 9: *Common Stock*—Under the Company's stock option plans, 856,350 shares of common stock are reserved for issuance to officers and key employees. In 1961, options for 37,897 shares were granted at prices not less than 85% of market value at dates of grant, and options for 45,913 shares were cancelled due to terminations, etc. Options for 150,264 shares were exercised during the year. At December 31, 1961, options for 394,641 shares at prices ranging from $1.26 to $61.75 per share were outstanding, of which options for 78,846 shares were exercisable. All options expire ten years from date of grant.

TABLE 45: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1961	1960	1955
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Co. Nos. 113, 118, 257, 294, 305, 307)	10	7	2
Subscription price shown in dollar amount only, and price set: At time stock offered for subscription (*Co. Nos. 7, 198, 219, 252, 406, 425)	6	2	5
Not determinable from annual report (*Co. Nos. 29, 253, 427, 442)	4	10	3
Subscription price not shown, but stated to be equal to market:			
At time stock offered for subscription (*Co. Nos. 269, 369, 378)	3	5	—
At time of purchase (*Co. No. 316)	1	1	1
On last business day preceding the offering	—	—	1
Neither subscription price nor market value stated or indicated (*Co. Nos. 3, 71, 126, 128, 141, 156)	39	34	28
Total	63	59	40
Number of Companies with:			
Employee stock purchase plan	63	59	40
No employee stock purchase plan	537	541	560
Total	600	600	600

*Refer to Company Appendix Section.

In 1961, the Company's shareholders approved an employees' stock purchase plan, which provides for eligible employees to be granted rights to purchase shares of the Company's common stock at 85% of market value at dates of grant. The grant dates are May 31 and November 30 of each year, beginning in 1962. At December 31, 1961, 250,000 shares of common stock are reserved for issuance under the plan.

In connection with the acquisitions of Roehr Products Company, Inc. and Biological Research, Inc. (see Note 1), additional shares of common stock may be issued in the years 1962-1967, based on the operating results of these subsidiaries subsequent to their acquisition.

At December 31, 1961, 502,427 shares of common stock are reserved for conversion of convertible subordinated debentures at $51 per share.

BURNDY CORPORATION
Notes to Financial Statements

Note 4: The Employees' Stock Purchase Plan, approved by the shareowners, authorizes the Board of Directors to offer to employees a limited amount of common stock for subscription at the approximate average market price of the stock for the thirty days immediately preceding the offer but not less than 95% of the fair market value on the day of the offering. Not more than 10% of the common stock of the Company, outstanding at the time of an offer, is to be offered during each successive three-year period, commencing with the three calendar years 1959 to 1961. The aggregate shares under subscription at December 31, 1961, consisting of shares offered in 1959 (not issuable before June 1962), shares offered in 1960 (not issuable before May, 1963), and shares offered in 1961 (not issuable before May, 1964):

	Number of Shares	Amount
Shares offered in 1959:		
at $17.75 per share	49,605	$ 880,489
at $19.525 per share	16,856	329,113
Shares offered in 1960:		
at $20.00 per share	9,509	190,180
at $22.00 per share	69	1,518
Shares offered in 1961:		
at $34.00 per share	10,130	344,420
at $40.00 per share	45	1,800
Shares reserved at December 31, 1961	86,214	$1,747,520

In addition, there are presently outstanding options to purchase an aggregate of 850 shares of common stock at $20 per share (approximate market value) granted by the Board of Directors in May 1960 to key European employees who do not participate in the Employee's Stock Purchase Plan, which options are to be submitted for approval by the shareowners at the 1962 annual meeting. These options require the holders to remain in the continuous employ of the Company or a subsidiary for a period of two years from the date of grant and the options expire four years after the date of issuance.

GENESCO INC.
Notes to Financial Statements

Note 4: *Stock Options*—Under the company's stock option plan, 125,000 shares of common stock have been reserved for issuance to certain employees at not less than 85% of market value at date of grant. Of the options granted under this plan (34,669 in 1960 at $28.05 per share, 58,303 in 1958 at $19.34 per share), 25,731 shares have been issued, of which 8,035 shares were issued in 1961 at prices averaging $22.75 per share.

The company has also reserved under an employee stock purchase plan, 60,000 shares of common stock to be sold generally at 90% of market value. Under this plan, 6,561 shares have been sold to employees, of which 547 shares were sold in 1961 at prices averaging $27.94 per share.

W. T. GRANT COMPANY
Notes to Financial Statements

Note E: The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at $100 per share plus accrued dividends to date of redemption.

In April 1960, Common Stock was split two for one and the number of shares authorized was increased to 8,500,000. The number of common shares and dividends per common share have been adjusted to reflect such stock split.

At January 31, 1961, 587,340 shares of the Company's unissued Common Stock were reserved under the Employees' Stock Purchase Plan. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments.

McKESSON & ROBBINS, INCORPORATED
Notes to Financial Statements

Note 6: *Stock Purchase and Option Plans*—At March 31, 1960, options were outstanding to purchase 214,828 shares of Common Stock of the Company, which options were granted to eligible executive employees under Executive Stock Purchase and Option Plans. During the current fiscal year, 21,809 shares were issued under the plans resulting in an increase of $249,173 in Capital Surplus and options for 7,185 shares were cancelled. At March 31, 1961, options to purchase 185,834 shares were outstanding at prices ranging from $17.75 to $41.75 per share and 81,030 shares were reserved for options which may be granted in the future.

The Employees' Stock Purchase Plan provides that each eligible employee may request periodic withholding of a portion of his salary (not exceeding 5% thereof) and the Company will contribute a sum equal to 20% of the amount contributed by the employee. Contributions are deposited with a custodian who purchases outstanding shares of the Company's Common Stock at prevailing market prices. The Company's contribution for the year ended March 31, 1961 aggregated approximately $152,000.

JOHNS-MANVILLE CORPORATION
Notes to Financial Statements

Note 1: Par value of common stock is $5 per share. Of 25,000,000 shares authorized, 8,517,613 shares were issued and outstanding at December 31, 1961.

At December 31, 1961, 256,095 shares were available for issuance under the employees' stock purchase plan. The Corporation presently intends to purchase in the open market or otherwise all shares of common stock necessary to meet its obligations under the plan.

In connection with the incentive stock option plan, 153,846 shares are reserved. At January 1, 1961 options on 90,111 shares at prices ranging from $27.82 to $53.00 per share were unexercised. During 1961 options on 27,575 shares were exercised at prices ranging from $27.82 to $53.00 per share, and options on 485 shares expired. At the end of 1961, options on 62,051 shares were unexercised and 91,795 shares were available for further option.

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 1961 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) Fire Loss and Other Insurance Reserves (see Table 36)
(e) 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.

TABLE 46: CONTINGENT LIABILITIES

Nature of Contingency*	1961	1960	1955
Litigation:			
A: Non-government	74	76	53
B: Government	68	63	27
C: Not identified	14	17	23
Guarantees:			
D: Subsidiaries	54	53	48
E: Affiliated and associated companies	32	26	18
F: Other	25	29	28
G: Possible tax assessments	37	42	24
H: Accounts or notes receivable sold	36	33	15
I: Purchase or repurchase commitments	19	21	16
J: Miscellaneous agreements and contracts	44	39	34
Total	403	399	286
Number of Companies referring to Contingent Liabilities:			
On the face of the balance sheet	12	13	213
In notes to financial statements or in president's letter only	260	251	
Total	272	264	213
Not referring to contingent liabilities	328	336	387
Total	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 16, 79, 86, 118, 187, 272
B: Co. Nos. 73, 175, 204, 330, 359, 552
C: Co. Nos. 55, 105, 161, 298, 304, 516
D: Co. Nos. 47, 78, 188, 221, 406, 560
E: Co. Nos. 49, 146, 276, 353, 445, 539
F: Co. Nos. 30, 126, 177, 198, 369, 498
G: Co. Nos. 8, 150, 290, 368, 471, 502
H: Co. Nos. 40, 131, 213, 346, 490, 572
I: Co. Nos. 6, 122, 239, 300, 306, 525
J: Co. Nos. 107, 197, 237, 265, 276, 466

A total of 272 survey companies referred to such contingencies in their 1961 annual reports. In most cases (260 companies) the disclosure was made either in the notes to the financial statements or in the president's letter to stockholders. The remainder (12 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 (*Co. Nos. 34, 40, 61, 228, 320, 396).

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 1961 reports:

*Refer to Company Appendix Section.

Litigation

ALLIS-CHALMERS MANUFACTURING COMPANY
President's Letter

In the electrical equipment antitrust cases, the Company is continuing negotiation of decrees in civil actions brought by the Government. The probable provisions of these decrees are becoming reasonably foreseeable and it is expected they will not limit your company's ability to compete successfully for profitable business. Our continuing program of education among our employes concerning observance of the antitrust laws is proceeding satisfactorily.

During the year many of our customers started suits against us and other members of the industry, seeking treble damages because of alleged excessive prices stemming from conspiracy charges by the Government. It appears that many of these suits were entered to establish position, due to some confusion as to the statute of limitations. We are convinced that no basis for such damage claims exists, and are preparing to defend these suits vigorously.

At the same time, we feel there is a more satisfactory way of resolving these differences than by protracted law suits. Hence we are continuing our customer contacts initiated before the filing of suits, and are optimistic that most of these cases will be resolved rather than tried in the courts. Because of the complexity of the situation, there may be no significant developments in this direction for many months. Meantime, we are of the opinion that the final outcome will not unduly burden the Company.

BEATRICE FOODS CO.
President's Letter

Legal Proceedings: In our report a year ago, we told you of the favorable decision by the Trial Examiner of the Federal Trade Commission in the ice cream trade practices proceeding. Since that time the Government Attorney has filed an appeal, which has been argued. On March 15, 1961, the Commission referred the proceedings back to a Trial Examiner for the purpose of taking additional testimony in several areas of the complaint.

No additional hearings have been held since March, 1960, in the Federal Trade Commission proceeding concerning the company's mergers in the dairy field. However, hearings were held at Denver, Colorado, and Fort Wayne, Indiana, in the Federal Trade Commission complaint concerning certain pricing practices alleged to be in violation of the Robinson-Patman Act.

A few other proceedings involving advertising or trade practices are also pending but, in the opinion of counsel and management, these are not material.

BURNDY CORPORATION
Notes to Financial Statements

Note 5: A patent infringement suit against the Company, relating to patents on one type of connector insulation, which has been pending for many years, came to trial in 1961. The Company believes that its position will be upheld, but in any event, does not anticipate that the ultimate decision will have a material effect on its financial position.

E. I. du PONT de NEMOURS & COMPANY
Financial Review

General Motors Suit Again Before District Court: The U. S. Supreme Court on May 22, 1961, by a vote of 4-3, held that there must be "complete divestiture" of Du Pont's 63 million shares of General Motors common stock. The Supreme Court remanded the case to the U. S. District Court in Chicago for formulation of a final judgment which would require divestiture to commence within 90 days, and to be completed within 10 years, of the effective date of the judgment.

The Court's decision gave added urgency to the need for Federal legislation. H.R. 8847, a bill to reduce substantially the adverse economic consequences of divestiture, was passed by both Houses of Congress and became law on February 2, 1962.

The new law, which would be applicable only in the event of certain findings by the Court and the fixing of a period of not more than three years for divestiture of the stock, would treat a distribution of General Motors stock by the Du Pont Company as a return of capital to the individual stockholders. The cost basis of each Du Pont share would be reduced by the market value of the General Motors stock received. If the market value of the General Motors stock should exceed the cost of the Du Pont stock, the excess would be taxable as a capital gain realized in the year in which the General Motors stock is received. Holders of a substantial majority of Du Pont *stock* would be subject to tax at the time of distribution, but a majority of Du Pont *stockholders* would incur no tax liability at that time.

The company would have preferred legislation similar to that provided by Congress for divestitures under the Public Utility Holding Company Act and the Bank Holding Company Act, which would have permitted a distribution of General Motors stock with no tax at the time of distribution. However, attempts to obtain legislation of this type in the 85th and 86th Congresses met determined opposition and your management is convinced that H.R. 8847 represents the best practical solution to a serious problem. Distribution in accordance with H.R. 8847 would not reduce the *total* taxes that were estimated to be payable pursuant to a flexible program of divestiture that was considered for use under previously existing tax law. Such a distribution, however, would be without tax for the majority of Du Pont stockholders and should avoid the attrition in capital values which it is believed would result from divestiture under the law as it formerly existed.

Judge Walter J. LaBuy, of the U. S. District Court in Chicago, held hearings in December on proposed final judgments submitted by the Department of Justice and the Du Pont Company. The proceedings necessarily were confined to consideration of methods of divestiture under the then existing law. New proposals will be submitted to Judge LaBuy in the near future, looking toward distribution of General Motors common stock to Du Pont stockholders over a three-year period.

GENERAL ELECTRIC COMPANY
Financial Review

Page 22: Report on the antitrust cases—Last year's Annual Report informed share owners on indictments against 29 electrical manufacturers, including General Electric, charging violations of the Sherman Antitrust Act in connection with the sale of certain electrical apparatus. The Proxy Statement prepared in connection with the 1961 Annual Meeting carried an extensive report on these cases, and the Chairman of the Board discussed them at length at the Annual Meeting. He affirmed General Electric's continued determination to comply with the letter and the spirit of the antitrust laws, and described some of the additional measures that have been taken to prevent future violations. The Company is now striving to bring to a satisfactory conclusion the legal complications resulting from the antitrust cases.

One problem has been to work out with the Justice Department the provisions of consent decrees to resolve the civil suits which accompanied the indictments and which sought injunctions against repetition of the conduct challenged in the indictments.

The Company has repeatedly stated that it stands ready to consent to the entry of customary decrees which would be consistent with the relief sought in the original complaints. The understanding that such decrees would be entered was a major factor in the Company's decision to plead guilty or nolo contendere to the indictments as part of the overall settlement of these cases. However, the consent decrees thus far proposed to General Electric by the Justice Department have been inconsistent with that understanding—even though we have been informed that customary decrees have been offered to the other defendants in these cases.

General Electric is most anxious to end these regrettable cases, and is making determined efforts to come to agreement with the Antitrust Division of the Justice Department on the terms of an appropriate consent decree.

As a further outgrowth of the antitrust cases, the Company has also been named as a defendant along with other electrical manufacturers in approximately 1,500 suits brought by a total of about 450 customers, both investor-owned and Federal, state and municipal agencies, who claim that they have suffered damages in connection with purchases of electrical apparatus during the period of the alleged antitrust violations.

The aggregate amount of the damages now sought by the plaintiffs from General Electric in these cases cannot be ascertained, since many do not specify any dollar amounts.

Your management believes that purchasers of such apparatus have generally received fair value by any reasonable standards, and with respect to the cases that are tried in the courts, the Company will vigorously defend the share owners' interests. It is not possible to ascertain what the impact of these cases will be, or to determine in any way their possible future financial effect. The final resolution of these cases may require years of litigation and negotiation. Principally for these reasons no attempt has been made to include in the Company's accounts any specific provision for possible future charges arising from these cases.

It is hoped that some settlement procedures can be developed that avoid the costs, delays, and uncertainties of years of litigation, so onerous to all the parties involved.

To the end of settling or successfully defending these cases, a small but highly competent Settlement and Litigation Operation has been established within the Company. This Operation is also striving to reduce for the rest of the employees the distractions arising from damage suits and other legal aftermath.

Another consequence of the Company's involvement in this antitrust situation is that two share owner derivative suits are presently pending against certain present and former directors and the individuals who were defendants in the antitrust proceedings.

Notes to Financial Statements

Contingent liability: As discussed on page 22, no specific provision has been made for possible future charges arising from antitrust cases.

H. K. PORTER COMPANY, INC.
President's Letter

As of February 28, 1962, the Company had been named as a defendant in 217 of the more than 1,600 civil actions seeking treble damages which have been filed against various manufacturers as an aftermath of their convictions in February, 1961, for alleged antitrust violations in connection with sales of certain types of electrical apparatus. No provision has been made in the accounts for any such claims because Management believes that it is impossible to predict their ultmatie disposition. As stated last year, Management is still of the opinion that full disclosure of the facts will convince its customers and other claimants that they have not been damaged in any way by the Company's engineering, pricing or service policies. The Company's sales of the types of electrical products involved in the indictments and civil actions mentioned heretofore constituted approximately 4% of the Company's total sales during the last three years.

THE PROCTER & GAMBLE COMPANY
President's Letter

Litigation: The Federal Trade Commission suit attacks the Company's acquisition of the Clorox business. Last year we reported that the Hearing Examiner of the Federal Trade Commission had rendered an initial decision against the Company, and that this decision had been appealed to the Federal Trade Commission itself. This year we can report that the Commission, acting on this appeal, has set aside the initial decision and has returned the case to the Examiner for further evidence, stating that the record established during the hearings showed no violation of the law. If there should be further proceedings, we are confident that they will reinforce our position that Procter & Gamble's acquisition of the Clorox business was legal and proper.

Guarantees

AMERICAN VISCOSE CORPORATION
President's Letter

Avisun Corporation—our associate company owned jointly with Sun Oil Company, made important advances during the year. A new plant at New Castle, Delaware, was completed to produce polypropylene resins. A separate plant at New Castle was expanded for the production of polypropylene transparent film for the packaging trade. Operations in 1961 were largely associated with developing the business—and costs exceeded revenues by $8.5 million. At December 31, 1961, American Viscose had invested in or advanced to Avisun $14,663,000 and had guaranteed its term bank loans to the extent of $15,000,000. Launching a new enterprise such as this is a large undertaking—but now, in 1962, the company has developed sufficient technology and productive facilities to make and market its products on a commercial basis.

Notes to Financial Statements

Note 5: *Investment in Avisun Corporation*—American Viscose Corporation and Sun Oil Company each owns 50 per cent of the capital shares of Avisun Corporation. The two shareholders are committed to advance to Avisun, in equal shares, funds required for working capital. Avisun borrowed a total of $30,000,000 from various banks on its 4¾% promissory notes under date of December 15, 1961. $15,000,000 of these loans were guaranteed by American Viscose Corporation unconditionally as to principal and interest when due. The notes are payable in installments of varying amounts on December 15th of each of the years 1964 to 1968, inclusive. For further information about Avisun Corporation see page 13 of the accompanying report.

HERCULES POWDER COMPANY
Notes to Financial Statements

Note 7: *Contingent Liabilities*—At December 31, 1961, the company was contingently liable as guarantor of notes payable of subsidiaries not consolidated and associated companies aggregating a maximum amount of $5,117,000.

XEROX CORPORATION
Notes to Financial Statements

Note 8: *Commitments and Contingent Liabilities*—The Company has guaranteed certain indebtedness of Rank-XeroX Limited to a limit of $1,260,000.

BELL INTERCONTINENTAL CORPORATION
Notes to Financial Statements

Note 4: *Contingent Liabilities*: In connection with proposed transactions involving a subsidiary (Intex Oil Company) and American Hydratane Corporation, Bell Intercontinental Corporation guaranteed to November 1, 1962, loans of approximately $3,600,000 between American Hydratane Corporation and a bank. In connection with these transactions, among other things, Bell was granted an option to purchase 14,052 shares of American Hydratane Corporation at $10.00 per share to November 1, 1966.

THE CURTIS PUBLISHING COMPANY
Notes to Financial Statements

Note 10: *Contingent Liability*—New York & Pennsylvania Co., Inc., is contingently liable as guarantor of a purchase money mortgage outstanding against T. S. Woollings & Co., Ltd., its wholly owned Canadian subsidiary, in the amount of $750,000.

DAYCO CORPORATION
Notes to Financial Statements

Note 2: The Company has guaranteed payment of bank loans to one of the majority owned foreign subsidiaries, not included in the consolidation, up to a maximum of £70,000 (British pounds). At October 31, 1961, this subsidiary had borrowed from banks £48,067, or $135,212 at currently quoted rates of exchange.

Possible Tax Assessments

THE BLACK AND DECKER MANUFACTURING COMPANY
Notes to Financial Statements

Note C: The Internal Revenue Service has examined the income and excess profits tax returns of the Company for the fiscal years ended September 30, 1952 through 1958 and has determined a net deficiency of $921,815 (deficiencies of $2,612,635, less overassessments of $1,690,820) for these years and for the fiscal year ended September 30, 1951, resulting from a change made by the Commissioner in the method of valuing inventories. The Company on June 21, 1961, filed a petition with the Tax Court of the United States contesting the deficiencies of $2,612,635. The Company contends that its returns are correct as filed and has made no provision in the financial statements for any deficiency or for the related interest.

FOOTE MINERAL COMPANY
Notes to Financial Statements

Note 4: *Federal Income Taxes*—Federal income tax returns have been examined and settled through December 31, 1953. In connection with the examination of the 1954 return, the Internal Revenue Service and the Company have disagreed as to the method of computing percentage depletion. The method proposed by the Service, if applied to 1954 and subsequent years, would give rise to income tax and interest charges substantially in excess of the provision made in the accounts. However, the Company is of the opinion that adequate provision has been made for such charges pending settlement of the allowance for depletion.

THE STANDARD TUBE COMPANY
Notes to Financial Statements

Note 2: The Federal income tax liability of Standard is settled for the years prior to 1957. Returns filed by Standard for the years 1957, 1958 and 1959 and for Michigan Steel Tube Products Company (merged with Standard January 31, 1958 and now operating as a division) for the year ended September 30, 1957 and the four months ended January 31, 1958 are in process of review by the Internal Revenue Service. Certain adjustments to Standard's taxable income have been proposed, and provision has been made for the resulting additional tax. In addition, the Internal Revenue Service has proposed, among other things, (a) to disallow as a deduction from Standard's taxable income, the prior years' tax losses of Michigan, and (b) to substantially reduce the basis of depreciation and gain or loss of the property acquired from Michigan through merger. If the position of the Internal Revenue Service is sustained, it would result in deficiencies aggregating approximately $727,000 (plus interest), which would be applicable to the years 1958, 1959, 1960 and 1961, respectively, in the following approximate amounts $320,000; $355,000; $30,000; and $22,000. No provision has been made for the latter proposed deficiency. Tax counsel for the Company is of the opinion that the position of the Internal Revenue Service is erroneous and that the Company will not be found subject to any substantial additional income tax liability.

Accounts or Notes Receivable Sold

CENTRAL SOYA COMPANY, INC.
Notes to Financial Statements

Note 8: *Contingencies*—Trade drafts and notes receivable discounted—$5,754,842.

HEYWOOD-WAKEFIELD COMPANY
Notes to Financial Statements

Note 3: The Company is contingently liable as an endorser of trade notes discounted in the amount of $60,222.

INTERNATIONAL HARVESTER COMPANY
Notes to Financial Statements

Liabilities and Contingencies: All known liabilities of the consolidated group and of the Credit Corporation, including amounts related to contracts with government agencies and to income tax audits, have been provided for in the accounts. At this time there are no legal proceedings affecting the Company or its subsidiaries, other than ordinary routine litigation incident to the type of business conducted by them.

As of October 31, 1961, certain foreign subsidiaries were contingently liable for approximately $15,000,000, representing generally guaranties of notes receivable discounted.

Purchase or Repurchase Commitments

CANADA DRY CORPORATION
Notes to Financial Statements

The Company is contingently liable as guarantor of bank loans made to licensed bottlers to finance their purchases of vending machines and of bottles and cases. The Company is also contingently liable with respect to conditional sales contracts and other similar title retention agreements arising from the sale of vending machines by the Company, which instruments had been sold to banks subject to repurchase upon default by the customer. Such contingent liabilities amounted to $278,457 at September 30, 1961.

GAR WOOD INDUSTRIES, INC.
Notes to Financial Statements

Note J: *Contingent Liability*—In the event of default by dealers on certain obligations of such dealers or their customers, the Corporation may become liable to repurchase equipment securing such obligations, which at October 31, 1961, aggregated approximately $1,500,000. Management believes that no losses of any consequence will result.

MOTOROLA, INC.
Notes to Financial Statements

Note 7: The companies are obligated under repurchase and other agreements, principally in connection with the financing of sales of products to consumers, and are defendants in suits and claims, none of which it is believed will have any material effect on the business of the companies.

PEPSI-COLA COMPANY
Notes to Financial Statements

Note 9: Certain vending equipment acquired by Bottlers is purchased by them on the installment basis and financed by banks; unpaid balances due by Bottlers on such acquisitions amounted to approximately $13,600,000 at December 31, 1961. The Company has agreed to purchase such equipment, in the event of default by the buyers, for the unpaid balance; purchases by the Company under such agreements have been immaterial.

Miscellaneous Agreements or Contracts

SHELL OIL COMPANY
Notes to Financial Statements

Note 8: *Commitments and Contingent Liabilities*—At December 31, 1961, Shell Oil and subsidiary companies had long term leases and other contractual commitments expiring more than three years after that date covering service stations, office space, tankers and other facilities. For the year 1962, the minimum amounts payable (without reduction for related rental income) under such commitments are estimated at $37,000,000.

Shell Oil Company might be required under certain conditions to make payments under guaranty and other contractual arrangements entered into in connection with pipe lines and other facilities used for handling the Company's products. The contingent liability under such arrangements will not exceed $1,600,000 for 1962 and a total of $40,600,000 for years subsequent thereto.

None of the companies had any commitments or contingent liabilities which, in the judgment of the Management, would result in the sustaining of losses which would materially affect their financial positions.

XEROX CORPORATION
Notes to Financial Statements

Note 8: *Commitments and Contingent Liabilities*—*c*. Under the terms of certain employment contracts, the Company is required under varying conditions to pay severance, death and disability benefits, the amounts of which cannot be determined in advance and which will be recorded when and as required.

Contingent Assets

Accounting Research Bulletin No. 50—Contingencies, previously referred to, also states that:

> Contingencies which might result in gains usually are not reflected in the accounts since to do so might be to recognize revenue prior to its realization, but there should be adequate disclosure. Although disclosures discussed here should be made with respect to those contingencies which may result in material gains or assets as well as with respect to those which may result in material losses or liabilities, care should be exercised in the case of gains or assets to avoid misleading implications as to the likelihood of realization.

The comparatively few disclosures relating to contingent assets in the 1961 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 1961 reports.

Carry-forward Losses

THE BUDD COMPANY
Notes to Financial Statements

Other Matters: *Taxes On Income*—The Company and its subsidiaries file separate tax returns. During the year the Company merged one of its subsidiaries, thereby availing itself of income tax credits on a portion of the former subsidiary's cumulative losses. There remain additional subsidiary losses totalling approximately $1,900,000 available to reduce taxable income in subsequent years.

J. I. CASE COMPANY
Notes to Financial Statements

Note 7: *Federal Taxes on Income*—The liability for federal taxes on income and accrued interest thereon at October 31, 1961 resulted from agreed determinations of additional federal income taxes for the 1947 through 1954 fiscal years. The principal adjustment giving rise to such additional taxes involved the restatement of inventories.

With respect to years subsequent to 1954, there remain certain questions to be resolved with Treasury Department representatives; however, it is believed that the ultimate determination of these unsettled questions will not result in additional liabilities for federal income taxes.

Net operating losses during the 1960 and 1961 fiscal years have resulted in a total loss carry-over of approximately $46,000,000 which may be used to reduce taxable income for the years 1962-1966 inclusive.

DAYCO CORPORATION
Notes to Financial Statements

Note 7: For income tax purposes, approximately $11,240,000 of the losses of the Company and certain of its subsidiaries in 1960 and 1961, are available as offsets to future taxable earnings of the applicable companies.

FAIRCHILD STRATOS CORPORATION
Notes to Financial Statements

Note 4: No provision for federal income taxes is required for 1961 due to current year deductibility of losses and costs charged off to operations in prior years. The Corporation has a remaining aggregate of losses and costs charged off to operations in prior years of approximately $9,700,000 available to reduce future years' taxable income.

GENERAL DYNAMICS CORPORATION
Notes to Financial Statements

Note 2: *Income Taxes*—The credit for income taxes of $28,227,275 represents the United States income taxes paid by General Dynamics Corporation for 1958 and 1959 which are refundable as a result of carrying back a portion of the 1961 loss before taxes to such years. In this connection, the United States income tax returns of the Corporation are subject to review by the Internal Revenue Service for all years subsequent to 1953.

The balance of the 1961 loss before taxes of approximately $111,410,000 can be carried forward and applied against future income of the Corporation for years through 1966. At present tax rates, the loss carried forward would represent a credit against future United States income taxes of approximately $57,933,000.

MAREMONT CORPORATION
Notes to Financial Statements

Note 5: *Income Taxes*—Because of operating loss carry-forwards, Saco-Lowell Shops did not provide for income taxes in its income statements for 1961 and 1960. Without such loss carry-forward credits, consolidated net income for 1961 and 1960 (after deducting minority interest) would have been $3,044,504 and $2,233,124, respectively. The remaining tax loss carry-forward amounted to $1,080,000 at November 30, 1961, and is available to reduce future taxable income of Saco-Lowell for years to November 30, 1964.

Claims for Refund of Taxes

ALCO PRODUCTS, INCORPORATED
Notes to Financial Statements

Note 2: In connection with the planned program of consolidating plant operations, steps were initiated in 1961 to eliminate certain low profit product lines and to transfer some productive operations to other plants from the Beaumont, Texas, plant in 1962. The estimated losses and expenses of $2,774,000 to be incurred on this program less applicable income tax credits of $1,501,000 were provided for by a special charge in the 1961 consolidated statement of income.

Based upon the completion of this program in 1962, the income tax credits will be realized either by a reduction in income taxes payable for 1962 or, alternatively, by a carry-back refund claim against income taxes paid for the year 1959.

Other

WALT DISNEY PRODUCTIONS
Notes to Financial Statements

Note 8: *Method of Accounting for Revenue*—The Company records foreign income at the time of receipt of remittances in United States dollars or at the time of expenditures of foreign currencies abroad for the account of the Company. At September 30, 1961 there was, at current rates of exchange, approximately $1,600,000 (before distribution expenses, amortization of film production costs and income taxes) of currencies in foreign countries representing income which has not been reflected as an asset or as income in the accompanying statements.

The Company also records domestic film rental income upon receipt of remittances. This practice commenced with the distribution of the Company's original product through outside distributors and continued with the formation of the Company's own distribution subsidiary in 1954. In prior years the unrecorded amounts due from exhibitors, after provision for related distribution expenses, amortization of film production costs and federal income taxes, have not been significant in relation to total assets or to net income reported. However, at September 30, 1961, because of the unprecedented increase in the level of the Company's film rental income and the closeness to the fiscal year end of the release date of highly profitable pictures, this practice has resulted in a substantial increase in the unrecorded estimated domestic film rentals as compared with those at the beginning of the year. They will be accounted for in subsequent periods as received. While it is not feasible to attempt an exact determination of these amounts, the Company estimates them as follows:

	Year Ended September 30, 1961	October 1, 1960
Unrecorded estimated domestic film rentals	$5,000,000	$850,000
Estimate of approximate unrecorded net income resulting from above film rentals, after provision for estimated possible adjustments, distribution expenses, amortization of film production costs and income taxes:		
At year end	1,250,000	100,000
Change during year	1,150,000	Insignificant

PLYMOUTH OIL COMPANY
Notes to Financial Statements

Note 4: *Insurance Claims*—As a result of damages to refinery properties at Texas City, Texas, caused by Hurricane Carla, the Company has charged approximately $586,000.00 to costs and operating expenses.

The Company is presently preparing insurance claims in connection with these losses, and any recovery therefrom is not presently determinable.

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 titled "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,* 1955 Edition).

The survey showed that the principal considerations advanced for determining whether or not to include a subsidiary in the consolidated statements were:

(1) the degree of control by the parent company,
(2) the extent to which the subsidiary is an integral part of the operating group, and
(3) whether the subsidiary is a domestic or a foreign corporation.

The separate study of consolidation practices provides more information than is available in an examination of the annual reports alone.

Table 47 summarizes the various bases of consolidation of domestic and foreign subsidiaries with corresponding references to survey companies disclosing their consolidation policies.

This table indicates that of the 550 companies having subsidiaries in 1961, 254 companies presented fully consolidated statements, 275 companies had some subsidiaries consolidated and some not consolidated, and only 21 reports disclosed all subsidiaries as unconsolidated.

The most significant factors in excluding certain subsidiaries from consolidation were: exclusion of all foreign subsidiaries (44 companies); geographic location of some foreign subsidiaries (64 companies); and nonhomogeneous operations of domestic subsidiaries (14 companies).

The nonhomogeneous operations of these excluded subsidiaries consist of the following: Real Estate 6; Finance 4; Insurance, Factoring, Railway, and Baseball, one each.

Fully Consolidated Statements

ANDERSON, CLAYTON & CO.
Notes to Financial Statements

Note 1: The consolidated financial statements include the assets, liabilities, and operations of Anderson, Clayton & Co. and all its domestic and foreign subsidiaries.

The accounts of foreign subsidiaries are stated in U. S. dollars at official or recognized free market rates of exchange, except that property, plant and equipment, capital stock, and certain other items, are stated at fixed dollar values determined at official or free market rates at time of acquisition. Exchange adjustments resulting from the differences in the rates used at the beginning and end of the fiscal year are reflected in the statement of consolidated income.

Note 2: Net assets of foreign subsidiaries included in the consolidated balance sheet, by countries:

July 31, 1961:	*Working Capital*	*Net Fixed and Other Non-Current Assets*	*Equity Applicable to Parent Company*
Mexico	$ 9,620,149	$15,468,710	$25,088,859
Argentina	2,165,937	1,521,517	3,687,454
Brazil	5,657,885	18,650,231	24,308,116
Paraguay	197,531	229,360	426,891
Peru	6,066	3,620,534	3,626,600
Switzerland	52,671	2,905	55,576
	$17,700,239	$39,493,257	$57,193,496

The transfer of profits from subsidiaries in some foreign countries is limited by exchange control regulations.

DICTAPHONE CORPORATION
Notes to Financial Statements

Note 1: The companies included in the annexed consolidated financial statements are Dictaphone Corporation and its Canadian, British and German subsidiaries, all wholly owned. Approximately 23% of consolidated net assets at December 31, 1961, and 17% consolidated net income for the year 1961 relate to such subsidiaries.

All Foreign Subsidiaries Excluded

WALT DISNEY PRODUCTIONS
Balance Sheet

Other Assets:	
Investments in other companies (Note 3)—	
6½% convertible notes, due in installments to 1975	$ 650,000
Common stocks	383,140
Investments in foreign subsidiaries not consolidated, less amortization (Note 1)	99,309
Cash surrender value of insurance on lives of officers	434,031
Sundry other assets and deferred charges	902,534
	$2,469,014

Note 1: *Principles of Consolidation*—The accounts of domestic subsidiaries, all wholly-owned, have been consolidated in the accompanying financial statements and all significant intercompany transactions have been eliminated. Disneyland, Inc., a wholly-owned subsidiary, was merged with and into the Company on May 29, 1961. Also during the year the Company organized a wholly-owned domestic subsidiary to undertake certain distribution activities previously handled directly by the Company in foreign countries.

The accounts of foreign subsidiaries have not been consolidated. These companies produce and distribute pictures, carry on the Company's character merchandising business, and publish music in various foreign countries. Royalties, dividends and other revenues received from these companies are taken into income when received in United States dollars. The Company's equity in the net assets of unconsolidated foreign subsidiaries at September 30, 1961 exceeded the carrying value of its investments therein by approximately $300,000. During the year ended September 30, 1961 the earnings of these unconsolidated subsidiaries amounted to approximately $250,000 after provision for foreign and United States income taxes.

CHAMPION PAPERS, INC.
Balance Sheet

Investments—at Cost (Note 3):	
Foreign affiliated companies	$19,729,552
Other, including 50%-owned company	1,705,219
Total investments	$21,434,771

Notes to Financial Statements

Note 2: *Principles of Consolidation and Other Accounting Matters*—The Company follows the practice of consolidating all domestic operating subsidiaries; foreign subsidiaries are not consolidated.

Note 3: *Investments*—At March 31, 1961, the Company's equity in the net assets of Dairypak Butler, Inc. (the 50%-owned company) exceeded by approximately $3,555,000 the investment in

TABLE 47: CONSOLIDATION OF SUBSIDIARY COMPANIES

Consolidation Policy	Location of Subsidiaries: Domestic Only	Domestic and Foreign	Foreign Only	Not Indicated	1961 Total Companies
Fully consolidated financial statements (a) (*Co. Nos. 83, 166, 206, 284, 378, 439); (b) (*Co. Nos. 57, 161, 266, 303, 600); (c) (*Co. Nos. 25, 114, 195, 214, 388, 423)	(a) 112	(b) 120	(c) 15	7	254
Partially consolidated financial statements**	31	233	11	—	275
Unconsolidated financial statements (d) (*Co. Nos. 207, 228, 229, 231, 407, 522); (e) (*Co. Nos. 292, 304, 415, 475, 540); (f) (*Co. Nos. 259, 269, 324, 394, 467, 470)	(d) 7	(e) 5	(f) 8	1	21
Total Companies having subsidiaries	150	358	34	8	550
Companies having no subsidiaries					50
Total					600

**Partially Consolidated Financial Statements—Consolidation Policy	1961 Total Companies
Companies having domestic subsidiaries only:	
Wholly-owned, active subsidiaries consolidated (*Co. Nos. 51, 66, 88, 333, 400, 533)	10
Significant, principal, and active subsidiaries included (*Co. Nos. 21, 176)	2
All subsidiaries consolidated except those with nonhomogeneous operations (*Co. Nos. 69, 144, 362, 385, 509, 525)	14
Basis not indicated (*Co. Nos. 46, 78, 143, 146, 297)	5
Total companies having domestic subsidiaries only	31
Companies having domestic and foreign subsidiaries:	
All domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (86 companies):	
Exclusion of all (*Co. Nos. 40, 77, 82, 136, 180, 216)	33
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 28, 34, 109, 224, 321, 462)	40
Other basis indicated (*Co. Nos. 96, 148, 157, 280, 288, 397)	8
Basis not indicated (*Co. Nos. 115, 393, 495, 510, 539)	5
Wholly-owned, active domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (55 companies):	
Inclusion of all wholly-owned and active (*Co. Nos. 48, 141, 204, 258, 281, 323)	36
Exclusion of all (*Co. Nos. 92, 179, 315, 343, 560, 585)	6
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 13, 355, 410, 485, 514, 536)	10
Other basis indicated (*Co. Nos. 139, 265, 529)	3
Only subsidiaries with operations homogeneous to those of the parent company consolidated, with following treatment of foreign subsidiaries (33 companies):	
Inclusion of, based on homogeneous operations (*Co. Nos. 1, 3, 119, 212, 252, 353)	12
Inclusion of all (*Co. Nos. 128, 145, 308, 498, 598)	5
Exclusion of all (*Co. Nos. 38, 134, 457, 489, 589)	5
Exclusion based on location (*Co. Nos. 16, 72, 79, 191, 238, 249)	7
Other basis indicated (*Co. Nos. 127, 469, 471)	3
Not indicated (*Co. No. 279)	1
Other variations (59 companies):	
All subsidiaries based on voting control or fixed percentage of ownership (*Co. Nos. 32, 36, 45, 311, 329, 370)	7
All significant, principal, and active subsidiaries included (*Co. Nos. 54, 87, 142, 167, 168, 527)	9
Domestic, significant subsidiaries included with some foreign subsidiaries excluded on basis of geographic location (*Co. Nos. 62, 70, 482, 561)	4
Other basis indicated (*Co. Nos. 71, 93, 250, 294, 309, 521)	23
Basis not indicated (*Co. Nos. 84, 126, 201, 240, 256, 316)	16
Total companies having domestic and foreign subsidiaries	233
Companies having foreign subsidiaries only:	
Exclusion based upon geographic location or geographic location plus other factor(s) (*Co. Nos. 41, 241, 511)	3
Other basis indicated (*Co. Nos. 53, 130, 255, 524, 557, 577)	7
Basis not indicated (*Co. No. 262)	1
Total companies having foreign subsidiaries only	11
Total companies partially consolidating financial statements	275

*Refer to Company Appendix Section.

the capital stock of that company. The aggregate investment in the foreign affiliated companies exceeded by approximately $1,250,000 the Company's equity (as of December 31, 1960) in their net assets, after writing off to income of the Brazilian affiliate approximately $1,300,000 of pre-production costs. With respect to all such domestic and foreign investments at March 31, 1961, the Company's equity in the net assets of the companies was approximately $2,305,000 more than its total investment.

The principal investment ($19,033,829, or about 98% of the voting interest) is in Champion Celulose S.A., the Brazilian affiliate which commenced operation of a newly-constructed pulp mill in the State of Sao Paulo during the preceding fiscal year. As part of the consideration for a loan to Champion Celulose by International Finance Corporation and others, the Company has caused about 9.8% of the outstanding common stock of Celulose to be placed in escrow. These shares are expected to be transferred out of escrow at the direction of International at a rate measured by the earnings of Celulose. Until so transferred, the Company retains the right to vote the shares and, after transfer out of escrow, the Company has a right of first refusal to purchase at market.

The remainder of the Company's invesment in Envases Perga de Cuba, S.A., the affiliate whose properties have been taken over by the Cuban government, was written off during the year by a charge to income.

Exclusion of Foreign Subsidiaries Based on Geographic Location

AMERICAN CHICLE COMPANY
Balance Sheet

Investments in and Advances to Unconsolidated Foreign Subsidiaries (Note B)	$1,722,145

Note B: *Subsidiary Companies*—Consistent with prior years, the accounts of subsidiaries are included in consolidation, except the accounts of five subsidiaries which have been excluded from the consolidated financial statements.

The Company's equity in the earnings of unconsolidated subsidiaries for the current year amounted to $487,455 (after applicable dividend taxes), less $191,876 resulting from exchange valuation adjustments.

Investments in and advances to unconsolidated foreign subsidiaries as at December 31, 1961, aggregated $1,722,145 net of reserve of $84,000, whereas the underlying net assets of these subsidiary companies amounted to $2,116,725. Net assets of consolidated subsidiary companies in foreign countries (substantially all in the Americas) included in the accompanying consolidated balance sheet totalled $8,635,668 of which net current assets, converted at year-end exchange rates, aggregated $3,707,475.

AMERICAN MACHINE AND FOUNDRY COMPANY
Balance Sheet

Investments and Advances, at cost:	
Foreign subsidiaries not consolidated (Note 1)	$20,107,913
Other	5,385,142
	$25,493,055

Note 1: *Principles of Consolidation and Investments in Subsidiaries*—The consolidated statements include the accounts of all U. S. and Canadian subsidiaries. The cost of the Company's investments in foreign subsidiaries not consolidated exceeds its estimated equity in the net assets of such subsidiaries by approximately $500,000 at December 31, 1961. The net loss of such subsidiaries for the year 1961 is estimated at $1,769,000....

Subsidiaries with Nonhomogeneous Operations Excluded

ALDENS, INC.
Balance Sheet

Other Assets:	
Investment in real estate subsidiaries (Note 1)	$ 652,549
Investment in life insurance subsidiary (Note 1)	300,000
Sundry	369,741
	$1,322,290

Note 1: *Principles of Consolidation*—The consolidated financial statements of Aldens, Inc. include all merchandising subsidiaries and Aldens Acceptance Corporation; they do not include the real estate subsidiaries which are combined in a separate balance sheet.

At January 31, 1961, investment in real estate subsidiaries is stated at the Company's equity in the net assets of these subsidiaries. Retained earnings of these subsidiaries at January 31, 1961 of $37,549 consists of $37,023 net income for the fiscal year then ended and $526 accumulated to January 31, 1960. The $37,549 is included in consolidated retained earnings at January 31, 1961 and consolidated net income for the year then ended. Net income of the real estate subsidiaries for the year ended January 31, 1961 consisted of $415,609 rent received from parent less (a) depreciation—$193,382, (b) interest expense—$178,068 and (c) other expenses and federal income tax—$7,136.

Investment in life insurance subsidiary represents cash advanced for the acquisition of stock in a newly organized life insurance subsidiary which has not yet begun operations.

All subsidiaries are wholly-owned.

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Notes to Financial Statements

Note 1: The policy of the Company is to include in the consolidated financial statements all majority-owned manufacturing subsidiaries. One wholly-owned financing and leasing subsidiary, in which the investment aggregates $1,168,621, is not consolidated. The excess of net assets of this subsidiary over the investment of the Company, the net income for the year 1961, and the increase in equity since inception are not significant.

Dynamic Developments, Inc. was merged into the Company as of November 3, 1961, when the Company's 50% interest was increased to 100%.

Inclusion of Wholly-Owned Subsidiaries

KELLOGG COMPANY
Notes to Financial Statements

Note 1: All wholly-owned foreign subsidiaries are included in the consolidated financial statements. Their assets, liabilities and results of operations are included at approximate year-end exchange rates except that properties and depreciation are included at historical exchange rates. Adjustments resulting from translation of foreign currencies into United States currency are reflected in income. The investment in the foreign subsidiary not consolidated, acquired in December 1961, is equal to its approximate quoted market value. The parent company's equity in net assets of wholly-owned subsidiaries operating outside North America was $14,622,384 at December 31, 1961. Seventy-seven percent of the earnings of the wholly-owned foreign subsidiaries for the year were received in dividends by the parent company.

THE KROGER CO.
Notes to Financial Statements

Note 2: All wholly-owned subsidiaries have been included in consolidation. The company's equity in the net assets of unconsolidated subsidiaries amounted to $4,592,288 at December 30, 1961. Dividends of $157,500 were received from one of the subsidiaries in 1961. The company's equity in earnings of unconsolidated subsidiaries for 1961 amounted to $502,656.

Inclusion Based on Voting Control or Fixed Percentage of Ownership

AMERICAN METAL CLIMAX, INC.
Notes to Financial Statements

Financial Statements Presentation: The consolidated financial statements include the accounts of all subsidiaries in which a voting control of 75 per cent or more is owned, except certain subsidiaries not of significance at present.

All Significant, Principal, and Active Subsidiaries Included

STOKELY-VAN CAMP, INC.
Notes to Financial Statements

Note 1: The consolidated financial statements include the accounts of the Company and all subsidiaries except four in which its investment and equity in net earnings are, in the aggregate, insignificant.

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 1961 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:	1961
Changes in capital structure (*Co. Nos. 42, 48, 120, 161, 290, 402)	21
Treasury stock transactions (*Co. Nos. 193, 544, 581)	3
Stock conversion (*Co. Nos. 2, 544)	2
Extra distributions declared in cash or stock or dividends omitted (*Co. Nos. 38, 47, 86, 196, 301, 528)	12
Issue of additional stock (*Co. Nos. 78, 217, 276, 310, 352, 482)	9
	47
Employees:	
Welfare, pension, and stock option plans (*Co. Nos. 1, 15, 51, 169, 191, 267)	16
Union negotiations (*Co. Nos. 16, 42, 289, 388, 392, 465)	10
	26
Fixed Assets:	
Purchased (*Co. Nos. 40, 59, 131, 169, 332, 413)	9
Constructed (*Co. No. 368)	1
Sold (*Co. Nos. 78, 203, 491, 512)	4
	14
Indebtedness:	
Incurred (*Co. Nos. 117, 140, 183, 187, 276)	18
Reduced (*Co. Nos. 87, 132, 238, 332, 388)	7
Refinanced (*Co. Nos. 8, 30, 127, 152, 268, 298, 572)	11
	36
Subsidiary or affiliated companies:	
Mergers pending, proposed, or effected (*Co. Nos. 13, 21, 34, 36, 142, 164)	29
Acquired or holdings increased (*Co. Nos. 215, 224, 257, 283, 297, 385)	48
Sold or holdings decreased (*Co. Nos. 91, 235, 240, 355, 492, 559)	7
	84
Contracts entered into or cancelled (*Co. Nos. 81, 97, 176, 256, 359, 395)	7
Litigation (*Co. Nos. 45, 84, 98, 112, 204, 296)	13
Taxes—Refunds or assessments (*Co. Nos. 54, 255, 336)	3
Various other (*Co. Nos. 40, 68, 110, 116, 120, 194)	15
Total	245
Number of Companies:	
Referring to post balance sheet events	185
Not referring to post balance sheet events	415
Total	600

*Refer to Company Appendix Section.

Capital Stock

EMERSON RADIO & PHONOGRAPH CORPORATION
October 31, 1961
Notes to Financial Statements

Note 1: The accompanying financial statements include the accounts of the Company and all its subsidiaries.

Emertron, Inc., a newly organized subsidiary, began operations on November 1, 1960 as of which date it acquired from the Company the net assets and business of the Government Electronics Division. The net assets were acquired by Emertron, Inc., and recorded on its books, at the same values as shown by the books of the Company. The Company acquired all of the outstanding common stock of Emertron, Inc. in connection with the transaction.

In December 1961, as a result of a public offering, Emertron, Inc. sold 316,044 shares of its previously unissued common stock, the net cash proceeds amounting to approximately $1,400,000. After giving effect to the sale of these shares, the Company owns approximately 86% of the outstanding common stock of Emertron, Inc.

BASIC INCORPORATED
December 31, 1961
Notes to Financial Statements

Note C: *Offering of Preference Shares*—On January 26, 1962 the Shareholders authorized Amended Articles of Incorporation to include an additional class of 140,000 Serial Preference Shares of $50 par value each. The Company intends to issue as soon as practicable an initial series of the new class of shares consisting of 70,000 Convertible Preference Shares at terms to be determined by the Board of Directors at time of issue, the proceeds to be used for refractories plant improvements and expansion and repayment of short-term bank borrowings.

THE NATIONAL CASH REGISTER COMPANY
December 31, 1961
President's Letter

The demand for rental of data processing systems has an additional impact on the Company by requiring a heavy investment in rental equipment. In part to finance this growing phase of its business, the Company on February 21, 1962, filed a registration statement with the Securities and Exchange Commission which described a proposed issue of $50 million of sinking fund debentures and 319,090 additional shares of $5 par value common stock. The Company's present stockholders will have an opportunity to subscribe to the new shares. The precise extent and terms of the proposed financing program will depend upon market conditions prevailing at the time of issue.

ST. REGIS PAPER COMPANY
December 31, 1961
Balance Sheet

Stockholders' Equity:	
Capital stock:	
First preferred — authorized, 200,000 shares of $100 par value; issued, 1961 — 86,000 shares, 1960 — 94,000 shares, 4.40% series A; less, 1961 — 10,804 shares, 1960 — 2,010 shares in treasury; outstanding, 1961 — 75,196 shares, 1960 — 91,990 shares (Note 5)	7,519,600
Common — authorized, 25,000,000 shares of $5 par value (Notes 6 and 7):	
Issued, 1961 — 11,762,312 shares, 1960 — 11,260,025 shares	58,811,560
To be issued subsequent to year-end, 1961 — 199,609 shares, 1960 — 461,057 shares (Note 6)	998,045
Total capital stock	67,329,205

Notes to Financial Statements

Note 6: *Future Issuance of Capital Stock*—The 199,609 shares of common stock shown in the accompanying balance sheet as issuable subsequent to December 31, 1961 represent obligations incurred in connection with certain prior years' acquisitions. Of these shares, 167,109 will be issued in 1962 and the remaining 32,500 in 1963.

Extra Distributions Declared in Cash or Stock or Dividends Omitted

STRUTHERS WELLS CORPORATION
November 30, 1961
President's Letter

Your Board of Directors on December 7, 1961 declared a stock dividend of 5% (45,286 shares) in Common Stock of the Corporation, payable December 29, 1961 to Common shareholders of record December 22, 1961. This dividend was declared and paid after the close of our fiscal year and is not reflected in the statements for the year ended November 30, 1961. A value of $16.25 per share, based on the average market value during the year, was assigned to each share issued. The Dividend, when paid, increased capital stock outstanding by $45,286, increased additional capital by $690,612 and decreased earnings retained in the business by $735,898.

BEECH AIRCRAFT CORPORATION
September 30, 1961
Notes to Financial Statements

Note G: The Board of Directors, on October 10, 1961, declared a stock dividend of 1/50 share (2%) for each share outstanding, payable November 29, 1961, to stockholders of record on October 20, 1961. Payment of this dividend will result in the issuance of 52,268 additional shares of Common Stock (fractional shares will be paid in cash) and the transfer of $973,753 from earned surplus, of which $52,268 will be credited to the Common Stock account and $921,485 will be credited to the Capital Surplus account.

COOK PAINT AND VARNISH COMPANY
November 30, 1961
President's Letter

Subsequent to the end of the fiscal year, the stockholders and directors by appropriate action reduced the par value of the Common Stock of the Company from $20 per share to $15 per share and increased the authorized amount of such stock from 1,000,000 shares to 1,500,000 shares. Immediately thereafter the Board of Directors voted a 100 per cent stock dividend or stock split which was paid January 11, 1962, and which capitalized a portion of the profits from the sale of the Broadcasting Company's assets.

Employees

ACF INDUSTRIES, INCORPORATED
April 30, 1961
President's Letter

On July 7, 1961, the Board of Directors approved a stock purchase plan, expiring on December 31, 1966, which will assist certain salaried employees, other than directors or major officers, to acquire stock in the Company. Under the plan, an eligible employee may request that an amount not exceeding 5 per cent of his salary be withheld for investment in ACF's stock. The Company will contribute an additional amount equivalent to 20 per cent of the employee's contribution. The stock will be purchased in the market by a New York bank, as Trustee. The plan will become effective on such later date as the Board of Directors may determine. If it had been in effect during the past fiscal year and if 50 per cent of all eligible employees had participated at the highest withholding rate, the contribution by the Company would have been approximately $75,000.

ALLIED STORES CORPORATION
January 31, 1961
Notes to Financial Statements

Note J: In addition to existing retirement programs, the Corporation in April 1961 announced the formalization of a pension policy providing benefits computed on the first $4,800 of annual compensation of all regular employees who reach retirement age and who have completed at least 20 years of continuous service. There will be accrued each year an amount equal to the actuarially computed present value (reduced by applicable federal income taxes) of the amount of benefits estimated to be payable in the future to those eligible employees who shall retire during the year. It is estimated that this will result in a charge to earnings for the year ending January 31, 1962 of $450,000 after federal income taxes.

RADIO CORPORATION OF AMERICA
December 31, 1961
Financial Review

Retirement Plan: The Retirement Plan for RCA employees is a contributory plan and retirement benefits are provided under the Plan by contributions made by employees from their salaries or wages and by contributions made by the Corporation. The Supreme Court of the United States has ruled that labor unions are entitled to bargain with employers on the subject of pensions. During 1961 the Corporation received union demands for changes in the Plan. After extended negotiatons new agreements were entered into with the unions and the Plan was amended effective January 1, 1962 to conform to these agreements.

As amended, it is comparable to plans in effect in various other companies, including a number of our competitors. The amended Plan continues to be a contributory plan and continues to be a uniform plan applying equally to RCA officers and regular employees, union and non-union.

In general, the principal changes include provisions increasing the minimum retirement income, exclusive of Social Security benefits, for both present and retired employees, increased benefits for service before December 1, 1944 for mployees retiring after May 31, 1961 and an increase in the amount of the supplemental early retirement benefit for those retiring after May 31, 1961, between the ages of 60 and 65.

As a result of the increased benefits, the cost of the Plan to the Corporation is increased. If the number of employees who are members of the Plan, general pay levels, employee turnover, age levels, and other factors affecting Retirement Plan costs do not change, it is estimated that the cost to the Corporation of adopting these amendments to the Plan will amount to approximately $495,000 a year for twelve years, and $50,000 annually thereafter.

Fixed Assets

BRIGGS MANUFACTURING COMPANY
December 31, 1961
President's Letter

In September, 1961, we announced our acquisition of a plant in Corona, California, for the production of vitreous china plumbing fixtures. In January, 1962, we acquired a facility at Industry, California, nearby our Corona plant, for the porcelain enameling of steel bathtubs, lavatories and sinks. These two sources of supply make Briggs products more readily and competitively available in the large Pacific Coast market, enabling more effective distributing and selling of our products in that area. We consider this extension of our operation of major importance to the expansion of our business.

SERVEL, INC.
October 31, 1961
Notes to Financial Statements

Note 2: Subsequent to October 31, 1961, the Company entered into contracts of sale and sold all its idle properties located in Evansville, Indiana, from which sales it realized $223,650 in December, 1961. The net book value of such properties exceeded the amount realized by $522,696 and this amount, less a related 1962 tax benefit of $212,246, which has been deferred in the balance sheet, has been charged to retained earnings for the year ended October 31, 1961.

Indebtedness

MONSANTO CHEMICAL COMPANY
December 31, 1961
Financial Review

The parent company has executed an agreement for the sale to an institutional investor of $75 millions principal amount of 4¾ per cent promissory notes, due January 1, 1993. On January 16, 1962, $50 millions of such notes were sold; the remaining $25 millions will be sold in May, 1962. The notes require that 93 per cent of the principal amount be prepaid in equal annual installments commencing January 1, 1973, with the balance due at maturity. The company expects to sell an additional $25 millions of such notes in June, 1962, on a basis to yield 4⅞ per cent interest over the average life of the notes.

PERMANENTE CEMENT COMPANY
December 31, 1961
Notes to Financial Statements

Note A: *New Financing in 1962*—The notes payable to banks aggregating $21,256,250 at December 31, 1961, were entirely prepaid by February 8, 1962, from partial proceeds of new financing described below.

On February 7, 1962, the Company sold 50,000 shares of 5% Series, Convertible Preferred Stock to an affiliated company at $52.00 a share, the same price paid by the public for 315,000 shares sold in December, 1961.

On February 8, under the terms of a Note Agreement dated January 31, 1962, the Company sold to institutional investors $22,500,000 of 5⅜% Notes, due in 1981, and is committed to sell an additional $10,000,000 of such Notes on October 31, 1962. The Notes require mandatory annual prepayments of $1,500,000 from 1967 to 1970, $1,750,000 from 1971 to 1975, and $1,950,000 from 1976 to 1980, inclusive. The Notes contain various restrictive covenants relating to payment of dividends (Note D), indebtedness and other matters.

A Bank Credit Agreement dated January 31, 1962, provides for a revolving credit in the maximum amount of $10,000,000 to be evidenced by notes maturing by December 31, 1964. On or before that date, the Company may borrow up to that amount on a five-year term loan, which borrowing must first be applied to retire any outstanding revolving loans. So long as any indebtedness is outstanding under the Agreement, the Company and subsidiaries are required to maintain consolidated net current assets of at least $10,000,000, provided that for this purpose any loans under the revolving credit shall be excluded from current liabilities.

THE SEEBURG CORPORATION
October 31, 1961
Notes to Financial Statements

Note 5: *5¼% Convertible Subordinated Debentures*—The 5¼% convertible subordinated debentures are convertible into common stock at $17 per share. In November, 1961, all debentures outstanding were called for redemption on January 15, 1962, at 105% of the principal amount of the then outstanding debentures plus accrued interest in accordance with the terms of the debenture agreements. Conversion privileges may be exercised through January 10, 1962.

Subsidiary or Affiliated Companies

ALLIED CHEMICAL CORPORATION
December 31, 1961
President's Letter

The merger on February 20, 1962, of Union Texas Natural Gas Corporation into Allied Chemical is a most important and far-reaching move. This acquisition will provide the Company with a basic position in hydrocarbon raw materials, a going business in those areas of the natural gas and oil business where conditions and opportunities appear favorable, and will bring to us the knowledge and experience of Union's strong management organization. The first major step toward developing the benefits which will flow from this merger is the planned building by 1964 of a large petrochemical complex in Louisiana, previously announced. We most cordially welcome Union Texas' stockholders and administrative and operating organizations into Allied Chemical.

AMERICAN MACHINE & FOUNDRY COMPANY
December 31, 1961
President's Letter

Approval for AMF-ICM Merger: AMF's and International Cigar Machinery Company's boards of directors approved a proposed plan of merger, on February 6, whereby ICM would be merged with American Machine & Foundry Company. The proposed merger will be voted upon by stockholders of each company at the Annual Meeting of stockholders on April 17, 1962.

THE BENDIX CORPORATION
September 30, 1961
President's Letter

Effective October 31, 1961, shortly after the close of our fiscal year, our French affiliate, Societe Anonyme D.B.A. acquired by merger the principal French supplier of hydraulic brake equipment, Societe Francaise des Freins Hydrauliques Lockheed. By this merger D.B.A., the major supplier of basic brake equipment, becomes an even stronger factor in supplying both the original equipment and aftermarket needs of France.

INTERNATIONAL MINERALS &
CHEMICAL CORPORATION
June 30, 1961
Notes to Financial Statements

Note 2: Subsequent to June 30, 1961, the Corporation exchanged on a "pooling of interests" basis, 21,176 shares of its common stock for all of the outstanding capital stock of Aristo Corporation.

SHARON STEEL CORPORATION
December 31, 1961
President's Letter

During January 1962 the Company sold, for $5,605,000, its common stock interest of approximately 40% in Reactive Metals, Inc. to National Distillers and Chemical Corporation, who at that time held the remaining common stock. Although the long term prospects for titanium and zirconium are favorable, the full potential of these metals may not be realized for many years. Therefore, it was considered advisable to dispose of this investment and apply the proceeds to the current $30 million improvement and modernization program which was commenced in 1961 and will be completed in 1962.

Litigation

AMERICAN SMELTING AND REFINING COMPANY
December 31, 1961
Notes to Financial Statements

Note B: *Anti-trust Suit*—A civil anti-trust suit filed in January 1961 by the Department of Justice to compel divestment of the Company's holdings of General Cable Corporation and Revere Copper and Brass, Inc. stock is pending.

ANHEUSER-BUSCH, INCORPORATED
December 31, 1961
President's Letter

On February 2, 1962, our Company was served with notice that the Attorney General of the United States had brought an action against Rahı Malting Co. and our Company, alleging that the acquisition of the Manitowoc plant violated Section 7 of the Clayton Act. It is our firm belief that our Company was not guilty of any violation of the antitrust laws in the acquisition of this plant from Rahr Malting Co. We will keep you advised from time to time of developments in this matter.

BLISS & LAUGHLIN, INCORPORATED
December 31, 1961
Notes to Financial Statements

Note 1: As of February 15, 1960, the Company issued 36,157 shares of its common stock in exchange for the business and assets of Sierra Drawn Steel Corp., subject to its liabilities. In June, 1960, the United States filed suit against the Company, alleging violation ot Section 7 of the Clayton Act by reason of the acquisition of the Sierra Drawn Steel Corp. properties. On January 29, 1962, the United States District Court for the Southern District of California ruled in favor of the Company.

Contracts Entered into or Cancelled

BATH IRON WORKS CORPORATION
December 31, 1961
President's Letter

In January 1962, a contract for two additional frigates was received at a somewhat higher, but still unsatisfactory, price.

THE GENERAL TIRE & RUBBER COMPANY
November 30, 1961
President's Letter

Space Exploration Unit: With a look to the future, we acquired a new subsidiary, Space-General, for space exploration activities. We also have obtained leases and options on several thousands of acres of land southwest of Miami, Florida, and have under consideration the building of a facility for Aerojet-General for the development and manufacture of large propulsion rocket engines for space application.

In mid-January, 1962, Aerojet-General was selected for a major NASA contract for the liquid-hydrogen engine for the NOVA space vehicle, making 1962's outlook brighter than ever.

Taxes—Refunds or Assessments

GENERAL REFRACTORIES COMPANY
December 31, 1961
Notes to Financial Statements

Note 2: The income tax deficiencies for the years 1954 through 1958 proposed by the Internal Revenue Service and the tax adjustments for the years 1959 and 1960, referred to in the Annual Report for 1960, will be settled in accordance with the provisions of a law enacted in September 1961, which applies to all years through 1960. As provided by this law, the company in January 1962 filed amended federal income tax returns for the years 1954 through 1960 and paid additional taxes and interest for those years aggregating $205,102. These amended returns are subject to examination by the Internal Revenue Service, but the amounts provided in prior years for additional income taxes appear adequate.

In the absence of complete final regulations covering the computation of the company's percentage depletion for years after 1960, it is not possible to determine the amount of percentage depletion deduction which may ultimately be allowed for the year 1961. In the meantime, percentage depletion for this year has been determined on the same basis employed in the amended returns filed for 1954 through 1960. Without the deduction for percentage depletion, the income tax provision for 1961 would have amounted to approximately $500,000.

Other

DIANA STORES CORPORATION
July 31, 1961
Notes to Financial Statements

Note 2: *Trade Accounts Receivable*—Effective with the fiscal year beginning August 1, 1961, the company adopted for Federal Income Tax purposes the installment method of reporting profit from installment sales, wherein taxes will be payable on profits from such sales as the accounts are collected from customers. To avoid the imposition of additional tax on profits that have already been taxed, the company sold its uncollected installment accounts receivable at July 31, 1961. Consequently, provision for the related deferred service charges of approximately $120,000 no longer required has been credited to income.

The company has agreed to repurchase accounts sold that become delinquent and accordingly has provided $100,000 (net of Federal Income Taxes) to cover such commitment; the purchaser has retained $108,481 of the purchase price pending collection of the accounts.

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 1961 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 1961 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 1961 annual reports—397 companies—although several of these companies used *net sales and operating revenue* (*Co. Nos. 8, 57, 167, 387, 536, 593). The term *sales* was used by 100 companies including some companies which used *sales and operating revenues* (*Co. Nos. 70, 103, 120, 154). Other income statement presentations in this connection are indicated in Table 1, together with extensive references in each case.

*Refer to Company Appendix Section.

TABLE 1: SALES

Income Statement shows	1961	1960	1955	1950
Net Sales:				
Net Sales	397	380	347	307
Net Sales after deducting discounts, returns, etc.	4	4	10	12
Sales less discounts, returns, etc.	39	48	43	50
Gross Sales less discounts, returns, etc.	14	16	28	46
Both Gross and Net Sales	7	8	12	17
Gross Sales	11	10	21	28
Sales	100	98	105	97
Revenue or Gross Operating Income (*Co. Nos. 44, 184, 200, 376, 420, 442)	19	25	7	2
No "sales"—initial item is:				
Gross Profit (*Co. Nos. 95, 272, 415)	3	5	14	23
Operating Profit (*Co. Nos. 207, 214, 318, 450, 576)	5	5	11	15
No income statement (*Co. No. 424)	1	1	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples

As previously stated, in connection with the excerpts from financial statements presented herein as examples, it should be noted that, for the most part, the statements from which they are taken were prepared in comparative (two-year) form; but because of space limitations, etc., only the current year's figures are used. Hence, since it is our endeavor to present these excerpts without change, certain parts may not be applicable. The notes or other references cited are reproduced only when they are pertinent to the subject or topic under review.

Examples of various methods and terminology used to present sales and revenues in the 1961 reports follow:

Net Sales

ADMIRAL CORPORATION

Income:	
Net sales	$192,119,625
Interest earned, royalty income and sundry other income	1,428,813
Total income	$193,548,438

J. I. CASE COMPANY

Net sales (Note 10)	$128,665,943

Note 10: *Reclassifications*—Certain sales and expense amounts reported for the 1960 fiscal year have been reclassified to a basis comparable with that used during the 1961 fiscal year, principally for the purpose of reporting sales on a net basis.

COLLINS & AIKMAN CORPORATION

Income:	
Net sales	$65,371,282
Other income	42,275
	$65,413,557

INGERSOLL-RAND COMPANY

Net sales	$181,362,067
Other income	4,155,430
	$185,517,497

JANTZEN INC.

Sales and Other Income:	
Net sales	$53,303,448
Royalties	440,425
Interest, dividends, discounts—Note 2	196,622
	$53,940,495

CHAS. PFIZER & CO., INC.

Net Sales	$312,433,262
Other income	7,533,567
	$319,966,829

THE SHERWIN-WILLIAMS COMPANY

Net sales	$276,050,790
Dividends received (net) from unconsolidated foreign subsidiaries—Note A	331,750
Miscellaneous	684,083
	$277,066,623

WESTINGHOUSE ELECTRIC CORPORATION

Income:	
Net sales	$1,913,770,870
Other income	20,044,107
	$1,933,814,977

WM. WRIGLEY JR. COMPANY

Income:	
Net sales	$101,223,548
Interest and dividends from investments	756,866
Net gains from sales of securities and other properties	57,606
Miscellaneous other income (net)	470,078
	$102,508,098

Net Sales After Deducting Discounts, Returns, etc.

BIGELOW-SANFORD, INC.

Net Sales (after cash and other discounts)	$80,007,058

THE B. F. GOODRICH COMPANY

Net Sales (discounts, transportation and excise tax deducted)	$757,784,840
Other Income	8,221,574
Total	$766,006,414

HAT CORPORATION OF AMERICA

Net sales after deducting returns, discounts, and allowances	$28,650,224
Cost of sales	20,543,416
Gross profit	$ 8,106,808

SPRAGUE ELECTRIC COMPANY

Net Sales after deducting cash discounts of $751,800	$77,254,031
Other Income	396,137
Total Income	$77,650,168

Sales, Less Discounts, Returns, etc.

GENERAL PLYWOOD CORPORATION

Sales, less returns, allowances, freight out, and discount	$7,152,234
Cost of sales	6,680,487
Gross profit (loss) from sales	$ 471,747

LANGENDORF UNITED BAKERIES, INC.

Sales, less returns and allowances	$73,825,340
Cost of goods sold, selling, administrative, and general expenses, exclusive of depreciation and amortization	70,315,574
Profit from operations, before depreciation and amortization	$ 3,509,766

REMINGTON ARMS COMPANY, INC.

Income:	
Sales, net of discounts, returns, allowances, delivery charges, and excise taxes	$72,668,374
Other Income	1,736,126
Total	$74,404,500

WAITT & BOND, INC.

Sales, less discounts, returns and allowances	$7,348,333
Cost of goods sold	5,879,662
Gross profit	$1,468,671

WARNER-LAMBERT PHARMACEUTICAL COMPANY

Income:	
Sales, less returns and allowances	$204,671,903
Advertising agency income; royalties, interest and other income	1,690,421
Total income	$206,362,324

Gross Sales, Less Discounts, Returns, etc.

AMERICAN WRITING PAPER CORPORATION

Gross sales, less returns, allowances, freight and cash discounts	$14,658,801.58
Cost of goods sold:	
Material, labor, and manufacturing expenses, including depreciation: 1961, $355,152.37; 1960, $334,540.86	12,663,952.08
Gross profit on sales	$ 1,994,849.50

INTERNATIONAL PAPER COMPANY

Sales and Other Income:	
Gross sales, less returns, allowances and discounts	$1,044,775,840
Other income—net (see summary below)	13,518,564
	$1,058,294,404

SIMONDS SAW AND STEEL COMPANY

Gross sales less discounts, returns and allowances	$55,208,847
Cost of goods sold	37,915,198
Gross profit	$17,293,649

SNAP-ON TOOLS CORPORATION

Sales:	
Gross sales, less returns, allowances and dealer discounts	$27,232,859
Cost of goods sold	13,039,308
Gross profit	$14,193,551

WALWORTH COMPANY

Gross sales, less returns and allowances	$65,275,177
Operating costs and expenses:	
Cost of goods sold	51,788,119
Depreciation and amortization of plant and equipment	1,893,065
Selling, general and administrative expenses	12,901,031
Strike expense	614,947
Total operating costs and expenses	67,197,162
Operating loss	$ 1,921,985

Gross and Net Sales

THE AMERICAN DISTILLING COMPANY

Sales:	
Gross including excise taxes	$97,246,498
Less: Excise taxes	71,763,100
Net sales	$25,483,398

AMERICAN MOTORS CORPORATION

Revenues:	
Sales	$938,599,812
Less excise taxes	62,876,014
Net Sales	$875,723,798
Equity in net earnings of unconsolidated subsidiaries	1,009,913
Interest and miscellaneous	3,556,892
	$880,290,603

MELVILLE SHOE CORPORATION

Sales:	
Stores	$161,940,035
Factories and warehouse	36,586,525
Total sales	198,526,560
Less inter-division sales	32,659,243
Net sales	$165,867,317

SUNSHINE BISCUITS, INC.

Gross Sales	$201,263,889
Less discounts and allowances	8,085,425
Net Sales	193,178,464
Cost of Sales	120,445,095
Gross Profit	$ 72,733,369

Sales

JOHNSON & JOHNSON

Income:	
Sales to customers	$324,241,772
Sales to foreign subsidiaries	4,896,000
Cash dividends received from foreign subsidiaries	1,628,165
Miscellaneous income	1,420,040
Total income	$332,185,977

MERCK & CO., INC.

Income:	
Sales of products	$228,578,056
Royalties received	4,026,197
Other income	2,055,808
	$234,660,061

PENN FRUIT CO., INC.

Sales	$175,839,731
Cost of Sales and Operating Expenses:	
Cost of merchandise sold, including warehousing, processing and transportation expenses	$141,260,186
Wages, rents, advertising, administrative and other operating expenses	31,279,048
Depreciation and amortization	1,884,168
	$174,423,402

RADIO CORPORATION OF AMERICA

Products and Services Sold:	
Products and services sold—commercial	$ 955,868,000
U. S. Government sales	582,012,000
Dividends from foreign subsidiaries	4,149,000
Dividends from Whirlpool Corporation	1,622,000
Interest	1,957,000
Undistributed earnings of RCA Credit Corporation	304,000
	$1,545,912,000

Revenues or Gross Operating Income

DRAVO CORPORATION

Revenue:	
Revenue from operations—products, services and construction contracts	$87,502,632
Profit on sale of land and equipment previously used in the business	133,240
Dividends and interest income	77,129
Total Revenue	$87,713,001

SHELL OIL COMPANY

Revenues:	
Sales and other operating revenue	$1,881,288,367
Consumer excise and sales taxes	357,350,877
	2,238,639,244
Dividends, interest and other income	8,977,668
	$2,247,616,912

STANDARD OIL COMPANY (NEW JERSEY)

Revenues:	
Sales and other operating revenue	$9,148,151,000
Dividends, interest, and other revenue	208,236,000
	$9,356,387,000

TIME INCORPORATED

Revenues:	
From publishing, broadcasting, paper products and miscellaneous sources—less discounts, commissions, allowances and returns	$301,554,000
Costs and Expenses:	
Production, distribution, selling, editorial and general—Note A	288,729,000
Operating Income	$ 12,825,000

Gross Profit as Initial Item

GRUEN INDUSTRIES, INC.

Gross profit on sales	$2,439,622
Selling, advertising, administrative and general expenses	2,440,118
Operating loss	$ 496

OTIS ELEVATOR COMPANY

Gross Profit from Operations	$62,832,267
Selling, general and administrative expenses	34,263,579
Net Operating Profit	$28,568,688

Operating Profit as Initial Item

ELECTROLUX CORPORATION

Profit from operations, before items shown below	$10,564,879
Interest income	202,255
Miscellaneous income	74,921
	$10,842,055

UTAH-IDAHO SUGAR COMPANY

Operating Income—from sugar and collateral operations, after depreciation of $1,227,538	$4,847,935
Interest and Other Income	127,747
	$4,975,682

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 386 companies in the current survey of the 1961 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 (176) 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 1961 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

AMERICAN METAL PRODUCTS COMPANY

Net sales	$56,500,432
Interest, royalties, dividends, and miscellaneous income	291,558
Gain on disposal of investments	—0—
Gain on disposal of equipment and patents	92,272
Adjustment of assets to income-tax basis, less applicable income taxes	52,946
	$56,937,208
Cost of products sold	$48,769,476
Selling, administrative, and general expenses	4,586,449
	$53,355,925
Earnings Before Income Taxes	$ 3,581,283

THE DOW CHEMICAL COMPANY

Sales and Other Revenue:	
Net sales	$817,514,653
Dividends received from associated companies	4,045,195
Interest income	1,426,481
Fees from operation of Government-owned plants	765,302
Other income	11,367,656
	$835,119,287
Costs and Other Charges:	
Cost of sales**	$512,616,104
Provision for depreciation, amortization, and depletion	89,817,571
Provision for pension and profit-sharing plans	9,652,864
Selling and administrative expenses**	104,453,744
Interest expense	8,625,053
Other income charges	1,876,228
Minority interests in loss of subsidiary companies	(87,155)
Provision for United States and foreign taxes on income	43,725,000
	$770,679,409

THE HARSHAW CHEMICAL COMPANY

Net sales	$69,140,174
Cost of products sold	56,900,666
	$12,239,508
Selling, administrative, and general expenses	8,878,735
	$ 3,360,773

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold	1961	1960	1955	1950
Income Statement Presentation—				
Single total amount for:				
Cost of goods sold (*Co. Nos. 37, 87, 227, 281, 342, 353)	371	361	318	354
Cost of goods sold together with other expenses (*Co. Nos. 46, 92, 144, 295, 335, 509)	176	185	226	175
Manufacturing cost of goods sold (*Co. Nos. 3, 111, 271, 349, 368, 460)	15	14	22	15
Cost of goods sold shown in:				
Separate elements of cost (*Co. Nos. 80, 93, 103, 286, 322, 510)	28	28	5	13
Detailed section therefor (*Co. No. 250)	1	1	2	2
	591	589	573	559
Not shown in statement—				
Initial item is:				
Gross profit (*Co. Nos. 95, 272, 415)	3	5	14	23
Operating profit (*Co. Nos. 207, 214, 318, 450, 576)	5	5	11	15
No income statement (*Co. No. 424)	1	1	2	3
	9	11	27	41
Total	600	600	600	600
Gross Profit				
Income Statement Presentation—				
As initial item of gross profit (*Co. Nos. 95, 272, 415)	3	5	14	23
With single total amount:				
Designated "gross profit" (*Co. Nos. 67, 98, 108, 253, 375, 443)	90	91	110	123
Identifiable as "gross profit" (*Co. Nos. 96, 117, 135, 202, 356, 462)	25	28	26	25
	118	124	150	171
Not shown in statement (*Co. Nos. 90, 110, 213, 284, 396, 549)	476	470	437	411
Initial item is operating profit (*Co. Nos. 207, 214, 318, 450, 576)	5	5	11	15
No income statement (*Co. No. 424)	1	1	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

FANSTEEL METALLURGICAL CORPORATION

Net sales		$32,260,914
Operating costs and expenses:		
Cost of sales		23,228,955
Selling expenses		3,752,348
Administrative expenses		2,492,197
		29,473,500
Income from operations		$ 2,787,414

LIBBY, McNEILL & LIBBY

Sales, including service revenues	$270,026,765
Gain or (loss) on disposal of fixed properties	(225,292)
Dividends and other income from affiliated company	30,564
Miscellaneous income (net)	269,464
	270,101,501
Less:	
Cost of sales and services	212,514,168
Selling and administrative expenses	41,731,763
Depreciation	5,231,684
Pension contributions (Note 6)	1,109,009
Interest on long term debt	1,818,817
Other interest	1,215,107
Income taxes	3,022,245
Minority interest in net income of subsidiary company	850,915

Cost of Goods Sold and Gross Profit

ARVIN INDUSTRIES, INC.

Net sales	$73,701,273
Cost of goods sold	62,186,168
Gross profit on sales	$11,515,105

BLISS & LAUGHLIN, INCORPORATED

Net Sales	$45,826,070
Cost of Sales, including depreciation of $519,538	39,952,318
Gross Income on Sales	$ 5,873,752

HAMILTON WATCH COMPANY

Sales, net of returns, allowances and discounts	$37,858,671
Cost of goods sold (including depreciation of $669,996 for 1961 and $416,152 for 1960)	27,720,627
Gross Profit	$10,138,044

P. R. MALLORY & CO. INC.

Net Sales	$85,197,027
Cost of sales	64,406,652
Gross Profit	$20,790,375

Cost of Goods Sold Included in Costs and Expenses

FEDERATED DEPARTMENT STORES, INC.

Net retail sales, including leased department sales		$785,357,847
Deduct:		
Cost of goods sold and expenses, exclusive of items listed below	$668,377,824	
Maintenance and repairs	7,316,277	
Depreciation and amortization	9,975,946	
Rentals (Note 3)	8,706,198	
Interest and debt expense	3,343,140	
Taxes other than federal income taxes	15,103,105	
Retired employees and contributions to retirement plans	4,116,848	
	$716,939,338	

THE NEW YORK AIR BRAKE COMPANY

Income:	
Net sales	$43,164,305
Other income less interest on long-term debt ($84,087 in 1961, $89,063 in 1960) and other deductions	713,746
Total Income	$43,878,051
Costs and Expenses:	
Cost of manufacturing, selling and administrative expenses	$38,123,980
Taxes, other than federal taxes on income	1,062,127
Provision for depreciation	1,319,805
Total Costs and Expenses	$40,505,912

VEEDER-ROOT INCORPORATED

Revenues:	
Net Sales	$29,464,935
Other	52,894
	29,517,829
Costs and Expenses:	
Cost of sales and other operating charges exclusive of items listed below	18,378,114
Depreciation and amortization	1,560,365
Selling, administrative and general expenses	5,419,670
	$25,358,149

WALGREEN CO.

Sales and Other Income:	
Net sales and other store income	$331,665,829
Other income (net)	635,322
	332,301,151
Costs and Deductions:	
Cost of sales and of selling, occupancy and administration, except depreciation	317,576,905
Depreciation of buildings and equipment	2,461,508

Cost of Goods Sold Shown in Separate Elements of Cost

BOOTH FISHERIES CORPORATION

Sales and Revenues	$49,613,013
Costs and Expenses:	
Products, supplies, services, etc.	$37,613,908
Wages, salaries and employee benefits	8,553,519
Depreciation provision	659,259
Taxes other than income taxes	636,969
Interest and debt expense	364,608
Total costs and expenses	$47,828,263
Net Income from Operations	$ 1,784,750

JONES & LAUGHLIN STEEL CORPORATION

Revenues:	
Net sales and other operating revenues	$736,732,000
Interest and other income	2,802,000
	739,534,000
Costs and expenses:	
Employment costs:	
Wages and salaries	252,043,000
Pensions, insurance and other benefits (Note E)	25,318,000
Social security taxes	10,761,000
	288,122,000
Materials, supplies, freight and other services	324,906,000
Depreciation and depletion	49,935,000
Interest and long-term debt expense	5,411,000
State, local and miscellaneous taxes	14,533,000
Federal income taxes (Note A)	24,496,000
	707,403,000
Net income	$ 32,131,000

THE E. KAHN'S SONS COMPANY

Net Sales		$41,684,335
Expenses:		
Livestock, merchandise and supplies	$29,759,954	
Wages and salaries	6,185,059	
Employee benefits, including fringes	1,693,899	
Depreciation and repairs	837,968	
Taxes—city, county and state	149,851	
Federal income tax	531,940	
Other costs and expenses	2,002,232	
Total expenses		41,160,903
Net earnings for the year		$ 523,432

Cost of Goods Sold Shown in Detailed Section Therefor

GENERAL ELECTRIC COMPANY

Sales of products and services to customers	$4,456,815,169
Deduct operating costs:	
Inventories at January 1 (costs carried over from prior year)	655,161,191
Wages, salaries and employee benefits	1,903,613,703
Materials, supplies and all other costs not shown separately	2,062,921,379
Depreciation—cost of wear and obsolescence of plant and equipment	117,879,850
Taxes, except those on income	39,379,845
Less—Inventories at December 31 (costs carried over to next year)	*648,447,738*
—Wages, salaries and employee benefits directly reimbursed by Atomic Energy Commission	*105,451,984*
Total costs applicable to sales	4,025,056,246
Earnings Resulting from Sales	$ 431,758,923

Gross Profit as Initial Item

THE BILLINGS & SPENCER COMPANY

Gross profit from sales	$2,208,965
Selling, administrative and general expenses	1,497,083
	$ 711,882

GRUEN INDUSTRIES, INC.

Gross profit on sales	$2,439,622
Selling, advertising, administrative and general expenses	2,440,118
Operating loss	$ 496

OTIS ELEVATOR COMPANY

Gross Profit from Operations	$62,832,267
Selling, general and administrative expense	34,263,579
Net Operating Profit	$28,568,688

Gross Profit Presented with a Single Total Amount Identifiable as "Gross Profit"

COLLINS RADIO COMPANY

Net Sales	$215,768,922
Cost of Sales	176,061,557
	39,707,365
Selling, Research, Development and Administrative Expense	30,904,869
Interest Expense	3,582,855
Other (Income) or Expense—Net	(83,642)
	34,404,082
Net Income Before Income Taxes	$ 5,303,283

DAN RIVER MILLS, INCORPORATED

Net sales	$156,949,555
Cost of sales	134,193,286
	22,756,269
Gross income from commission selling and factoring operations	4,396,038
	27,152,307
Selling, general and administrative expenses	14,712,735
	12,439,572
Other income	766,164
	13,205,736

DRESSER INDUSTRIES, INC.

Net Sales and Service Revenues	$235,729,443
Cost of sales and services	165,717,183
	70,012,260
Selling, engineering, administrative and general expenses	56,649,523
	$ 13,362,737

THE RELIANCE ELECTRIC AND ENGINEERING COMPANY

Income:	
Net sales	$75,095,184
Cost of products sold	58,275,567
	$16,819,617
Selling, administrative, and general engineering expenses	10,646,435
	$ 6,173,182
Other income:	
Interest earned	228,803
Miscellaneous items—net	167,781
	$ 6,569,766
Interest expense	114,597
Income Before Taxes on Income	$ 6,455,169

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, 167 referred to the cost of materials in their 1961 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 377 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

FOREMOST DAIRIES, INC.

Net Sales	$435,604,283
Other Operating Income	1,096,614
Total	436,700,897
Costs and Expenses:	
Cost of materials	275,627,805
Manufacturing labor and expense	38,571,570
Selling, delivery and administrative expense	100,301,403
Total	414,500,778
Profit from Operations Before Depreciation	$ 22,200,119

THE OHIO OIL COMPANY

Income:	
Revenues:	
Sales and other operating revenues	$404,501
Less consumer taxes collected for governments—Note C	52,429
Net Sales	$352,072
Dividends, interest and other income	4,431
Total Revenues	$356,503
Costs and Expenses:	
Purchased crude oil, petroleum products and merchandise	$135,235
Operating and general expenses	114,862
Federal, state and other taxes—Note C	13,066
Depletion, depreciation and amortization	28,551
Exploration, lease rentals and nonproductive well costs	23,719
Canceled unoperated leases	2,136
Total Costs and Expenses	$317,569
Net Income	$ 38,934

*Refer to Company Appendix Section.

TABLE 3: COST OF MATERIALS

Presentation in Income Statement	1961	1960	1955	1950
With single total amount for—				
Materials and services purchased (*Co. Nos. 8, 62, 154, 286, 319, 569)	13	13	23	15
Materials purchased (*Co. Nos. 274, 377, 413, 438, 494, 517)	6	5	6	6
Materials used (*Co. No. 236)	1	1	5	3
Materials, together with other costs (*Co. Nos. 16, 103, 128, 458, 484, 553)	27	35	22	22
	47	54	56	46
Disclosed Elsewhere in Report				
In notes to financial statements (*Co. No. 411)	1	1	1	2
In supplementary statements or schedules (*Co. Nos. 48, 167, 256, 288, 393, 464)	59	54	66	91
	60	55	67	93
In Graphic Presentation				
With dollar amount shown therein (*Co. Nos. 12, 60, 137, 252, 320, 346)	13	13	20	18
With dollar amount not shown therein (*Co. Nos. 13, 56, 184, 234, 381, 430)	47	58	51	66
	60	71	71	84
Number of Companies				
Referring to material costs	167	180	194	223
Not referring to material costs	433	420	406	377
Total	600	600	600	600

*Refer to Company Appendix Section.

MIDWEST RUBBER RECLAIMING COMPANY

Sales, less freight allowed to customers		$10,340,372
Costs and Expenses:		
Scrap rubber and manufacturing supplies		$ 3,120,351
Factory payrolls and company contributions for employee benefits		3,103,754
Portion of cost of manufacturing facilities allocated to operations (depreciation)		601,645
Power, maintenance supplies, and other factory expenses		1,061,736
Decrease (or increase) in inventory of reclaimed rubber during year		404,636
Administrative and sales salaries and other benefits		633,364
Other administrative and sales expenses		572,486
Interest expense		51,354
Miscellaneous income		(34,159)
Costs and Expenses		$ 9,515,167
Income Before Estimated Federal Income Taxes		$ 825,205

UNITED-GREENFIELD CORPORATION

Domestic sales, less returns and allowances	$43,433,829
Costs and expenses:	
Cost of materials, labor, supplies, etc.	26,189,882
Depreciation and amortization	1,439,024
Selling, general and administrative expenses	10,256,301
Taxes, other than federal taxes on income	1,418,981
Federal taxes on income	2,000,000
	41,304,188
Net income from domestic operations	2,129,641
Estimated net loss of Dutch subsidiary (Note 1)	150,000
Net income for the year	$ 1,979,641

SOCONY MOBIL OIL COMPANY, INC.

Revenues:	
Sales and services (including excise taxes and state gasoline taxes: 1961—$411,326,631; 1960—$401,749,029)	$3,732,536,597
Dividends and interest	69,586,954
	3,802,123,551
Costs and Expenses:	
Crude oil, products, and materials	1,408,435,450
Operating, selling, and general expenses	995,200,680
Depreciation, depletion, amortization, and retirements	229,478,702
Interest and debt discount expense	10,874,926
Taxes and other payments to governments (see page 26)	946,815,142
	3,590,804,900

UNITED STATES STEEL CORPORATION

Products and services sold	$3,336,501,402
Costs:	
Employment costs:	
Wages and salaries	1,382,353,284
Pensions and other employe benefits (see pages 17 and 18)	240,380,551
	1,622,733,835
Products and services bought	1,022,419,640
Wear and exhaustion of facilities	210,497,915
Interest and other costs on long-term debt	29,900,379
State, local and miscellaneous taxes	99,767,426
Estimated United States and foreign taxes on income	161,000,000
Total	3,146,319,195
Income	$ 190,182,207

MEREDITH PUBLISHING COMPANY

Revenues less all discounts and allowances	$60,197,137
Costs and Expenses:	
Materials, wages, and expenses	$53,798,572
Provision for depreciation and amortization	2,210,740
Interest	419,940
Federal and state income taxes	1,689,000
Total Costs and Expenses	$58,118,252
Net Earnings	$ 2,078,885

RALSTON PURINA COMPANY

Sales of Products and Other Income:	
Net sales	$581,042,216
Other income, net	3,665,835
	584,708,051
Costs, Expenses, and Other Charges:	
Materials and operating expenses	457,388,455
Administrative, research, distribution, and general expenses	74,896,203
Depreciation	7,532,135
Retirement plan expenses	2,210,740
Interest	1,920,768
Taxes on income, including provision for deferred income taxes of $1,065,000 in 1961 and $1,185,000 in 1960	21,409,499
	565,357,800
	19,350,251
Equity in earnings of 50%-owned companies	557,557
Earnings for the Year	$ 19,907,808

In Supplementary Statements or Schedules

ARCHER-DANIELS-MIDLAND COMPANY
What happened to the 1961 sales dollar?

ADM received in 1961	*Thousands*	
From sales of products and other operating income	$213,115	100%
These receipts went		
To suppliers for materials, services, etc.	$175,518	82.3%
To employees for payrolls, benefit plans, etc.	27,560	12.9
For federal, state, and local taxes	3,792	1.8
To ADM shareholders	3,176	1.5
To provide for depreciation of plants and equipment	2,497	1.2
Retained in business to provide facilities and working capital	572	0.3

GENERAL MOTORS CORPORATION
What Happened to the Money GM Received During 1961

GM received in 1961:	*Millions*	
From sale of its products and other income (net)	$11,513	100%
These receipts went:		
To suppliers for materials, services, etc.	5,465	47½
To employees for payrolls, employe benefit plans, etc.	3,499	30½
For Federal, state and local taxes	1,247	10¾
To provide for depreciation and obsolescence of plants and equipment	409	3½
To GM shareholders	720	6¼
For use in the business to provide facilities and working capital	173	1½

CONTINENTAL CAN COMPANY, INC.
What We Received and What We Did With It
(From Statement of Consolidated Earnings)

	In Millions
1. Income (Sales and Other Income):	
Sales to customers and other income	$1,156.1
2. Outgo (Operating Costs and Expenses):	
Labor and Employment costs	
Payrolls, including vacation and holiday pay	312.2
Social security and unemployment taxes, contributions to pension funds, etc.	53.7
Materials and services purchased	654.5
Taxes (except on purchases and payrolls)	51.1
Wear and tear on plant and equipment	39.6
Interest on money borrowed	8.9
3. Total Charges Against Income	1,120.0
4. Net Profit (Earnings):	
(Item 1 less Item 3)	36.1
Used for dividends to Preferred shareholders	.5
5. Profit After Payment of Preferred Dividends	$ 35.6
6. This Was Used as Follows:	
Dividends Paid to Common Shareholders	$ 22.2
Reinvested in the business, increasing the book value (equity) of the Common Stock	13.4
	$ 35.6

GENERAL REFRACTORIES COMPANY

		% of Total Income
Received:		
From the sale of our products	$55,460,317	
Other Income	4,833,986	
Total Income	60,294,303	
Distributed:		
Wages and Salaries	19,691,232	33%
Materials, Supplies and Services	29,356,412	49%
Wear, Tear and Depletion	3,940,366	6%
Other Deductions and Allowances	1,269,538	2%
Federal and Local Taxes	1,590,893	3%
Dividends—Cash	2,937,264	5%
Surplus	1,508,598	2%
Total Distributed	60,294,303	100%

JOSLYN MFG. AND SUPPLY CO.

We Received Funds from Sales and Services	$82,585,000
We Paid Out for	
Materials and services	$51,803,000
Payroll and other employee benefits	21,459,000
Taxes	4,201,000
Total costs and expenses (other than depreciation)	$77,463,000
Cash Flow from Operations	$ 5,122,000
Other Sources of Funds	—
Total Funds Provided	$ 5,122,000
We Used These Funds for	
Capital expenditures	$ 3,049,000
Less—Sales and retirements	78,000
Net	$ 2,971,000
Dividends	1,589,000
Reduction in long-term debt	180,000
Increase in working capital	135,000
All other	247,000
Total Funds Used	$ 5,122,000

EMPLOYMENT COSTS—PRESENTATION

Salaries and wages, or employment costs, were presented in the income statements by only 47 of the 600 survey companies in their annual reports for 1961. Eighteen companies which indicated such costs in their income statements also included pension or retirement costs (*Co. Nos. 9, 11, 24, 62, 80, 86).

Employment costs were presented by 216 other companies either 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. Fourteen companies (*Co. Nos. 8, 11, 47, 62, 351, 599) referred to supplemental unemployment benefit plans.

The various methods of presentation of employment costs used by the survey companies in their 1961 annual reports are summarized in Table 4.

Examples

The following examples illustrate the various presentations of employment costs found in the annual reports for 1961. Additional examples will be found in this section, above, under the caption "Cost of Materials—Presentation."

Income Statement Presentation

AMERICAN VISCOSE CORPORATION

Sales and Other Income:	
Net sales	$219,021,000
Interest and other income	1,551,000
	$220,572,000
Costs and Expenses:	
Materials, labor and other costs	$174,907,000
Depreciation	14,715,000
Selling, general and administrative expenses	17,551,000
	$207,173,000
Operating Income	$ 13,399,000
Estimated Income Taxes:	
State	$ 315,000
Federal	5,111,000
Deferred federal, Note 2	1,474,000
	$ 6,900,000
Net Operating Income	$ 6,499,000

TABLE 4: EMPLOYMENT COSTS

Presentation in Income Statement	1961	1960	1955	1950
With single total amount for—				
Wages and salaries (*Co. Nos. 286, 510, 538, 565)	4	6	10	13
Wages, salaries, and employee benefits (*Co. Nos. 103, 267, 518, 519, 547, 589)	16	19	16	13
Wages and salaries together with certain unrelated costs (*Co. Nos. 24, 46, 49, 50, 484, 537)	13	14	15	10
In separate section detailing employee costs (*Co. Nos. 8, 11, 62, 93, 154, 319)	14	12	11	6
	47	51	52	42
Disclosed Elsewhere in Report				
In notes to financial statements	—	—	3	3
In supplementary statements or schedules (*Co. Nos. 33, 89, 172, 202, 445, 541)	151	155	154	151
In letter to stockholders (*Co. Nos. 51, 110, 222, 307, 461, 548)	27	28	17	25
	178	183	174	179
In Graphic Presentation				
With dollar amount shown (*Co. Nos. 12, 60, 137, 368, 511, 593)	8	8	23	17
With dollar amount not shown (*Co. Nos. 7, 39, 132, 233, 349, 440)	30	32	30	54
	38	40	53	71
Number of Companies				
Showing employment costs	263	274	279	292
Not showing employment costs	337	326	321	308
Total	600	600	600	600

*Refer to Company Appendix Section.

AMERICAN STORES COMPANY

Sales	$1,011,489,370
Cost of sales and operating expenses:	
Cost of merchandise sold, including warehousing and transportation expenses	816,558,330
Wages, rents, advertising, administrative and other operating expenses	157,828,875
Depreciation and amortization	9,031,924
	983,419,129
Operating profit	28,070,241
Other deductions (income):	
Interest expense	835,771
Net gain on sale and retirement of plant and equipment, etc.	(308,810)
	526,961
Earnings before income taxes	27,543,280
Federal and State income taxes, estimated	14,870,000
Net earnings	$ 12,673,280

AMERICAN WRITING PAPER CORPORATION

Gross sales, less returns, allowances, freight and cash discounts	$14,658,801.58
Cost of goods sold:	
Material, labor, and manufacturing expenses, including depreciation: 1961, $355,152.37; 1960, $334,540.86	12,663,952.08
Gross profit on sales	1,994,849.50
Selling, administrative, and general expenses	849,969.52
Operating earnings	1,144,879.98
Other income—net	29,453.53
Earnings before federal income taxes	1,174,333.51
Provision for federal income taxes	613,586.04
Net Earnings Transferred to Retained Earnings	$ 560,747.47

ALLEGHENY LUDLUM STEEL CORPORATION

Sales and revenues:	
Sales	$238,242,781
Dividends, royalties, services and other	2,434,323
	240,677,104
Costs:	
Employee costs:	
Wages and salaries	86,576,326
Social security taxes	3,326,499
Pensions and other (Note 6)	9,366,931
	$ 99,269,756
Materials, services and other costs	106,706,140
Depreciation, depletion, amortization and plant retirements	8,489,911
Interest and amortization of debenture expense	1,823,600
Minority shareowners' share of earnings of subsidiary	11,762
State, local and miscellaneous taxes	2,765,542
Federal taxes on income	9,920,000
Total costs and income taxes	228,986,711
Earnings for the year	$11,690,393

Note 6: Retirement Plans—The corporation and one of its subsidiaries have a non-contributory pension plan covering their hourly rated employees and the corporation and two of its subsidiaries have a non-contributory plan covering their salaried employees. Contributions, determined actuarially, are made to various pension trusts on the basis of straight line funding for current service and the equivalent of interest at 3% upon the estimated unfunded cost for past service. Total contributions during 1961 amounted to $3,004,609 for current service and $846,696 for past service. The unfunded costs for past service were estimated at approximately $27,800,000.

The corporation and two of its subsidiaries contributed $251,561 to an insured group annuity retirement plan for salaried employees. This plan was discontinued in 1961.

ARMCO STEEL CORPORATION

Revenues:	
Sales, less discounts, returns, and allowances	$887,969,799
Dividends, royalties, interest, etc.	23,064,210
Total	911,034,009
Costs and Expenses:	
Employment costs:	
Wages and salaries	260,081,279
Payroll taxes	7,820,720
Pensions, group insurance and supplemental unemployment benefits (page 13)	26,068,806
Total	293,970,805
Materials and services	449,099,417
Depreciation	43,916,239
Interest and expense on long-term debt	6,547,556
State, local, and miscellaneous taxes	12,434,267
Federal income taxes	46,225,884
Other charges	1,323,085
Total	853,517,253
Net Income for the Year	$ 57,516,756

Page 13: Last year Armco paid $12,678,882 into special pension funds and to insurance companies to provide for pensions to Armco people who are now retired and those who will retire in the future. This is in addition to the $5,066,476 paid to the Federal Government to provide for the company's portion of the cost of benefits under the Federal Insurance Contribution Act (Social Security).

At the year end, the book value or cost of the assets set aside by the company for pensions, exclusive of Social Security benefits, was $138,558,710. The market value of these assets at that date was well above the book value. Based on estimates by actuaries, the total amount required at December 31, 1961, to fully provide for the company's liability, on a reserve basis, for pensions due to the past service of active and retired employees was $226,400,000. The estimated unfunded past service liability was $87,841,290 at that date.

During 1961, Armco granted pensions to 679 employees who retired. At year-end, 3,861 retired employees were receiving pensions, compared with 3,334 at the end of 1960.

CATERPILLAR TRACTOR CO.

Sales	$734,317,505
Costs:	
Inventories brought forward from previous year	$227,116,780
Materials, supplies, services purchased, etc.	370,515,161
Wages, salaries and contributions for employee benefits	229,242,195
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation and amortization)	31,642,485
Interest on borrowed funds	8,128,068
United States and foreign taxes based on income	51,558,379
	918,203,068
Deduct: Inventories carried forward to following year	239,131,352
Costs allocated to year	679,071,716
	55,245,789
Profit of Caterpillar Credit Corporation	577,056
Profit for Year—Consolidated	$ 55,822,845

BEECH AIRCRAFT CORPORATION

Net Sales—Note E	$72,019,890
Other Income	1,269,482
	73,289,372
Costs and Expenses:	
Wages, materials, and other costs—Note F	58,314,142
Selling, general, and administrative expenses —Note F	7,207,105
Interest expense	493,599
Depreciation and amortization	780,228
Taxes, other than taxes on income	1,157,196
	67,952,270
Income Before Taxes on Income	5,337,102
Federal and state taxes on income	2,775,000
Net Income	$ 2,562,102

Note F: *Retirement Income Plans*—Non-contributory trusteed retirement plans are in effect covering, after a minimum employment period, all officers, directors, and employees of the Company and its subsidiaries. The right to discontinue the plans has been reserved to the Board of Directors, and in such event, the applicable trust funds are to be distributed exclusively to the participants.

Contributions toward current and past service costs aggregated $682,352 in 1961 and $860,181 in 1960. Unfunded past service costs of the plans, which the Company intends to fund over a period of years, were estimated to be $1,250,000 at September 30, 1961.

BOOTH FISHERIES CORPORATION

Sales and Revenues	$49,613,013
Costs and Expenses:	
Products, supplies, services, etc.	37,613,908
Wages, salaries and employee benefits	8,553,519
Depreciation provision	659,259
Taxes other than income taxes	636,969
Interest and debt expense	364,608
Total costs and expenses	47,828,263
Net Income from Operations	1,784,750
Provision for Income Taxes	868,700
Net Income for the Year	$ 916,050

GEO. A. HORMEL & COMPANY

Sales (less returns and allowances)		$384,144,857
Other income		287,239
		$384,432,096
Costs, Expenses and Taxes:		
Cost of products sold, selling, delivery, administrative and general expenses, exclusive of items shown separately		$302,159,717
Wage costs:		
Wages and salaries, including joint earnings	$65,718,780	
Pension trust contributions	1,600,000	
Federal and state unemployment and old age contributions	1,467,390	
Group life, hospitalization and sick leave	2,787,872	71,574,042
Provision for depreciation		2,399,708
Interest		336,950
Taxes:		
State income, property and other taxes	$ 1,689,244	
Federal taxes on income (estimated)	3,125,000	4,814,244
		381,284,661
Net Earnings		$ 3,147,435

THE GRAND UNION COMPANY

Net Sales	$604,273,503
Cost of sales	480,167,157
Gross profit	$124,106,346
Operating and general expenses:	
Salaries and bonuses to employees in the sales department	$ 50,284,590
Other selling, administrative and general expenses	58,658,954
	$108,943,544
	$ 15,162,802
Other deductions, principally interest expense, net	691,904
Income before provision for income taxes	14,470,898
Provision for United States and Canadian income taxes	7,380,000
Net Income	$ 7,090,898

UNION OIL COMPANY OF CALIFORNIA

Revenues:	
Sales and Operations (including excise and sales taxes of $94,252,218 in 1961 and $91,954,792 in 1960)	$541,638,491
Other	4,703,639
Total Revenues	546,342,130
Deductions:	
Raw Materials, Products, Other Materials, and Services Purchased	250,505,919
Taxes on Properties, Operations, and Earnings	121,748,754
Salaries, Wages, and Employee Benefits	67,426,732
Depletion, Depreciation, and Amortization	41,987,489
Dry Hole and Lands Relinquished Losses	21,100,000
Interest Expense	6,583,147
Earnings Applicable to Minority Interests in Subsidiaries Consolidated	54,565
Total Deductions	509,406,606
Net Earnings	$ 36,935,524

Notes to Financial Statements

The Company's contributions, based on earnings, to the Employees Incentive Plan amounted to $1,340,749 for 1961 and $1,207,927 for 1960. Employee members also contribute to the Plan.

Disclosed Elsewhere

BELL & GOSSETT COMPANY

Condensed Summary of Operations

Income from Sales	$37,464,190
Other income	171,307
Total	$37,635,497
Cost of Materials and Operating Expenses:	
Materials	$13,770,311
Salaries, wages and commissions	13,110,685
Operating Expense	4,566,479
Depreciation and amortization	928,205
Operating Profit of $5,259,817 in 1961 Allocated to:	
Employees' participation in profits and pension costs	680,024
Provision for income taxes	2,413,021
Dividends to shareholders	1,463,252
Earnings retained in the business	703,520
Total	$37,635,497

AMERICAN ENKA CORPORATION
Review of the Year

Employees: During the year, an average of 6,339 men and women were employed as compared with 6,656 in 1960. Total wages and salaries were $30,916,000 in 1961 and $31,893,000 in 1960.

BROCKWAY GLASS COMPANY, INC.
Report of Operations

Your corporation's average employment climbed to a new high of 3600 during this fiscal year . . . total payments to employees for salaries, wages and other benefits totaled $19,105,263 . . . the equivalent of 35.2¢ per each sales dollar—up from 34.5¢ for last year.

BUCYRUS-ERIE COMPANY
Letter to Stockholders

Employee Relations: In 1961 the Company employed an average of 4280 men and women who were paid $28,656,644 in wages and salaries compared with an average employment of 4774 and total payrolls of $29,996,538 in 1960.

Employment increased to 4400 at the end of the year.

Membership in the Quarter Century Clubs increased in 1961 from 889 to 962. There were 641 active and working employees having over 25 years of service, 58 of whom have over 40 years of service.

The Company's group insurance plans paid benefits totaling $1,107,627 during the year. Of this amount $152,349 was paid for 59 death claims and $955,278 was paid for claims under the Group Sickness and Accident, Hospital Expense and Surgical Operation plans, the last two of which provided benefits for dependents. The cost of the plans to the Company was $1,182,400 for the year.

In 1961 the Company paid $474,344 in unemployment compensation taxes and contributed $289,000 to funds to provide Supplemental Unemployment Benefits.

The Company's contributions to all pension plans totaled $994,430, and 554 retired employees were drawing benefits at year end.

COPPERWELD STEEL COMPANY
Summary of Operations

Results for Year:	
Net Sales	$104,738,399
Other Income	72,046
Total	$104,810,445
Costs and Expenses:	
Costs of Materials, Supplies, and Services	$ 56,858,295
Wages, Salaries and Employee Benefits	38,885,798
Depreciation and Amortization	3,978,594
Taxes, excluding Social Security	2,496,058
Interest and Debt Expense	1,110,780
Total	$103,329,525
Net Income	$ 1,480,920

THE GLIDDEN COMPANY
Financial Review

Wages and Salaries: Total wages, salaries and employee benefits amounted to $41,798,041 in 1961 and were 20.2 per cent of sales. The comparable figures for fiscal 1960 were $39,484,429 and 20.0 per cent. The retirement plans for salaried and hourly employees are non-contributory, the company paying the entire cost. At August 31, 1961, the unfunded liability for past service costs under the plans was estimated to be $3,600,000, and the annual current service cost (which does not include funding of the past service cost) was estimated to be $1,044,000.

THE B. F. GOODRICH COMPANY

Employment Costs: B. F. Goodrich employment at year end totaled 39,018. Employment costs, including wages, salaries, paid vacations and holidays, employee benefit program, and other payments to or for employees in 1961 are estimated to be $255,166,000. This compared with actual costs of $251,925,945 in 1960.

Total estimated 1961 costs of the Company's employee benefit program, including pensions, life insurance, accidental death and dismemberment insurance, health benefits, separation payments, and supplemental unemployment benefits amounted to $20,132,000, of which employees paid $2,953,000.

All pensions earned for service in the year 1961 were funded currently through payments by the Company, and, where applicable, by contributions of employees to contributory plans. In addition, the Company fully funded the pensions for past service of all employees retiring during 1961, and continued partial funding of past service pensions of employees who will retire in the future.

On December 31, 1961, funds accumulated through payments by the Company and by employees for retirement pensions amounted to $130,338,000.

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 allocation 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 391 which indicated that there were pension or retirement plans in operation during 1961. The remaining 209 companies made no reference to the existence of such plans. Nine of the survey companies stated in their 1961 reports that they had adopted new pension plans during the year (*Co. Nos. 144, 190, 312, 433, 485), and 21 companies stated that they had amended existing plans (*Co. Nos. 71, 141, 240, 329, 457).

Twenty-seven of the companies that had referred to pension plans in their 1960 reports made no reference

*Refer to Company Appendix Section.

to such plans in their 1961 reports. Approximately 67 per cent of the plans mentioned in the 1961 reports were described as being funded or partially funded. Approximately 4 per cent of the plans were stated to be unfunded; the remaining 29 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 annual reports for 1961 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 other "pension" costs in their 1961 reports. References are given at the foot of the table to companies presenting information relating to pension plans.

Examples

The following examples illustrate the various presentations and data supplied by the survey companies in their 1961 annual reports concerning pension and retirement plans.

Current Service Costs Funding with Installment Funding of Past Service Costs

THE AMERICAN SUGAR REFINING COMPANY
Notes to Financial Statement

Note 3: *Pensions*—Pension costs charged against earnings were $1,541,611 in 1961 and $1,561,945 in 1960, after applicable income taxes. Each of these amounts included a provision of $474,800, after taxes, toward past service costs to augment amounts previously provided.

The pension fund reserves of $5,205,582 represent that portion of the past service costs of the plans which were provided in prior years and which have not been deposited with the trustees of the pension plans. Additional provisions of approximately $2,425,000 will be required from future earnings to reflect total past service costs of the pension plans. Both amounts are after applicable income taxes at current rates.

It is intended that the assets of $4,622,372 segregated for the pension fund of the Company, and the pension fund reserves of $5,205,582 of the Company and its subsidiaries, augmented by additional provisions from future earnings will be used for funding the full past service costs of the plans over a period of years. However, the right is reserved to make the assets and reserves available for other corporate purposes at any time.

AMERICAN ZINC, LEAD AND SMELTING COMPANY
President's Letter

Pensions: Retirement benefit plan expenses under the noncontributory funded retirement benefit plans for hourly and salaried employees charged to income for the year amounted to $250,253 for current service costs and $165,167 for interest on past service liability (the minimum deposit required under the plans). In 1960 retirement benefit plan expenses included $379,750 for past service costs, representing funding on a twenty-year basis. The unfunded past service liability was estimated as of January 1, 1961, at $5,505,608. Although the company has the right to terminate the plan for hourly employees after January 1, 1965, and the salaried plan at any time, it is the present intention to continue the plans indefinitely.

The retirement benefit plan for hourly employees was amended effective January 1, 1961, as a result of negotiations with various unions representing hourly employees, and the amendments were approved at the annual meeting of the stockholders on May 10, 1961.

At the end of 1961, 203 retired employees were enjoying benefits under the company's retirement plans.

AUTOMATIC CANTEEN COMPANY OF AMERICA
Notes to Financial Statements

Note 6: *Pension Plans*—There are in effect two non-contributory trusteed pension plans for the benefit of certain hourly employees of manufacturing subsidiaries. The cost of these plans amounted to $124,402 in 1961. Unfunded past service costs for one of the plans, approximately $182,000 at September 30, 1961, are being funded over a thirty-year period from May 15, 1959; no provision is being made for funding approximately $432,500 relating to the other plan.

BOHN ALUMINUM & BRASS CORPORATION
Notes to Financial Statements

Note B: *Pension Plans*—Unfunded past service costs under the Corporation's pension plans amounted to approximately $1,100,000 at December 31, 1961, and are being amortized over periods not exceeding 30 years.

CARRIER CORPORATION
Notes to Financial Statements

Employees' Pension Plans: As of October 31, 1961, the estimated aggregate unfunded prior-service costs under the pension plans of the Corporation amounted to $6,100,000 which is being amortized over a period of years.

GENERAL CIGAR CO., INC.
Notes to Financial Statements

Note 6: The Company's non-contributory retirement plan for employees was amended effective January 1, 1959 to provide increased retirement income benefits. Past service costs, the unfunded balance of which was estimated at $2,020,000 at December 31, 1961, are being amortized by payments to the trustee for the plan over a twenty-five-year period. Expenses of the plan in 1961 including past service cost were $333,000.

LOCKHEED AIRCRAFT CORPORATION
Notes to Financial Statements

Note 4: The Company has non-contributory employees' retirement plans. The 1961 provision was $16,381,000, of which $14,409,000 is for current service costs and $1,972,000 for past service costs. Unfunded credits to employees for services (generally prior to 1957) are approximately $33,00,000. This amount is being funded over a period ending in 1986.

THE STANDARD TUBE COMPANY
Notes to Financial Statements

Note 4: The Company has in effect non-contributory pension plans covering all salaried and hourly employees of the Company. Contributions, required by all plans in the current year, amounted to $167,100 including $73,400 for the funding of past service liability. which aggregated approximately $1,364,000 at December 31, 1961.

With Funding of Past Service Costs Completed

AMERICAN BANK NOTE COMPANY
Notes to Financial Statements

Note 4: The consolidated provision for pensions amounted to $345,517 in 1961 and $526,830 in 1960. Related income tax deductions resulted in a net credit after taxes of $45,016 in 1961 as compared with a charge of $155,318 in 1960. This reduction in net pension costs resulted primarily from (1) a lesser pension provision by the parent company in 1961 inasmuch as the estimated actuarial liability under its plan for services rendered to December 31, 1961 became substantially funded during the year, and (2) a reduction in current income taxes as a result of the deduction for tax purposes in 1961 of payments made to its pension trust fund in prior years.

TABLE 5: PENSION AND RETIREMENT PLANS

	Charge to Income Set Forth for:†						
	Current and Past Service Costs:						
Funded or Partially Funded Plans*	Shown Combined	Shown** Separately	Current Service Costs	Pension Costs	Pension Costs with Other Expenses	Charges Not Set Forth	Total 1961 Plans
A: Current funding of current service costs with installment funding of past service costs	81	29	—	—	6	11	127
B: Current funding of current service costs with funding completed for past service costs	4	1	8	—	2	1	16
C: Current funding of current service costs with past service costs not to be funded	14	4	16	—	8	2	44
D: Basis of funding not disclosed	6	10	3	49	6	16	90
	105	44	27	49	22	30	277
E: *Unfunded plans* with related costs to be absorbed at time of retirements or as benefits are paid	1	2	5	4	1	3	16
Unidentified plans with no reference made to funding or nonfunding of related costs	1	2	—	49	20	47	119
	107	48	32	102	43	80	412
†Charge to Income Set Forth in:							
F: Statement of income	18	10	5	37	23	—	93
G: Notes to financial statements	82	34	24	42	6	—	188
H: Supplementary schedules	1	1	—	9	6	—	17
I: Letter to stockholders or financial review	6	3	3	14	8	—	34
Charges Not Set Forth for:							
Funded pension or retirement plans	—	—	—	—	—	30	30
Unfunded pension or retirement plans	—	—	—	—	—	3	3
Unidentified pension or retirement plans	—	—	—	—	—	47	47
Total	107	48	32	102	43	80	412

Number of Companies	1961
Referring to pension or retirement plans:	
Disclosing related costs	313
Not disclosing related costs	78
	391
Not referring to pension or retirement plans	209
Total	600

Number of Pension or Retirement Plans	1961
Adopted during year	9
Amended during year	21
Continued as adopted in prior years	382
Total	412

*Refer to Company Appendix Section—A: Co. Nos. 51, 160, 335, 505; B: Co. Nos. 25, 245, 421; C: Co. Nos. 87, 278, 569; D: Co. Nos. 71, 390, 551; E: Co. Nos. 130, 261, 359; F: Co. Nos. 154, 248, 408; G: Co. Nos. 8, 66, 228; H: Co. Nos. 75, 403, 577; I: Co. Nos. 57, 126, 517.
**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.

CELANESE CORPORATION OF AMERICA
Notes to Financial Statements

Note 6: *Retirement Income Plan*—The Corporation has a contributory retirement income plan to provide a fund for the purchase of annuities for participating employees at retirement age. The operations of the year ended December 31, 1961 reflect charges aggregating $3,095,791 for the Corporation's contribution to this plan. As determined on the basis of revised actuarial assumptions, the plan is fully funded with respect to all vested benefits.

GENERAL BOX COMPANY
Notes to Financial Statements

Note 3: *Pensions*—Certain changes made in 1961 in the actuarial assumptions used in computing pension costs, resulted in the elimination of an unfunded past service liability and the creation of a surplus of $11,744 which was used to reduce the 1961 contribution. The company also makes supplementary payments to pensioners which are reflected in the financial statement as paid. The net cost after income taxes of such payments was approximately $26,000 in 1961.

EASTMAN KODAK COMPANY
Notes to Financial Statements

Retirement Plan: Benefits under the company's retirement plan are financed by company payments made either directly to the insurance company from which annuities are purchased for eligible employees, or to designated trustees (trust departments of prominent banks) for investment until such time as the funds are used for the purchase of annuities.

The 1961 provision for retirement costs was $29.3 million and included certain supplemental payments made by the company. The total, excluding the supplemental payments, was approximately equal to the estimated cost of the pension credits earned in 1961 by all employees. Employees have a vested right in annuities after 15 years of service, and all such rights have been funded.

GARLOCK INC.
Notes to Financial Statements

Note 2: Since 1950, retirement income benefits have been provided through contracts with an insurance company for certain employees of the Company and its subsidiaries under basic past and future service pension plans, supplemented by a profit-sharing arrangement.

Effective January 1, 1961, the Company modified the pension plan to fund the benefits through a newly established pension trust. The Company also arranged with the insurance company to liquidate the reserves applicable to the pension plan group annuities relating to the lives of active employees, and to pay these funds to the new trust over a period of five years.

The entire cost of benefits on account of past service (for service prior to the effective dates of the plans) is borne by the Companies. The cost of benefits for future service (service subsequent to the effective dates of the plans) is contributed both by employees and the Companies.

The Company's consulting actuaries have evaluated the available reserves and the value of the trust fund and have advised the Company that the plans can be considered effectually fully funded with respect to all past and future service benefits accrued through December 31, 1961 and 1960 for all participants.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
Notes to Financial Statements

Note 6: *Pensions*—The Corporation's pension plans are substantially funded in respect to the amounts needed at June 30, 1961 to meet future pension requirements (as determined actuarially). Accordingly, contributions made to the plans in the 1961 fiscal year amounted to $1,046,578, as compared to $1,195,060 in the previous year, which had the effect of decreasing the pension costs charged to earnings for the 1961 fiscal year by $71,271 (after taxes). While the amounts contributed in the current year were somewhat less than the current service costs under the plans, the Corporation feels that they are adequate in view of the current financial condition of the plans.

REPUBLIC STEEL CORPORATION
Notes to Financial Statements

Note F: *Pensions*—Payments into pension trusts in prior years and aggregate payments of $14,154,339 for the year 1961, all of which were charged against income, have been sufficient to fund fully the cost of pensions granted to December 31, 1961, 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.

With Past Services Not Funded

ACF INDUSTRIES, INCORPORATED
Notes to Financial Statements

Note 5: *Pension Contributions*—The Company contributed $1,347,000 (1960—$2,585,000) for the year under its Retirement and Pension Plans representing current service costs and interest on unfunded past service costs less actuarial gains of $1,543,000 realized during the year ended April 30, 1960. Since May 1, 1958 the Company has been making contributions for current service costs under the step-rate method instead of the level premium method which had been employed prior to that time. The unfunded past service credits have now been recalculated using the step-rate method and at May 1, 1961 are estimated to be $17,100,000.

ALLIED MILLS, INC.
Notes to Financial Statements

Retirement Plans: The estimated annual normal cost for current services of the non-contributory retirement plans for all employees on the 1961 level of employment is $220,000. The unfunded past-service-cost requirements, not reflected on the financial statements, amount to approximately $1,050,000 at June 30, 1961, and are subject to amortization provisions included in the plans.

BEECH-NUT LIFE SAVERS, INC.
Notes to Financial Statements

Note 4: The Company and its subsidiaries have pension retirement plans available for substantially all employees. Earnings for the year ended December 31, 1961 were charged $729,605 with respect to these plans. In addition, earnings for 1961 were charged $94,637 for retirement payments not covered by the plans. The actuarial cost of unfunded past service benefits under the pension retirement plan was $265,205 at December 31, 1961.

FEDDERS CORPORATION
Notes to Financial Statements

Note 5: *Pension Plan*—At August 31, 1961 the unfunded past service costs under the non-contributory pension plan covering union employees at one division amounted to approximately $760,000. The amount charged to income in the year ended August 31, 1961 was $50,000 for current service costs. The amounts charged to income in the prior year were $40,000 for current service costs and $80,000 for past service costs.

MIDLAND-ROSS CORPORATION
Notes to Financial Statements

Note E: *Pension Plans*—Based upon the actuarial assumptions used to determine the funding requirements of the Corporation's Pension Plans, as amended, charges to income in 1961 amounted to $1,150,963, including amortization of past service costs. The estimated unfunded past service costs of the plans amounted to approximately $7,250,000 at December 31, 1961.

Unfunded Plans

CITY STORES COMPANY
Notes to Financial Statements

Note J: The Company's non-contributory pension plan (as amended) covers, generally, employees with 20 years of service who are not participants in any other plan to which the Company contributes. The plan provides for retirement at age 65 with no vesting of rights. Although the Company does not presently contemplate funding this plan, it may do so in the future. The Company may amend, modify or terminate the plan in whole or in part at any time. The benefits paid under this plan, which are charged to operations as paid, amounted to $19,900 in 1960 and will increase to an annual rate of approximately $435,000 in 1969. Payments under informal arrangements to presently retired employees (approximately $396,000 this year) will gradually decline, based on mortality factors. The amount which would have been necessary to fund this plan, as at January 28, 1961, with respect to past services as related to employees 55 years of age and over and retired employees has been estimated by the Company's actuary at approximately $5,400,000. The past service cost for other eligible employees has not been computed.

EX-CELL-O CORPORATION
Notes to Financial Statements

Note 5: Retirement plans have been established for certain salaried and hourly-rated employees, pursuant to which $1,933,000 was provided in 1961 and $2,040,000 in 1960 covering the Companies' contributions for the respective years. The unfunded cost of past services to the extent that it can be determined under the various plans is estimated at $4,120,000 at November 30, 1961.

KEYSTONE STEEL & WIRE COMPANY
Notes to Financial Statements

Note D: Keytone Steel & Wire Company and one of its subsidiaries have unfunded pension plans, the costs of which are charged to operations as payments are made to retired employees. Such payments during the year ended June 30, 1961 amounted to $405,499. Another subsidiary has a trusteed plan under which it contributed the year's current cost amounting to $430,000. The estimated unfunded past service cost under the trusteed plan was $3,100,000 at June 30, 1961.

MARTIN MARIETTA CORPORATION
Notes to Financial Statements

Note G: Retirement Plans—The Corporation and certain subsidiaries have contributory and noncontributory retirement plans. For the year ended December 31, 1961, contributions to these plans by the Corporation and subsidiaries amounted to $9,900,000. Unfunded past service costs were estimated to be approximately $14,500,000 at December 31, 1961.

REYNOLDS METALS COMPANY
Notes to Financial Statement

Note E: Retirement and Pension Plans—The Company has non-contributory retirement plans for salaried employees which may be amended or terminated at any time, and if terminated no contributions will thereafter be required. The cost of the plans charged against 1961 consolidated income was approximately $2,700,000. Based on actuarial estimates, the unfunded liability for past service benefits was approximately $18,400,000 at December 31, 1961.

Non-contributory pension plans for employees represented by certain labor unions are effective until December 31, 1962. Although the plans are not being funded, the actuarially computed liability to employees who have retired, or who were eligible to retire as of December 31, 1961, has been recognized in the accounts. The cost of funding past service benefits accumulated to December 31, 1961, would have amounted to approximately $28,900,000, if the plans did not have a terminal date.

DEPLETION

Annual Charge

An annual charge for depletion was disclosed by 119 of the survey companies in their 1961 reports. An additional 6 companies presented accumulated depletion accounts in their balance sheets but made no reference to an annual depletion charge in the income statements (*Co. Nos. 136, 245, 262, 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, 113 companies made no reference to the method or basis used in the determination of the amount provided. Fifteen companies disclosed both basis and method used for computing depletion, of which 8 companies indicated use of the unit-of-production method (*Co. Nos. 20, 54, 121, 453, 500, 518, 535), while 2 companies indicated use of the cost method (*Co. Nos. 337, 531), and 6 companies indicated use of the percentage method for tax purposes (*Co. Nos. 45, 235, 255, 399, 435, 446).

Two companies (*Co. Nos. 54, 326) reported net income for the year "without deduction for depletion" of metal mines.

TABLE 6: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement	1961	1960	1955	1950
Listed among other costs with single total amount for—				
Depletion (*Co. Nos. 45, 54, 164, 255, 309, 519)	11	12	16	24
Depletion and depreciation (*Co. Nos. 18, 184, 278, 310, 430, 587)	39	41	32	35
Depletion, amortization, and depreciation (*Co. Nos. 11, 143, 274, 413, 505, 556)	37	35	30	12
Depletion and amortization (*Co. No. 68)	1	1	4	4
Combined with other costs or expenses (*Co. Nos. 20, 142)	2	2	1	—
Disclosed within income statement in note or schedule (*Co. Nos. 21, 165, 293, 370, 449, 566)	8	7	6	2
Disclosed at foot of income statement in note or schedule (*Co. Nos. 78, 178, 233, 341, 469, 484)	9	13	13	14
	107	111	102	91
Disclosed Elsewhere in Annual Report				
In notes to financial statements (*Co. Nos. 66, 79, 249, 384, 417, 545)	10	10	5	12
In letter to stockholders	—	—	1	1
Depletion not deducted from net income (*Co. Nos. 235, 326)	2	2	2	2
	12	12	8	15
Number of Companies Referring to				
Annual depletion charge	119	123	110	106
Accumulated depletion but not referring to annual depletion charge	6	5	7	8
Not referring to depletion	475	472	483	486
Total	600	600	600	600

*Refer to Company Appendix Section.

The treatment of intangible drilling and/or development costs, or exploration costs, was discussed by approximately 26 per cent of the survey companies which referred to depletion in their reports.

Examples

Examples selected from the 1961 annual reports illustrating the methods used to disclose depletion in the accounts are as follows:

Presentation in Income Statement

AMERICAN ZINC, LEAD AND SMELTING COMPANY

Sales and other income	$55,753,333
Costs and expenses:	
Cost of sales and custom smelting, before provision for depreciation and depletion	$52,468,265
Administrative, selling, and other expenses	1,440,317
Retirement benefit plans	415,420
Interest, net	296,612
	$54,620,614
	$ 1,132,719
Provision for depreciation and depletion	985,064
	$ 147,655
Estimated federal taxes on income (Note 1)	(431,573)
Net Income for Year	$ 579,228

BASIC INCORPORATED

Net sales	$25,171,709	
Miscellaneous other income	22,550	$25,194,259
Cost of goods sold	19,166,281	
Administrative, selling and research expense	3,252,260	
Interest on long-term debt	311,658	22,730,199
Income before taxes thereon		2,464,060
Provision for federal taxes on income		842,000
Net Income		$ 1,622,060

Provisions for depreciation and depletion included above amounted to $1,209,812.

CONTAINER CORPORATION OF AMERICA

Net Sales	$330,098,491
Cost of Sales	262,412,297
Gross income from operations	67,686,194
Selling, Administrative and General Expenses	28,796,541
Income from operations (after depreciation and depletion provisions of $13,466,980 in 1961 and $12,829,059 in 1960)	38,889,653
Other Deductions, net	2,081,162
Balance before taxes on income	36,808,491
Provision for Taxes on Income	18,510,000
Net income for the year	18,298,491
Special Item: Gain on sale of U. S. Plywood Corporation common stock, less related Federal income taxes	1,893,936
Net income and special item	$ 20,192,427

AMERADA PETROLEUM CORPORATION

Operating Income:	
Oil and gas sales and other operating income	$102,834,584
Deduct:	
Operating, geophysical, geological and administrative expenses, lease rentals, taxes, etc.	46,935,646
	55,898,938
Other Income (The more important items for 1961 are explained in text of this report)	2,525,773
Profit before providing for intangible drilling and development costs, depreciation, depletion and leases abandoned and expired	58,424,711
Deduct:	
Intangible drilling and development costs	14,920,694
Depreciation, depletion and leases abandoned and expired	14,929,903
	29,850,597
Net Income for the Year	$ 28,574,114

LEHIGH PORTLAND CEMENT COMPANY

Revenues:	
Sales, less discounts	$83,959,835
Other (net)	332,391
	84,292,226
Deductions from Revenues:	
Cost of goods sold, exclusive of the next two items below	41,433,954
Depreciation and cost depletion	12,734,754
Pension fund contributions, of which approximately 50% is for past service	1,034,655
Freight on shipments	12,046,049
Selling, administrative and general expense	6,678,005
Interest on notes and debentures	2,472,110
Interest on additional Federal income taxes, less applicable tax reduction	
Federal income tax	3,300,000
	79,699,527
Earnings for the Year	$ 4,592,699

THE STANDARD OIL COMPANY (OHIO)

Income:	
Sales and operating revenue	$496,664,805
Less gasoline and oil taxes	114,301,524
Net sales and operating revenue	382,363,281
Sales of purchased crude oil	36,281,255
Miscellaneous income — includes profit from sales of assets	4,970,672
	423,615,208
Costs and Expenses:	
Materials and merchandise, operating and other expenses	260,821,998
Salaries, wages, and employee benefits	73,976,255
Taxes and other payments to governments (See Page 16)	27,956,806
Depreciation and amortization of facilities	18,649,661
Depletion of oil and gas producing properties	7,431,038
Nonproductive wells and surrendered mineral leases	7,353,894
Debenture and other interest	1,884,925
	398,074,577
Net Income	$ 25,540,631

Set Forth in Notes to Financial Statements

BASIC PRODUCTS CORPORATION

Fixed Assets:	
Land	$ 940,697
Buildings	11,882,669
Machinery and equipment	8,288,509
Total—at cost	21,111,875
Less accumulated depreciation, amortization and depletion	6,653,840
Fixed assets—net	$14,458,035

Note 9: The provision for depreciation, amortization and depletion was as follows: 1961, $979,528; 1960, $936,607.

JOHNS-MANVILLE CORPORATION

Properties and Plants, at cost	$333,728,000
Less, Accumulated depreciation and depletion	170,733,000
	$162,995,000

Note 3: Depreciation and depletion charged to operations amounted to $16,934,000 in 1961; $16,790,000 in 1960.

OWENS-ILLINOIS GLASS COMPANY

Fixed Assets:	
Buildings and equipment, at cost	$407,747,088
Less accumulated depreciation	181,368,160
	226,378,928
Land and timberlands, at cost less depletion	23,756,769
	$250,135,697

Note 8: *Depreciation and Depletion*—Depreciation of buildings and equipment and depletion of owned timberlands amounted to $22,725,007 in 1961 and $20,610,238 in 1960.

Depletion Not Deducted from Net Income

FOOTE MINERAL COMPANY

Income:	
Net sales	$16,067,440
Interest, royalties and other income	112,175
	16,179,615
Costs and expenses:	
Cost of sales and other operating charges	12,664,303
Selling, general and administrative expenses	1,595,666
Provision for depreciation and amortization (Note 3)	1,225,321
Interest expense	63,596
	15,548,886
Earnings before income taxes	630,729
Federal and State income taxes, estimated (Note 4)	326,000
Net earnings	$ 304,729

Note 3: *Plant and Equipment*—The provision for depreciation and amortization for 1961 includes accelerated depreciation on certain assets and amortization of defense facilities which are approximately $250,000 in excess of straight-line depreciation.

Letter to Stockholders

Depletion: The amount of allowance for percentage depletion as a deduction on the Company's Federal income tax returns during the years 1954 through 1959 has not as yet been finally resolved. Several discussions have been held with representatives of the Internal Revenue Service, although at this time the Company is still unable to compute its exact tax liability for each of the years involved. As stated in previous reports, the Company continues to believe that adequate provision has been made for the probable total tax liability. Examination of returns for years subsequent to 1954 is continuing, subject, however, to the determination of the computation of the depletion allowance as deducted on the 1954 return.

KENNECOTT COPPER CORPORATION
Notes to Financial Statements

Mining Properties: Over the years the ore reserves have increased as a result of development work and improvements in methods of recovery of metals which make possible the treatment of lower grades of ore. Accordingly, no provisions for depletion have been considered necessary.

DEPRECIATION

Annual Charge

Depreciation was disclosed by all 600 survey companies. However, 9 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 591 companies, 489 presented the annual charge for depreciation in the income statement, and 102 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 1961.

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 ⅔rds 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.

TABLE 7: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement	1961	1960	1955	1950
Listed among other costs with single total amount for—				
Depreciation (*Co. Nos. 7, 45, 114, 220, 309, 418)	147	140	159	237
Depreciation and amortization (*Co. Nos. 34, 170, 235, 356, 408, 521)	96	101	124	68
Depreciation, amortization, and depletion (*Co. Nos. 29, 143, 206, 359, 447, 505)	39	35	30	12
Depreciation and depletion (*Co. Nos. 17, 154, 270, 319, 444, 520)	37	41	32	35
Depreciation and unrelated costs (*Co. Nos. 20, 142, 322, 326)	4	7	3	2
Segregated within income statement in note or schedule (*Co. Nos. 21, 50, 98, 155, 285, 403)	57	57	38	18
Presented at foot of income statement in note or schedule (*Co. Nos. 12, 91, 111, 215, 303, 410)	109	108	92	114
	489	489	478	486
Disclosed Elsewhere in Annual Report				
In notes to financial statements or in supplementary schedules (*Co. Nos. 26, 136, 276, 316, 429, 504)	93	90	82	66
In letter to stockholders (*Co. Nos. 56, 89, 244, 333, 401, 423)	9	9	15	17
	102	99	97	83
Number of Companies Referring to—				
Annual depreciation charge	591	588	575	569
Accumulated depreciation but not referring to annual depreciation charge	9	12	25	31
Total	600	600	600	600

*Refer to Company Appendix Section.

> 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 54 referred in their 1961 reports to the method of depreciation used, while 49 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.

Five companies reported that the related tax effect of the accelerated depreciation allowable under the 1954 Code was added to the reserve for depreciation (*Co. Nos. 140, 247, 361, 374, 595).

In the 1961 annual reports, 14 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. 94, 211, 554, 591) (**110)	5
Sum-of-the-years-digits method (*Co. Nos. 128, 166, 557)	3
Accelerated depreciation method (*Co. Nos. 378, 475) (**153, 520)	4
Sum-of-the-years-digits and accelerated depreciation methods (*Co. Nos. 231, 489)	2

An additional 24 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. 49, 336)	2
Accelerated depreciation method (*Co. Nos. 99, 280, 366, 432) (**3, 131, 268, 354)	17
Declining-balance method (*Co. No. 67) (**298, 352, 365)	4
Straight-line and accelerated depreciation (*Co. No. 14)	1

*Refer to Company Appendix Section.
**Companies using alternative methods for tax purposes only.

In the 1961 reports of 65 survey companies, the method of depreciation was given simply as follows:

Straight-line method (*Co. Nos. 6, 107, 296, 301, 425)	24
Straight-line and production methods (*Co. Nos. 54, 121, 305, 535)	4
Accelerated depreciation method (*Co. Nos. 59, 146, 244, 341, 521) (**26, 46, 60, 140, 263)	27
Production method (unit of production) (*Co. Nos. 435, 453, 500)	3
Various other methods (*Co. Nos. 99, 129, 191, 384, 569)	7

Examples

Examples of the various methods used have been selected from the 1961 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

ACF INDUSTRIES, INCORPORATED
Statement of Financial Position

Land, Buildings, Railroad Cars, Machinery and Equipment, at cost, less accumulated depreciation of $76,234,000 (1960—$73,-559,000)	$74,489,000

Notes to Financial Statements

Note 3: *Depreciation*—Up to April 30, 1960 the Company used the declining balance method of computing depreciation for certain assets as permitted by the Internal Revenue Code of 1954. Beginning on May 1, 1960 the Company changed to the straight-line method for financial accounting purposes but will continue to use the declining balance method in computing current federal income tax payments. Provision has been made for the resulting deferred income taxes. As a result of this change, depreciation for the year ended April 30, 1961 was reduced by approximately $1,202,000 and net income was increased by approximately $577,000.

CHAMPION PAPERS, INC.
Balance Sheet

Land, buildings, equipment, etc. (less accumulated depreciation of $82,450,454 for 1961 and $76,374,270 for 1960)	$107,540,517

Notes to Financial Statements

Note 2: Effective as of April 1, 1960, for financial accounting purposes, the Company reverted to the straight-line method of depreciation for all properties acquired subsequent to March 31, 1954. The net undepreciated amount of such properties as of April 1, 1960 is being depreciated over their estimated remaining useful service lives. The declining balance method of depreciation has been continued for income tax purposes. This change in method resulted in an increase of approximately $849,000 in net income for the year, after considering the effect of deferred income tax and the increase in profit sharing expense. . . .

THE CUNEO PRESS, INC.
Balance Sheet

Plant and Equipment—at cost:	
Land	$ 1,188,535
Leasehold and leasehold improvements	1,183,171
Buildings and land improvements	5,414,654
Machinery and equipment (including expenditures on equipment held under long-term leases, etc.)	41,639,519
Buildings and machinery in process of construction or remodeling	1,916,592
	51,342,471
Accumulated depreciation and amortization	23,709,261
Plant and equipment, net	$27,633,210

Notes to Financial Statements

Note 2: For accounting purposes depreciation of machinery and equipment is computed on a straight line basis with an estimated life of 20 years whereas for income tax purposes it is computed on a declining balance method with an estimated life of 15 years. Provisions have been made for deferred federal income tax in amounts ($655,000 and $666,000 in the years ended January 31, 1961 and 1960, respectively) equal to the reduction in tax payable resulting from the use of different methods of depreciation for tax purposes.

HUNT FOODS AND INDUSTRIES, INC.
Balance Sheet

Property—At cost:	
Land	$ 2,736,345
Buildings and improvements	40,424,984
Machinery and equipment	70,924,004
Total	114,085,333
Less accumulated depreciation	54,732,920
Property—Net	$ 59,352,413

Notes to Financial Statements

Change in Depreciation Method: For general accounting and financial statement purposes, the Company has adopted the straight-line method of computing depreciation with respect to additions to buildings, machinery, and equipment after June 30, 1960. Use of the declining-balance method has not been discontinued for general accounting and financial statement purposes with respect to certain additions prior to that date nor for income tax purposes. The effect of this change on net income for the year was not significant.

S. H. KRESS AND COMPANY
Statement of Financial Condition

Capital Assets, at cost:	
Land and buildings, less accumulated depreciation of $22,559,644 and $21,489,-823	$46,545,744
Buildings and improvements on leased properties, less accumulated amortization of $15,783,032 and $14,948,631	13,256,223
Fixtures and equipment, less accumulated depreciation of $19,731,374 and $18,-549,771	15,441,142
Total capital assets	$75,243,109

Notes to Financial Statements

Note 2: The provision for Federal taxes on income includes $273,000 (1960—$250,000) representing the current reduction in taxes resulting from the Company's use of declining balance depreciation for Federal income tax purposes while providing straight line depreciation in the books. The accumulated reduction has been shown separately in the Statement of Financial Condition. The 1960 financial statements have been restated to reflect the reclassification of the amounts previously included in depreciation expense and accumulated depreciation.

*Refer to Company Appendix Section.
**Companies using alternative methods for tax purposes only.

Straight-Line and Sum-of-the-Years-Digits

CONTINENTAL BAKING COMPANY
Balance Sheet

Property, Plant and Equipment, substantially at cost:	
Land	$ 7,552,434
Buildings	39,442,131
Ovens, machinery and equipment	62,743,503
Delivery equipment	13,298,528
Construction in progress	11,586,289
	134,622,885
Less accumulated depreciation (Note 5)	61,728,767
	$ 72,894,118

Note 5: The straight-line method of providing depreciation of plant and equipment is used for additions prior to 1961. Effective January 1, 1961, the sum-of-the-years digits method was adopted for all additions subsequent to that date, other than improvements to plants existing at December 31, 1960, and as a result of a study made by the Company and agreed to by the Internal Revenue Service, the estimated useful lives of certain assets were lengthened. The net effect of these changes was a decrease in depreciation for the year ended December 30, 1961 of approximately $203,000.

UNITED ELASTIC CORPORATION
Statement of Financial Position

Property, Plant and Equipment:	
After deducting depreciation $9,921,699 (1961) $8,813,912 (1960)	$14,203,048

Letter to Stockholders

Depreciation: Charges for depreciation in 1961 amounted to $1,652,518 compared with $1,429,785 in 1960. The charges represent 5% of our sales dollar for each of the years 1961 and 1960. During the ten-year period from 1952 through 1961 depreciation charges were $10,242,831. Your company computes its depreciation, for statement and federal income tax purposes, on the sum-of-the-years digits method for additions to property made subsequent to January 1, 1955, and on the straight-line basis for acquisitions prior thereto.

Straight-Line and Accelerated Methods

CATERPILLAR TRACTOR CO.
Statement of Financial Position

Buildings, machinery and equipment—balance of original cost allocable to future operations (Statement 7)	$259,234,047

Statement 7: *Consolidated Buildings, Machinery and Equipment*—

Original cost:	
Buildings	$158,886,914
Machinery and equipment	259,326,390
	418,213,304
Deduct: Portion of original cost allocated to operations to date shown:	
Buildings	33,862,909
Machinery and equipment	125,116,348
	158,979,257
Balance of original cost not allocated to operations to date shown (Statement 6):	
Buildings	125,024,005
Machinery and equipment	134,210,042
	$259,234,047

Note: Whenever the cost of any unit of buildings, machinery and equipment has been fully allocated to operations, such cost is eliminated from the accounts.

Notes to Financial Statements

Note 3: *Basis of Allocating Cost of Facilities to Operations*—The generally accepted accounting principle followed with respect to buildings, machinery and equipment is the systematic allocation to each year's operations of a portion of the *original cost* of these facilities. The "sum-of-the-years-digits" method is used for a substantial portion of the assets acquired after December 31, 1953, and the "straight-line" method for other assets. The plant assets currently in use were, however, acquired over many years at cost levels which were lower than the level of current costs. The portion of the original cost of these assets allocated to 1961 and used in determining profit was therefore substantially lower than if a provision had been made on the basis of current replacement cost levels.

MILLER MANUFACTURING CO.
Balance Sheet

Property, Plant, and Equipment—on basis of cost:	
Land	$ 116,321
Buildings and improvements	1,508,372
Machinery and equipment	4,472,378
	6,097,071
Less allowances for depreciation	3,350,981
	$2,746,090

Letter to Stockholders

Depreciation charges for fiscal 1961, computed on an accelerated basis for items acquired in recent years and on a straight line basis for all other facilities acquired prior to changes in internal revenue depreciation regulations, amounted to $343,254.

STANDARD PACKAGING CORPORATION
Balance Sheet

Fixed Assets—at cost:	
Property, plant and equipment:	
Land and water rights	$ 2,442,928
Buildings	16,294,044
Machinery and equipment	61,051,368
Other	3,051,231
Total	82,839,571
Less accumulated depreciation	33,254,987
Property, plant and equipment—net	49,584,584
Timberlands and timber rights, less accumulated depletion	1,491,340
Total fixed assets	$51,075,924

Notes to Financial Statements

Note 4: *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.

Tax Effect of Accelerated Depreciation Included in Provision for Depreciation

GENERAL CABLE CORPORATION
Balance Sheet

Property, Plant and Equipment (Note 2, page 11):	
Land	$ 2,239,631
Buildings	27,938,714
Machinery, equipment, containers, etc.	62,207,901
	92,386,246
Less reserves for depreciation	41,702,982
	$50,683,264

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.

F. W. WOOLWORTH CO.
Balance Sheet

Properties, at Cost:	
Land and buildings	$ 91,202,782
Furniture, fixtures and equipment	219,760,209
	310,962,991
Less—Accumulated depreciation (Note C)	101,925,562
	209,037,429
Buildings on leased ground, less amortization	33,610,204
Alterations to leased and owned buildings, less amortization	92,972,432
Total Properties	$335,620,065

Notes to Financial Statements

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.

Straight-Line, Accelerated Depreciation, and Sum-of-the-Years-Digits

SEARS, ROEBUCK AND CO.
Balance Sheet

Property, Plant and Equipment—at cost	$613,988,755
Less accumulated depreciation	268,702,963
	$345,285,792

The Financial Report (Year ended January 31, 1961)

Depreciation: Depreciation of plant and equipment charged against 1960 income was $35,205,361 compared with $31,492,343 last year.

The Company uses the "sum-of-the-years-digits" method of depreciating new assets acquired in 1954 and subsequent years. On assets acquired prior to 1954, the Company uses an accelerated method of depreciating retail store equipment, and on other plant and equipment items, a straight-line method based on shorter asset life than allowed in computing Federal taxable income.

EXTRAORDINARY DEPRECIATION

In the annual reports for 1961 only seven 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. 243, 303, 341, 370). Several companies had previously indicated a policy of recording extraordinary depreciation; however, their 1961 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:

*Refer to Company Appendix Section.

DAN RIVER MILLS, INCORPORATED
Balance Sheet

Property, plant and equipment, at cost	$133,102,689
Less accumulated depreciation, amortization and obsolescence (Note 5(f)	80,515,914
Net property, plant and equipment	$ 52,586,775

Note 5(f): Depreciation rates have been increased in the current year as it is expected that the useful lives of certain items of plant and equipment will be reduced because of technological changes in the industry. The increased rates have reduced consolidated net earnings by approximately $325,000.

THE DUPLAN CORPORATION
Balance Sheet

Property, Plant and Equipment—at cost:	
Land, buildings and improvements, less accumulated depreciation of $1,484,499 and $1,515,591	$3,317,439
Machinery, equipment, tools and dies, less accumulated depreciation of $7,256,016 and $5,961,478	6,696,783
Less estimated loss on disposal of surplus properties and equipment (Note 1)	(784,000)
Total Property, Plant and Equipment	$9,230,222

Letter to Stockholders

The yarn processing industry has undergone violent changes during the past five years as the result of revolutionary advances in the speeds of machinery, now capable of producing at many times former volumes, and as the result of rapid shifts in demand involving abandonment of some types of yarn processing and the development of other entirely new uses for spun yarns. The result has been to accelerate the obsolescence of machinery and to enlarge the total industry productive capacity. Your Company therefore found it necessary to deduct an extra amount of $450,000 for depreciation and obsolescence of equipment, and also to purchase a substantial amount of new machinery of the latest design and technological efficiency.

FIRST NATIONAL STORES INC.
Balance Sheet

Fixed Assets, at cost (excluding fully-depreciated assets):	
Land	$ 9,299,509
Buildings owned	37,596,910
Store fixtures, leased property improvements, machinery and equipment	61,510,795
Automotive equipment	4,053,486
	112,460,700
Less—Depreciation	54,399,360
	$ 58,061,340

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 $529,223 in 1961 and $548,792 in 1960 and is not currently deductible for federal income tax purposes.

GENERAL ANILINE & FILM CORPORATION
Balance Sheet

Property, Plant and Equipment, at cost:	
Land and land improvements	$ 3,704,579
Building and building equipment	43,115,971
Machinery and equipment	81,196,490
Construction in progress	3,234,964
	$131,252,004
Less—accumulated depreciation	60,169,111
	$ 71,082,893

Notes to Financial Statements

Note 3: Provision for depreciation and amortization charged to costs and expenses amounted to $7,005,413 in 1961 and $6,179,648 in 1960. The 1961 amount includes $720,000 representing the accelerated retirement of nominal value assets consistent with Capital Asset policy. Additional special charges reflecting other policy changes and provisions for contingencies in 1961 aggregating $1,200,000 are included in administrative and general expense.

AMORTIZATION OF EMERGENCY FACILITIES UNDER CERTIFICATES OF NECESSITY

There may be 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 35 of the survey companies referred to the amortization of emergency facilities under certificates of necessity in their 1961 annual reports. Of these companies, 16 deducted accelerated amortization for both tax and accounting purposes. An additional 4 companies deducted the accelerated amortization for tax purposes only, and accordingly provided for the resulting deferred tax benefit. Two companies deducted the accelerated amortization for tax purposes only, but did not provide for the resulting deferred tax benefit in the accounts. Three companies mentioned in their letter to stockholders or notes to financial statements the existence of certificates of necessity but gave no detailed explanation of the tax or accounting treatment employed.

Ten companies reported that emergency facilities under certificates of necessity had been fully amortized for federal income tax purposes, and that they are now allocating portions of the amounts previously credited to the reserve for deferred taxes arising from accelerated amortization to income, on the basis of estimated useful life (*Co. Nos. 60, 186, 234, 384, 445).

Examples

Examples illustrating the various presentations of the amortization of emergency facilities are as follows:

Amortization of Emergency Facilities Deducted for Tax Purposes Only

NORTHROP CORPORATION

Property, Plant, and Equipment—Note D:	
Land, buildings, equipment, etc.—at cost	$51,134,010
Less accumulated depreciation and amortization	20,429,336
	$30,704,674

*Refer to Company Appendix Section.

TABLE 8: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1961	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. 54, 146, 599)	3	20	25
Notes to financial statements	—	37	28
Letter to stockholders or financial review (*Co. Nos. 11, 93, 97, 305, 475, 555)	6	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, 235, 281, 552)	5	7	7
Notes to financial statements	—	14	21
Letter to stockholders or financial review	—	1	15
Schedule of fixed assets (*Co. No. 569)	1	1	6
	16	103	122
Deducted for Tax Purposes Only, with no evidence of Deferred Tax Benefit in accounts—			
Referred to in:			
Notes to financial statements (*Co. Nos. 412, 532)	2	5	1
Letter to stockholders or financial review	—	1	—
	2	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. No. 554)	1	19	7
Notes to financial statements (*Co. Nos. 224, 255, 444)	3	14	5
Letter to stockholders or financial review	—	3	—
	4	36	12
Number of Companies Referring to:			
Certificates of necessity and amortization of emergency facilities	22	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. 211, 441, 591)	3	2	—
Emergency facilities fully amortized for tax purposes	10	—	—
Emergency facilities not completed or application pending	—	—	33
Not referring to certificates of necessity	565	453	432
Total	600	600	600

*Refer to Company Appendix Section.

Note D: Property, Plant, and Equipment—The certified portion ($8,135,136 at July 30, 1961) of costs of property, plant and equipment acquired since 1950 under Certificates of Necessity has been or is being amortized over sixty-month periods as permitted for income tax purposes.

PITTSBURGH PLATE GLASS COMPANY

Deferred Credits:	
Deferred income tax	$22,200,000
Other	1,272,621
Total deferred credits	$23,472,621

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 $1,200,000 have been included in the 1961 tax provision. Such deferred income taxes aggregated $22,200,000 at December 31, 1961. 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.

SUNSTRAND CORPORATION

Fixed Assets—At Cost:	
Land	$ 743,938
Buildings and improvements	11,277,201
Machinery and equipment	13,305,436
	25,326,575
Less depreciation and amortization (Note B)	12,519,280
	$12,807,295

Note B: *Defense Facilities*—Portions of defense facilities have been amortized for income tax purposes over sixty-month periods, which amortization exceeded depreciation recorded in the financial statements. At December 31, 1961 the accumulated excess of such amortization amounted to $1,217,000. In 1961 the financial statements included approximately $128,000 of depreciation which was not deductible for income tax purposes. No provision has been made for additional income taxes of approximately $633,000 which will be payable over the next thirty-four years as depreciation in the financial statements continues to exceed amounts deductible for tax purposes. It is not anticipated that this treatment will have a material effect on any future year's operations.

UNION TANK CAR COMPANY

Provision for Income Taxes:	
Current	$6,568,000
Deferred	1,241,000
	$7,809,000

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 $1,241,000 in 1961 and $3,075,000 in 1960. 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.

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

ALLEGHENY LUDLUM STEEL CORPORATION

Costs:	
Employee costs:	
Wages and salaries	$ 86,576,326
Social security taxes	3,326,499
Pensions and other (Note 6)	9,366,931
	$ 99,269,756
Materials, services and other costs	106,706,140
Depreciation, depletion, amortization and plant retirements	8,489,911
Interest and amortization of debenture expense	1,823,600
Minority shareowners' share of earnings of subsidiary	11,762
State, local and miscellaneous taxes	2,765,542
Federal taxes on income	9,920,000
Total costs and income taxes	$228,986,711

Financial Review

Amortization and Depreciation: Amortization, depreciation and depletion of plant and equipment amounted to $8,490,000 during 1961, of which accelerated amortization of emergency facilities amounted to $496,000. This compares with $8,326,000 for 1960, and it is estimated that charges for depreciation in 1962 will approximate those for 1961.

THE ANACONDA COMPANY
Income Statement

Provision for depreciation, obsolescence and accelerated amortization	$38,547,698

BLAW-KNOX COMPANY

Costs and Expenses:	
Cost of products and services	$141,954,566
Selling and administrative	17,545,409
Repairs and maintenance	4,170,680
Depreciation and amortization	3,498,410
Retirement plans	3,605,557
Interest	774,779
	$171,549,401

Financial Review

Depreciation and amortization charged to operations for the year 1961 amounted to $3,498,000. Of this total, amortization of defense facilities was $65,000 and $881,000 represented depreciation computed under sum of the year's digits method. The depreciation and amortization charged to expense was essentially the same as the amount claimed as a deduction for Federal income tax purposes.

UNITED STATES STEEL CORPORATION

Costs:	
Employment costs:	
Wages and salaries	$1,382,353,284
Pensions and other employe benefits (See pages 17 and 18)	240,380,551
	1,622,733,835
Products and services bought	1,022,419,640
Wear and exhaustion of facilities	210,497,915
Interest and other costs on long-term debt	29,900,379
State, local and miscellaneous taxes	99,767,426
Estimated United States and foreign taxes on income	161,000,000
Total	$3,146,319,195

Details of Selected Items

Wear and exhaustion of $210.5 million shown in the Consolidated Statement of Income comprises depreciation and depletion of $212.3 million (including amortization of emergency facilities of $9.0 million), less profit of $1.8 million resulting from sales.

Reserve for Deferred Taxes re Accelerated Amortization Now Being Used

GRANITE CITY STEEL COMPANY
Income Statement

Income before federal income taxes	$18,546,675
Estimated provision for federal income taxes:	
Current year	9,100,000
Income tax savings applicable to accelerated depreciation of facilities, to be used as a reduction of income tax expense in future years	1,247,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income tax expense	(811,000)
	9,536,000
Net income for the year	$ 9,010,675

BEAUNIT MILLS, INC.
Balance Sheet

Federal income taxes relating to accelerated amortization of facilities under certificate of necessity (Note 3)	$2,142,500

Note 3: 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, 1961, $260,000 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.

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. 109, 374). These increases were effected by appropriations of retained earnings.

As shown in Table 9 there were just three companies which disclosed reserves for higher plant replacement costs in their annual reports for 1961, 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	1961	1955	1952
Income statement, separate last section	—	—	1
Transfer from other reserves	—	—	1
Charge to Retained Earnings (*Co. Nos. 109, 374)	2	2	4
	2	2	6
Credit to Retained Earnings	2	—	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 (*Co. Nos. 526, 574)	(2)	—	(4)
At end of year (*Co. Nos. 109, 265, 374)	3	9	19
No reserves for higher plant replacement costs	597	591	581
Total	600	600	600

*Refer to Company Appendix Section.

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.

Four companies which referred to the existence of charitable foundations in 1960 made no mention of such foundations in their 1961 reports nor did they indicate whether such foundations had been dissolved.

Of the 600 survey companies, there were 19 companies that disclosed the existence of such foundations in their 1961 reports.

Only one company made reference to a donation in its financial statements (*Co. No. 441). Two companies (*Co. Nos. 298, 425) made the disclosure in the notes to financial statements; and the remaining 16 companies (*Co. Nos. 8, 126, 156, 165, 178, 182) in the president's letter or in the financial review section.

Examples

Examples from the 1961 annual reports illustrating the nature of the disclosures given with regard to charitable foundations follow:

In President's Letter or Financial Review

INLAND STEEL COMPANY

Foundation Expands Aid to Education: During the year, the company gave property having an estimated market value of approximately $2,000,000 to the Inland Steel-Ryerson Foundation, Inc., which reports that it, in turn, made grants to various charitable and educational organizations totaling $903,076.

The total of Foundation grants declined in 1961 from the prior year because of the completion of the gift to the St. Catherine Hospital in memory of Messrs. L. E. and P. D. Block, two of the company's founders. However, with the exception of Health and Medicine, which declined because of the completion of certain other hospital grants, all areas of Foundation support were increased. The most significant increase was in the area of education and came about as a result of an expansion of unrestricted grants to carefully selected leading universities and colleges. Emphasis was on graduate education, which, in the opinion of the Foundation directors, must be strengthened to assure that our country will have the scientists and teachers needed in the years ahead.

Inland Steel-Ryerson Foundation, Inc. Grants:

	1961	*1960*
Community Welfare	$332,740	$ 317,666
Health and Medicine	46,975	63,304
Education	434,336	286,700
Civic and Cultural Activities	89,025	86,125
	903,076	753,795
Special Memorial—St. Catherine Hospital, East Chicago, Indiana	—	707,647
	$903,076	$1,461,442

*Refer to Company Appendix Section.

THE RYAN AERONAUTICAL CO.

The company's most significant contribution to education was made this year when the Ryan Aeronautical Foundation joined with The David Claude Ryan Foundation in a major contribution to make possible the fine new Library on the campus of rapidly-growing California Western University, located on San Diego's scenic Point Loma, overlooking the Pacific. The beautiful new structure has been named the Ryan Library.

In Notes to Financial Statements

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 $265,101 of which $229,913 was made to The Abraham Mazer Family Fund, Inc., a non-profit philanthropic corporation.

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 26, 1961 the total of the investments in and advances to Market Center Realty Co. is $2,503,420.

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 1961 survey reports. Of the 600 survey companies, 540 presented estimated federal income taxes. Of these, 145 included the estimates among other costs, while 395 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 287 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

AMERICAN SEATING COMPANY

Costs and Expenses:	
Cost of goods other than items below	$30,377,345
Selling and administrative expenses	6,120,537
Allowances for depreciation and amortization of plant and equipment	1,047,831
Contributions to employees' pension plans	520,552
Interest	199,282
Federal income taxes	1,604,000
Total costs and expenses	$39,869,547

TABLE 10: CURRENT ESTIMATE FOR FEDERAL AND OTHER INCOME TAXES

Income Statement Designation	Listed among other costs	Set forth in last section	1961 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	61	205	266
"Federal income" and various other income taxes	59	143	202
"Income taxes" not further designated	25	47	72
Total	145	395	540
Not shown or not required:			
No provision for income taxes although income statement shows profit			16
Operating loss carry-forward or carry-back eliminates estimate			29
Operating loss shown in statement			14
No income statement presented			1
			60
Total			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	6	34	40
"State income" and other income taxes	22	26	48
"State and foreign income taxes"	5	23	28
"Foreign income taxes"	9	27	36
Various other	42	93	135
Total	84	203	287

ARMCO STEEL CORPORATION

Costs and Expenses:	
Employment costs:	
Wages and salaries	$260,081,279
Payroll taxes	7,820,720
Pensions, group insurance, and supplemental unemployment benefits (Page 13)	26,068,806
Total	293,970,805
Materials and expenses	449,099,417
Depreciation	43,916,239
Interest and expense on long-term debt	6,547,556
State, local, and miscellaneous taxes	12,434,267
Federal income taxes	46,225,884
Other charges	1,323,085
Total	$853,517,253

BALDWIN-LIMA-HAMILTON CORPORATION

Costs and Expenses:	
Cost of products sold including engineering, selling and administrative expenses	$104,569,027
Depreciation and amortization	2,918,025
Contributions for employees' retirement	1,517,428
Taxes on income	865,000
Interest and miscellaneous	1,112
Total	$109,870,592

ADAMS-MILLIS CORPORATION

Net sales		$16,171,425
Interest income		12,429
Gain on sales of equipment		10,477
Dividends received		1,260
Total Income		16,195,591
Deductions from income:		
Cost of products sold		13,024,844
Selling, administrative, and general expenses		1,833,928
Provision for contributions to pension and profit-sharing retirement plans		204,999
Miscellaneous other deductions		16,577
Taxes on income—estimated:		
Federal	$528,000	
State	40,000	568,000
Net Earnings		15,648,348
		$ 547,243

ARMOUR AND COMPANY

Costs:	
Cost of products, supplies and services	$1,577,237,395
Selling and administrative expenses	110,836,291
Depreciation	12,327,122
Contributions to employes' pension funds	7,216,207
Interest expense	5,623,355
Taxes (other than Federal income taxes)	14,431,150
Provision for Federal income taxes	10.853,000
	$1,738,524,520

JANTZEN INC.

Costs and Expenses:	
Cost of products sold	$36,266,954
Selling, administrative and other expenses	12,824,189
Depreciation and amortization	552,659
Interest expense	297,138
Contribution to profit-sharing retirement trust	292,048
Provision for Federal and state income taxes	1,926,150
	$52,159,138

SHELL OIL COMPANY

Costs and Expenses:	
Purchased crude oil, refined and manufactured products	$ 742,855,460
Operating, selling and general expenses	717,947,512
Income, operating and consumer taxes (Note 2)	443,492,961
Depreciation, depletion, amortization and retirements, including dry holes	193,853,898
Interest on long term debt	9,108,869
	$2,107,258,700

Note 2: Income, Operating and Consumer Taxes—

Consumer Taxes:	
Excise and sales taxes on products sold	$357,350,877
Operating Taxes:	
Real and personal property	27,773,289
Oil and gas production	20,270,131
Social security	7,603,115
Other	10,698,469
	66,345,004
Income Taxes:	
Federal and other	19,797,080
	$443,492,961

CONTINENTAL CAN COMPANY, INC.

Costs and Expenses:	
Cost of Goods Sold and Operating Expenses	$ 959,129
Selling, Administrative and Research	71,583
Depreciation and Depletion	39,605
Interest	8,871
Provision for Taxes on Income	40,800
	$1,119,988

Set Forth in Last Section

ASHLAND OIL & REFINING COMPANY

Income Before Taxes on Income	$24,941,456
Taxes on income—estimated	9,690,000
Net Income	$15,251,456

ABBOTT LABORATORIES

Net sales	$129,850,090
Other income	1,091,875
	130,941,965
Costs and expenses:	
Cost of products sold	51,544,536
Research expenses	9,601,517
Marketing and administrative expenses	46,150,429
Miscellaneous	1,645,049
	108,941,531
Income Before Income Taxes	22,000,434
Taxes on income—estimated	9,995,000
Net Income	$ 12,005,434

CRADDOCK-TERRY SHOE CORPORATION

Income:	
Net Sales	$27,638,259.08
Cost of Sales and Selling, Administrative and General Expenses	26,163,867.34
Operating Profit	1,474,391.74
Income from Investments and Miscellaneous Income	81,479.57
	1,555,871.31
Contribution to Retirement Plan and Pensions Paid	170,203.04
Income Before Taxes on Income	1,385,668.27
Provision for Taxes on Income	709,954.47
Net Income for the Year	$ 675,713.80

CROWN CORK & SEAL COMPANY, INC.

Profit from operations before taxes on income	$15,088,000
Estimated taxes on income:	
United States	4,557,000
Foreign	3,068,000
	7,625,000
Profit from operations after taxes on income	7,463,000
Less—Portion of net income applicable to minority interests	810,000
Net Income (Note A)	$ 6,653,000

HART SCHAFFNER & MARX

Income before taxes	$4,612,798
Taxes on income	2,103,788
Net income for the year	$2,509,010

PRATT & LAMBERT, INC.

Income before United States and Canadian Income Taxes	$2,086,417
United States and Canadian Income Taxes	1,070,314
Net Income	$1,016,103

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 ten of the 600 survey companies presented a total of 128 income tax adjustment items in their 1961 annual reports. Table 11 summarizes the various methods of presentation of the tax adjustments as shown by the survey companies. Of the 128 income tax adjustments, 56 items were set forth in the income statement; 54 were disclosed either in the footnotes, president's letter to the stockholders, or parenthetically in the balance sheet; the remaining 18 items were shown in the retained earnings statement. The income account was utilized for 110 income tax adjustments by 96 companies, and the retained earnings account for 18 items by 14 companies. The report presentation of income tax adjustments reflected in the income account is illustrated in the examples which follow. These illustrations refer to prior year income taxes, assessments, refunds, carry-backs and carry-forwards of losses, and the allocation of income taxes.

Examples of similar adjustments reflected by the survey companies in their surplus accounts during 1961 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 110 of the 600 survey companies in their 1961 reports, the percentages of materiality and the accounts adjusted for such items are summarized in Table 12.

TABLE 11: INCOME TAX ADJUSTMENTS AND ALLOCATION—1961

	Presentation in Reports**								
	A: Income								
	Income Statement				Shown Elsewhere				
	Among Other Costs:		In Last Section:						
Nature of Income Tax Adjustments	With tax estimate	Special item	With tax estimate	Special item	In Foot-notes	In Letter to Stock-holders	Total	B: Retained Earnings	1961 Total Items
Prior year tax accrual adjustment	—	—	2	3	2	1	8	5	13
Additional tax assessment or payment	—	—	—	—	12	—	12	1	13
Carry-back: Operating loss	1	4	8	5	1	2	21	1	22
Carry-forward: Operating loss	—	—	4	3	16	4	27	—	27
Interest expense on assessments	—	—	—	—	3	—	3	4	7
Interest received on tax refund	—	—	—	—	1	—	1	—	1
Tax adjustments not identified	1	2	4	7	2	—	16	2	18
Tax adjustment—other items	2	—	3	7	8	2	22	5	27
Adjustments—Total	4	6	21	25	45	9	110	18	128
Allocation of Current Income Taxes, with:									
Extraordinary items shown net of related tax	1	6	5	38	15	—	65	18	83
Extraordinary items shown in full amount	2	19	—	8	4	—	33	6	39
Only tax effect of extraordinary items shown	1	1	—	1	—	—	3	—	3
Deferment of income tax benefit	2	2	10	12	22	2	50	—	50
Reduction of deferred income tax benefit	3	—	2	4	6	—	15	—	15
Allocation—Total	9	28	17	63	47	2	166	24	190
Total	13	34	38	88	92	11	276	42	318

Number of Companies Presenting Special:	1961
Income tax adjustment items only (*Co. Nos. 30, 36, 99, 127, 167, 263)	56
Income tax allocation items only (*Co. Nos. 79, 156, 266, 331, 452, 525)	101
Both adjustments and allocation items (*Co. Nos. 8, 25, 148, 238, 365, 528)	54
	211
Number of Companies not presenting special items	389
Total	600

*Refer to Company Appendix Section.
**See Table 12 for Percentage of Materiality.
See Tables 13 and 14 for Extraordinary Items.

The percentage of materiality of income tax adjustments was determined by the ratio of such items to 1961 net income, computed without regard for either income tax adjustments or extraordinary items. Table 12 shows that 39 of such adjustments did not exceed a materiality percentage of 10 per cent; 11 items were within 11-20 per cent range of materiality; 22 items varied from 21-50 per cent; and 30 items exceeded 50 per cent of materiality. In the case of 26 of the 128 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 1961 reports, illustrate the presentation and treatment of adjustments in connection with prior year income taxes:

Adjustments for Prior Year Income Taxes

BLUE BELL, INC.
Notes to Financial Statements

Note 1: The Company's Federal income tax returns have been examined by the Internal Revenue Service through the year ended Novmber 30, 1959, and additional assessments resulting therefrom have been paid or provided for in the accompanying financial statements.

TABLE 12: INCOME TAX ADJUSTMENTS AND ALLOCATION—1961

Percentage of Materiality*

	Income Account							Retained Earnings Account							1961
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	2	1	2	1	—	2	8	—	1	1	2	—	1	5	13
Additional tax assessment or payment	2	1	—	1	4	4	12	1	—	—	—	—	—	1	13
Carry-back: Operating loss	1	3	1	5	9	2	21	—	—	—	—	1	—	1	22
Carry-forward: Operating loss	2	1	1	6	9	8	27	—	—	—	—	—	—	—	27
Interest expense on assessments	1	—	—	—	1	1	3	—	—	—	—	—	4	4	7
Interest received on tax refund	1	—	—	—	—	—	1	—	—	—	—	—	—	—	1
Tax adjustments not identified	7	4	—	4	—	1	16	1	1	—	—	—	—	2	18
Tax adjustment—other items	6	3	5	2	4	2	22	—	—	1	1	2	1	5	27
Adjustments—Total	22	13	9	19	27	20	110	2	2	2	3	3	6	18	128
Allocation of Current Income Taxes, with:															
Extraordinary items shown net of related tax	14	10	11	10	13	7	65	3	3	3	4	5	—	18	83
Extraordinary items shown in full amount	15	9	3	3	3	—	33	—	1	2	1	2	—	6	39
Only tax effect of extraordinary items shown	—	1	—	—	1	1	3	—	—	—	—	—	—	—	3
Deferment of income tax benefit	8	11	4	2	2	17	50	—	—	—	—	—	—	—	50
Reduction of deferred tax benefit	5	3	1	—	3	3	15	—	—	—	—	—	—	—	15
Allocation—Total	42	34	19	21	22	28	166	3	4	5	5	7	—	24	190
Total	64	47	28	40	49	48	276	5	6	7	8	10	6	42	318

	Accounts Adjusted for Special Items:		
Number of income tax adjustments	Income	Retained Earnings	1961 Total
For prior year accruals, etc.	110	18	128
For allocations arising from special items	166	24	190
Total	276	42	318

*See Table 11 for Presentation of Income Tax Adjustments. See Tables 13 and 14 for Extraordinary Items.
N—Percentage of materiality not determinable.

J. I. CASE COMPANY

Retained Earnings:

Balance at beginning of year	$ 13,100,391
Net loss for the year	(32,338,845)
	(19,238,454)
Deduct:	
Provision for additional federal taxes on income and interest thereon applicable to prior years (Note 7)	2,950,000
Provision for estimated losses and expenses on disposal and consolidation of plants, less gains on sale of miscellaneous properties	3,242,715
Provision for additional loss of equity applicable to investment in and advances to French subsidiaries (Note 4)	1,383,350
Dividends paid in cash in 1960:	
7% cumulative preferred stock—$7 per share	
6½% second cumulative preferred stock—$.455 per share	
	7,576,065
Balance at end of year (Note 6)	$(26,814,519)

Notes to Financial Statements

Note 7: *Federal Taxes on Income*—The liability for federal taxes on income and accrued interest thereon at October 31, 1961 resulted from agreed determinations of additional federal income taxes for the 1947 through 1954 fiscal years. The principal adjustment giving rise to such additional taxes involved the restatement of inventories.

With respect to years subsequent to 1954, there remain certain questions to be resolved with Treasury Department representatives; however, it is believed that the ultimate determination of these unsettled questions will not result in additional liabilities for federal income taxes.

Net operating losses during the 1960 and 1961 fiscal years have resulted in a total loss carry-over of approximately $46,000,000 which may be used to reduce taxable income for the years 1962-1966 inclusive.

GENERAL REFRACTORIES COMPANY

Profit from operations	$ 881,414
Other income and deductions:	
Income received from foreign affiliates	4,160,572
Gain on disposal of fixed assets, net	78,641
Dividends on stock of domestic companies	200,477
Royalties, purchase discounts, etc.	394,296
	4,833,986
Interest and other debt expense	1,269,538
	$3,564,448
Income before income taxes, etc.	$4,445,862
Provision for estimated federal and state income taxes payable for the year (Note 2)	—
Adjustments of federal income tax benefits (Note 4)	—
Net income (Note 2)	$4,445,862

Notes to Financial Statements

Note 2: The income tax deficiencies for the years 1954 through 1958 proposed by the Internal Revenue Service and the tax adjustments for the years 1959 and 1960, referred to in the Annual Report for 1960, will be settled in accordance with the provisions of a law enacted in September 1961, which applies to all years through 1960. As provided by this law, the company in January 1962 filed amended federal income tax returns for the years 1954 through 1960 and paid additional taxes and interest for those years aggregating $205,102. These amended returns are subject to examination by the Internal Revenue Service, but the amounts provided in prior years for additional income taxes appear adequate.

Note 4: The adjustments of federal income tax benefits charged (or credited) to income for the years 1960 and 1961 arise from the following:

	1961	1960
Excess of declining-balance depreciation claimed for income tax purposes over straight-line depreciation provided in accounts	$370,423	$505,464
Excess of normal depreciation provided in accounts on facilities covered by Certificates of Necessity over allowable tax amortization thereon	(245,415)	(312,135)
Total adjusted through reserve for deferred federal income taxes	125,008	193,329
Pension costs provided in accounts not deductible for income tax purposes	(125,008)	(213,817)
	—	($20,488)

OWENS-ILLINOIS GLASS COMPANY

Earnings from operations	$57,058,027
Other income:	
Dividends	3,641,048
Interest	1,895,775
Gain on sale of certain foreign properties	1,429,424
Miscellaneous	2,267,649
	$ 9,233,896
	66,291,923
Other deductions:	
Interest	3,733,975
Other expenses and losses	699,037
	$ 4,433,012
	61,858,911
Provision for U. S. and foreign income taxes less, in 1961, an adjustment of accruals for prior years arising from settlement of tax suits ($1,290,000)	27,500,000
Net earnings for the year	$34,358,911

HARBISON-WALKER REFRACTORIES COMPANY

Revenues:	
Products sold	$84,399,545
Dividends, interest and other income	878,961
	85,278,506
Costs:	
Employment:	
Wages and salaries	27,196,929
Social security taxes	1,177,723
Pensions (Page 1), insurance and other fringes	3,010,159
	31,384,811
Materials, supplies and services purchased	33,222,108
Depreciation and depletion	4,930,769
Interest	685,077
Minority shareholders' interest in subsidiaries' income	295,336
Taxes, other than payroll and income taxes	1,148,772
Federal, foreign and state income taxes (Page 1)	6,558,365
	78,225,238
Net Income for the Year	$ 7,053,268

President's Letter

Page 1: Public law 87-321 enacted September 26, 1961 first decided the basis of depletion allowed refractory clay and quartzite miners for 1951 through 1960. In federal income tax returns the Company calculated depletion on sales prices of crushed and ground products. The 1961 law affirms the same treatment processes at ⅞ of the price. To end lengthy negotiations without protracted and expensive litigation, tax returns for the 10 years were amended per elections available by the 1961 law, and resulting taxes and interest thereon were paid January 18, 1962. Taxes provided through 1961 are considered adequate.

HAZELTINE CORPORATION

Net income	$ 1,568,078
Unappropriated earned surplus:	
Balance at beginning of year	12,056,326
Adjustments resulting principally from final determination of contract adjustments and federal taxes on income applicable to prior years	248,778
	$13,873,182
Dividends paid in cash	1,254,423
Balance at end of year	$12,618,759

UNITED FRUIT COMPANY

Retained Earnings:	
Amount at beginning of year	$ 93,641,949
Net earnings for year	8,920,911
Non-recurring profits from sale of tropical properties (net after taxes)	4,162,581
Amount previously unappropriated for self-insurance restored to unappropriated retained earnings	—
Refundable United States income taxes for prior years	—
	106,725,441
Deduct:	
Dividends declared (1961—$.50 per share; 1960—$.75 per share)	4,340,742
Loss resulting from expropriation of assets in Cuba (net after taxes)	—
Write-down of certain tropical banana facilities to estimated economic value (net after taxes)	—
Adjustment of income taxes, principally pertaining to the 1960 write-down of certain tropical banana facilities to estimated economic value—Note 2	2,804,452
Provision for severance and death benefit payments (net after taxes)	—
Provision for International Railways of Central America litigation (net after taxes)	—
	7,145,194
Amount at end of year	$ 99,580,247

Notes to Financial Statements

Note 2: As previously reported, the book value of certain tropical banana facilities was written down in 1960 to estimated economic value as determined by the Board of Directors. This resulted in an estimated future tax benefit which is being amortized over the period 1960-1965. The estimated 1961 tax benefit was $1,675,900 less than anticipated last year. This amount has been charged to Retained earnings. Additional income tax adjustments increased the charge to Retained earnings to $2,804,452.

Tax Assessments, Refunds and Refundable Taxes

STANDARD KOLLSMAN INDUSTRIES INC.

Income before federal taxes on income	$6,357,711
Federal taxes on income (net of subsidiary's estimated refund of taxes in the amount of $537,150 for 1961)	3,167,950
Net income for the year	$3,189,761

CONGOLEUM-NAIRN INC.

Retained Earnings:	
Balance, December 31, 1960	$14,832,990
Add—Refund of 1941 Federal Excess Profits Tax and interest thereon	332,234
	$15,165,224
Less—Net loss for the year	219,732
Balance, December 31, 1961	$14,945,492

CROWN CENTRAL PETROLEUM CORPORATION

Income Before Taxes	$564,515
Taxes on Income—estimated:	
Refundable federal income taxes	71,473
Net Income	$635,988

DICTAPHONE CORPORATION

Profit from operations	$3,387,490
Other income, less interest on notes, $212,760 in 1961, $224,274 in 1960	142,930
Earnings before income taxes	3,530,420
United States and foreign income taxes less refunds, in 1961, of $83,000 relating to prior years	1,798,000
Net earnings	$1,732,420

MOHASCO INDUSTRIES, INC.

Retained Earnings:	
Balance at January 1	$38,325,234
Net income	2,559,827
	$40,885,061
Deduct:	
Dividends:	
Preferred stock:	
3½% series	$ 119,825
4.20% series	154,938
Common stock:	
Cash—$.45 per share	1,526,745
	$ 1,801,508
Additional Federal and State income taxes for prior years and interest thereon (Note 7)	844,145
	$ 2,645,653
Balance at December 31 (Note 5)	$38,239,408

Notes to Financial Statements

Note 7: . . . Settlements have been made with the Internal Revenue Service in connection with its examination of the income tax returns of Alexander Smith, Incorporated for the years 1950 and 1951. The effect of the settlements, excluding the 1951 Federal tax assessment, is shown as a charge in the statement of consolidated earned surplus. The Service is holding the 1951 assessment in abeyance as it is expected that it will be eliminated by a net operating loss carry-back from 1952. . . .

THE PURE OIL COMPANY

Costs and Expenses:	
Costs, operating, selling and general expenses	$402,259,374
Taxes paid (Including Federal income tax credit of $5,075,000 in 1961 and $250,000 in 1960) (Note 6)	132,221,051
Salaries, wages and employee benefits	74,483,064
Provision for depreciation, depletion and amortization (Note 3)	32,314,470
Interest expense	3,334,340
Cash discounts allowed	1,473,597
Income applicable to minority interests	149,221
	$646,235,117

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 1961 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 1961 reports of the survey companies.

Carry-back of Operating Loss

AMERICAN-SAINT GOBAIN CORPORATION

Loss Before Income Tax Credits	$1,321,830
Federal income tax credits arising from carryback of operating loss	553,200
Net Loss	$ 768,630

AMERICAN ZINC, LEAD AND SMELTING COMPANY
Notes to Financial Statements

Note 1: The amount shown as estimated federal income taxes for 1961 represents estimated claims for refund amounting to $378,145 arising from the carryback of a net operating loss deduction on a tax basis, plus an elimination of prior years' provision for federal income taxes no longer required amounting to $53,428.

ART METAL, INC.

Loss before income taxes and credits		$2,674,681
Income taxes and credits:		
British taxes on income of London branch, including adjustment of prior periods	$501,060	
Recoverable federal income taxes arising from carry-back of operating loss	500,000	1,060
Net loss		$2,675,741

ENDICOTT JOHNSON CORPORATION

Net sales	$132,977,631
Cost of products sold	115,624,736
	$ 17,352,895
Selling, general and administrative expenses	30,173,677
	$(12,820,782)
Other deductions, including interest expense of $1,466,857—1961; $1,355,692—1960	$ 1,507,453
Other income	291,487
	$ 1,215,966
	$(14,036,748)
Refundable federal income taxes arising from operating loss carryback (in 1961 based on a consolidated return; in 1960 after provision of $679,000 of subsidiary companies)	1,821,000
Net loss	$ 12,215,748

ERIE FORGE & STEEL CORPORATION

Loss Before Income Tax Credits		$2,085,938.98
Income tax credits:		
Refundable taxes on income of prior years, arising from carry-back of operating loss—estimated	$1,386,000.00	
Less federal taxes—deferred	364,000.00	
	$1,022,000.00	
Adjustment of prior year's tax provisions	1,696.19	1,023,696.19
Net Loss		$1,062,242.79

THE MURRAY CORPORATION OF AMERICA

Income (loss) before federal income taxes and extraordinary items	$(1,874,555)
Federal income taxes	—
Refund of federal income taxes (carry-back)	(536,314)
Income (loss) before extraordinary items	$(1,338,241)

THE NATIONAL SUGAR REFINING COMPANY

Net Sales and Other Operating Revenue	$199,799,935
Other Income	89,781
Total	$199,889,716
Costs and Expenses:	
Cost of goods sold (including depreciation: 1961, $1,625,607; 1960, $1,545,-951)	$190,469,736
Selling, general, and administrative expenses	8,328,394
Interest	871,791
Other	108,862
Federal taxes on income:	
Current (1961 credit resulting from carry-back of tax operating loss)	(160,914)
Deferred	153,914
State taxes on income	12,300
Total	$199,784,083
Net Earnings for the Year	$ 105,633

Carry-forward of Operating Loss

AMETEK, INC.

Gross Profit		$10,572,835
Expenses:		
Selling and advertising	$3,990,310	
General and administrative	1,272,241	5,262,551
		5,310,284
Other Deductions (Income):		
Interest expense	675,625	
Interest income	(107,029)	
Miscellaneous—net	(38,328)	530,268
		4,780,016
Provision for Federal Income Taxes (reduced by approximately $687,000 resulting from the carry-forward of prior years' losses of a subsidiary dissolved in 1961)		1,780,000
Net Income for the Year		$3,000,016

DAYCO CORPORATION
Notes to Financial Statements

Note 7: For income tax purposes, approximately $11,240,000 of the losses of the Company and certain of its subsidiaries in 1960 and 1961, are available as offsets to future taxable earnings of the applicable companies.

BUCYRUS-ERIE COMPANY
Income Statement

Costs and Expenses:	
Cost of products sold, exclusive of items shown below	$59,337,752
Product development, selling and administrative expenses	9,751,352
Depreciation of plant and equipment	2,702,171
Employees' retirement and pension insurance—Note C	994,430
Interest expense:	
On long-term borrowings	571,096
Other	207,431
Federal and state taxes on income (refundable)—Note F	510,167
	$74,074,399

Note F: Taxes on Income—Taxes on income for the year ended December 31, 1961 have been reduced by the carry-forward of an operating loss of the prior year and other adjustments to taxable income.

President's Letter

Net earnings after taxes were $2,081,530 or $1.12 per share in 1961, compared with a 1960 loss of $1,270,529 or 68 cents per share, and a $5.33 per share loss after special charges in that year. Taxes in 1961 were reduced by an operating loss carry-forward of the prior year and other adjustments to taxable income. There were no special charges in 1961.

THE CURTIS PUBLISHING COMPANY
Notes to Financial Statements

Note 11: Federal Income Taxes—No provision has been made for Federal Income Taxes for the year 1961. A consolidated return showing no taxable income will be filed. As carry-backs have been exhausted or eliminated, the resulting tax loss will be available for use against profits as they accrue in the future.

ELGIN NATIONAL WATCH COMPANY

Income before Federal income taxes	$113,946
Federal Income Taxes (Federal income taxes of $54,000 in 1961 and $424,000 in 1960 have been eliminated as a result of the carry forward of prior years' operating losses (Note 4)	—
Net income including Federal income tax reduction from carry forward of prior years' losses	$113,946

Note 4: As of February 26, 1961, prior years' operating losses of approximately $5,000,000 may be carried forward to 1963 and 1964.

INDIAN HEAD MILLS, INC.
Notes to Financial Statements

Note D: Federal Income Taxes—Consolidated income for 1961 includes approximately $1,300,000 of income not subject to federal income taxes. In addition, provisions for federal income taxes were reduced both in 1961 and 1960 by the application of operating loss carry-overs from prior years.

JACOB RUPPERT
Notes to Financial Statements

Note 8: No provision has been made for current year's Federal income taxes because of net operating loss deductions available from prior years, of which approximately $2,000,000 remains available for future years.

ALLOCATION OF INCOME TAXES

The problem of allocation of income taxes arises in those cases where there are material and extraordinary differences between the taxable income upon which such income taxes are computed and the income for the period determined in accordance with generally accepted accounting principles. For a comprehensive discussion of the allocation of income taxes and the method of applying the allocation principle, see the *Restatement and Revision of Accounting Research Bulletins* (Chapter 10, Section B) issued by the committee on accounting procedure of the American Institute of Certified Public Accountants, and also *Accounting Series, Release No. 53* published by the Securities and Exchange Commission.

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 text relating to Table 7 "Depreciation" also in this section.

Presentation of Income Tax Allocation

Table 11 shows there were 190 items of income tax allocation for extraordinary items and deferment of income tax benefits disclosed by the survey companies in their 1961 annual reports. In 83 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 7 of these cases. The extraordinary item was shown "in full amount" in 39 cases; however, two of these cases also disclosed the amount of "the related tax effect." Allocation of current income taxes was reported by 50 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 15 instances, a reduction of deferred tax benefit was disclosed. In the remaining three instances, the amount of the extraordinary item was not clearly determinable in the 1961 reports, and the current year entry showed only "the related tax effect" thereof. During 1961, the income account and the retained earnings account were utilized to reflect 166 and 24 allocations, respectively.

Examples

Extraordinary Items Shown Net of Related Tax

AMERICAN MACHINE & FOUNDRY COMPANY

Income Before Extraordinary Item	$25,096,850
Gain Resulting from Sale of Common Stock of the Black and Decker Manufacturing Company received in 1960 in exchange for capital stock of DeWalt, Inc., a wholly-owned subsidiary, less applicable federal income taxes and other related charges	2,419,834
Net Income	$27,516,684

THE BENDIX CORPORATION

Profit from Operations	$46,332,221
Other Income:	
Dividends received from non-consolidated subsidiary and associated companies	1,232,159
Profit on sale of capital stock of associated English company (1961, net of applicable charges, including Federal income tax of $1,322,308)	3,389,849
Miscellaneous	408,376
Total	5,030,384
Gross Income	51,362,605
Other Deductions:	
Interest expense	2,633,289
Miscellaneous	15,834
Total	2,649,123
Income Before Provision for Federal Taxes on Income	48,713,482
Provision for Federal Taxes on Income (1961, exclusive of amount allocated to stock sale above)	24,744,818
Net Income	$23,968,664

THE COLORADO FUEL AND IRON CORPORATION

Earnings (Loss)	$2,005,759
Loss on liquidation of Roebling electrical wire division (1961) and Claymont properties (1960), less Federal income tax credit	1,450,023
Earnings (Loss) after Special Deduction	$ 555,736

KELSEY-HAYES COMPANY

Earnings Before Special Items	$3,703,056
Special Items:	
Gain on sale of assets ($2,434,161 less applicable federal taxes on income of $600,000)	$1,834,161
Moving expenses and severance payments arising from relocation of certain manufacturing operations to Romulus, Mich. ($3,225,516 less applicable federal income tax credit of $1,700,000)	1,525,516
	$ 308,645
Net Earnings	$4,011,701

Extraordinary Items Shown in Full Amount

HAMILTON WATCH COMPANY

Other income or (deductions):	
Gain on sale of Canadian land	$131,600

PULLMAN INCORPORATED

Revenues:	
Sales of products and services, and royalties	$341,003,265
Profit on sales of property, plant and equipment	610,687
Interest and finance charges earned	3,274,695
Net income of Trailmobile Finance Company (Note 1)	1,093,295
Miscellaneous—net	737,365
	$346,719,307

NATIONAL STEEL CORPORATION

Net sales and other operating revenue	$648,366,101
Other income:	
Interest and discount earned	2,377,261
Dividends received	2,870,333
Miscellaneous	733,990
	$654,347,685
Deduct:	
Cost of products sold and operating expenses, excluding items set forth below	$510,145,767
Selling, administrative and general expenses	31,631,002
Provisions for depreciation and depletion	43,657,856
Interest, discount and expenses on long-term debt	8,371,761
Loss on disposals of properties (net of gains)	674,495
	$594,480,881
Income Before Federal Taxes Thereon	$ 59,866,804
Provision for federal taxes on income	26,950,000
Net Income	$ 32,916,804

Only Tax Effects of Extraordinary Items Shown

RICHFIELD OIL CORPORATION

Net income from operations	$23,101,277
Provision for loss on foreign investments	(3,800,000)
Reduction in Federal income taxes arising through abandonment of foreign properties on which geological and geophysical expenses were required to be capitalized for Federal income tax purposes but were expensed as incurred	3,900,000
Prior years provision for Federal income taxes no longer required	2,000,000
Net income	$25,201,277

ADMIRAL CORPORATION

Income:	
Net sales	$192,119,625
Interest earned, royalty income and sundry other income	1,428,813
Total income	193,548,438
Deductions:	
Cost of goods sold and operating expenses—Note E(4)	185,839,385
Interest expense	1,820,310
Provision for and (refund of) Federal, state and Foreign income taxes, including amount applicable to variation in the reserves for warranties—Note B	2,967,000
Minority shareholders' equity in net income or (loss) of subsidiary companies	6,478
Total deductions	190,633,173
Net income or (loss)—per accompanying consolidated statement of surplus	$ 2,915,265

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, 1960, 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.

Deferment of Income Tax Benefit

AMERICAN VISCOSE CORPORATION

Operating Income	$13,399,000
Estimated Income Taxes:	
State	$ 315,000
Federal	5,111,000
Deferred federal, Note 2	1,474,000
	$ 6,900,000
Net Operating Income	$ 6,499,000

Note 2: *Federal Taxes on Income*—Federal income tax returns for 1956 and prior years have been examined by the Internal Revenue Service and all issues have been settled. Depreciation on certain assets for income tax purposes has been computed on the sum of the years-digits method as permitted by the Internal Revenue Code. The amount so computed exceeds the depreciation recorded in the accounts and charges have been made to income for the tax deferral arising from such excess depreciation.

APCO OIL CORPORATION

Costs, Expenses and Taxes:	
Cost of sales	$34,630,418
Selling and general expenses	3,196,790
Taxes other than taxes on income	266,494
Interest and debt expense	948,583
Depreciation	555,792
Federal and State taxes on income:	
Current	$ 1,635,800
Deferred	140,000

THE FLINTKOTE COMPANY

Income before federal and foreign taxes on income	$21,052,009
Federal and foreign taxes on income:	
Currently payable:	
United States	6,919,884
Foreign	1,049,366
Deferred (Note 4)	1,604,019
	9,573,269
Net income	$11,478,740

Note 4: Depreciation deductions for certain fixed assets are determined for income tax purposes on accelerated methods and exceed book provisions on the straight-line method. Further, certain mine development costs are claimed for income tax purposes as incurred but for book purposes are deferred and amortized on a per-ton-mined basis. The resulting current tax benefits are deferred to subsequent periods when book provisions for depreciation and amortization will exceed the amounts allowable for income tax purposes.

GENERAL AMERICAN TRANSPORTATION CORPORATION

Income Before Federal Taxes Thereon		$30,501,983
Federal taxes on income—estimated	$11,089,000	
Deferred federal taxes on income—estimated—Note B	3,242,000	14,331,000
Net Income		$16,170,983

Note B: Federal Taxes on Income: Federal income tax returns of the Corporation and of subsidiaries have been examined by the Internal Revenue Service through the year 1958, and no matters relating to such examinations remain unresolved which involve a material amount of taxes on income.

Amounts of depreciation deductible in federal income tax returns are based upon accelerated rates permitted under the Internal Revenue Code and exceed those used for general accounting purposes. A reserve has been provided for estimated income tax deferred to future years applicable to the depreciation differences which arise from this practice. Other depreciation differences exist; however, it is impractical to estimate the effect thereof on the earnings of future years.

HOUDAILLE INDUSTRIES, INC.

Income Before United States and Canadian Taxes on Income	$6,018,070
United States and Canadian Taxes on Income —(including deferred taxes of $349,113)	2,855,000
Net Income (Note D)	$3,163,070

Note D: Effective as of January 1, 1961, for financial accounting purposes, the Corporation reverted to the straight-line method of depreciation for the Corporation and its United States subsidiaries. This change in method resulted in an increase of approximately $322,000 in net income for the year ended December 31, 1961.

INTERNATIONAL HARVESTER COMPANY

Income Before Taxes on Income	$93,232,881
Taxes on Income:	
Current provisions	43,501,672
Deferred credit—U. S. Federal income taxes	1,293,940
Total	44,795,612
Net Income	$48,437,269

Reduction of Deferred Tax Benefit

ALUMINUM COMPANY OF AMERICA

Income before United States and foreign taxes on income	$61,448,676
Provision for United States and foreign taxes on income:	
Current	23,464,609
Less, reduction in reserve for future taxes on income	5,064,609
	18,400,000
Net income for the year	$43,048,676

CITY STORES COMPANY

Income before federal income taxes	$ 349,304
Federal income taxes:	
Tax credit—reduction in deferred federal income taxes (net)—Note E	*1,520,000*
Net income	$1,869,304

Note E: Federal Income Taxes—The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes generally on the basis of cash collections. The deferred federal income taxes on installment sales are included in the current liability for federal income taxes.

The reduction of $1,520,000 in deferred federal income taxes (net) resulted from the offset of a prior year net operating loss carryover and other available deductions against taxable income which includes income arising from the sales of a portion of installment receivables and of rights to receive future rents.

The accompanying financial statements are subject to final determination of federal, state and local taxes.

FMC CORPORATION
Notes to Financial Statements

Note 6: Reserve for Deferred Federal Income Taxes—Deferred Federal income taxes represent a reserve for taxes resulting from claiming accelerated amortization for tax purposes in excess of normal depreciation recorded in the accounts on substantially all Certfiicate of Necessity facilities constructed since 1950. As the amortization period has expired for tax purposes on a significant portion of these facilities, appropriate portions of this reserve are being applied to offset the additional amount of Federal income taxes currently payable.

MONSANTO CHEMICAL COMPANY
Financial Review

In certain prior years, provisions were made for income taxes payable in future years resulting from the excess of depreciation and amortization of facilities constructed under Certificates of Necessity for income tax purposes over depreciation for accounting purposes. For the years 1961 and 1960, $4,049,000 and $3,021,000 of such taxes became payable and were charged against the reserve provided in prior years.

PITTSBURGH STEEL COMPANY
Notes to Financial Statements

Note C: Income Taxes—For the years 1953 through 1958, provisions were made for income taxes payable in future years resulting from the excess of amortization for income tax purposes over depreciation for financial statement purposes. For the years 1960 and 1961, $1,260,000 and $1,265,000 of such taxes became payable and were charged against the reserve provided in prior years.

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

[1]References, not reproduced.

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.

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 312 extraordinary items were disclosed in the 1961 annual reports of 222 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.

[2]References, not reproduced.
[3]References, not reproduced.
[4]References, not reproduced.

Table 13 summarizes the various methods of presentation of extraordinary items as shown in the 1961 annual reports. Of the 312 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 (31 items), and the balance (66 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 312 extraordinary items presented by the survey companies in their 1961 annual reports. The percentage of materiality of extraordinary items was determined by the ratio of such items to the 1961 earnings adjusted for both extraordinary items and prior income tax adjustment items. Table 14 shows that 142 of the extraordinary items did not exceed a materiality percentage of 10 per cent; 46 items were within an 11-20 per cent range of materiality; 45 items varied from 21-50 per cent, and 52 exceeded 50 per cent of materiality. In the case of 27 of the 312 extraordinary items, the reports did not contain sufficient information for determination of the materiality.

The income account was utilized for the recording of 246 extraordinary items, the retained earnings account for 64 extraordinary items, and the capital surplus account for two items. A combination of such accounts was frequently employed by the survey companies in recording the extraordinary items.

Examples

Illustrative examples showing the retained earnings and capital surplus accounts adjusted during 1961 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

AMERICAN MACHINE & FOUNDRY COMPANY

Income Before Extraordinary Item	$25,096,850
Gain Resulting from Sale of Common Stock of the Black and Decker Manufacturing Company received in 1960 in exchange for capital stock of DeWalt, Inc., a wholly-owned subsidiary, less applicable federal income taxes and other related charges	2,419,834
Net Income	$27,516,684

TABLE 13: EXTRAORDINARY ITEMS—1961

Nature of Extraordinary Item	Presentation in Report*: A: Income Statement: Listed Among Other Costs	A: Income Statement: Shown in Separate Last Section	A: Income Statement: Shown After Net Income for Year	A: Income: Set Forth Elsewhere: In Footnotes, President's Letter or Financial Review	Total Income or Not Determinable	B: Retained Earnings	1961 Total Items
Disposal or sale of:							
Fixed assets	58	15	8	5	86	6	92
Investments or securities	14	8	6	1	29	1†	30
Subsidiary, affiliate, or division	5	7	6	2	20	9	29
Other assets	2	3	—	1	6	—	6
Change in valuation bases:							
Inventory write-down to market	—	2	—	4	6	—	6
Change in investment valuation	4	1	—	—	5	4	9
Fixed assets conformed to "tax" basis	1	—	1	1	3	2	5
Other fixed asset adjustments	—	2	—	1	3	1	4
Miscellaneous adjustments	—	1	—	1	2	2	4
Expenses, losses, gains, etc.:							
Foreign exchange adjustments	10	3	2	2	17	1	18
Government contracts	—	—	—	—	—	2	2
Nonrecurring plant expenses	2	6	2	3	13	5	18
Various other gains and losses	6	2	2	7	17	4†	21
Various prior year adjustments	2	4	—	1	7	5	12
Catastrophe—fire, flood, etc.	3	—	1	1	5	1	6
Expenses re: issue of stock	—	1	—	—	1	2	3
Miscellaneous other items:							
Lump-sum intangible asset reduction	—	1	1	—	2	4	6
Higher plant replacement cost or extraordinary depreciation	—	—	—	—	—	1	1
Transfer to reserves or reversal	4	11	3	1	19	11	30
Other	2	2	1	—	5	5	10
Total	113	69	33	31	246	66	312

Number of Companies Presenting:	1961
Nonrecurring extraordinary items	222
No special items	378
Total	600

*See Table 14 for Percentage of Materiality. See also Tables 11 and 12.
†Includes one entry to capital surplus.

BATES MANUFACTURING COMPANY

Income from Operations	$470,588
Non-operating Items:	
Gain on securities	85,750
Gain on sale of assets of discontinued plants, net of income tax effect	—
Net Income for the Year	$556,338

MARTIN MARIETTA CORPORATION

Earnings Before Special Items	$42,012,166
Special Items:	
Profit on investment sold, less applicable Federal income taxes	3,890,031
Less stock issue expense in connection with consolidation	1,084,542
	2,805,489
Net Earnings	$44,817,655

PIPER AIRCRAFT CORPORATION

Other Income:	
Interest and dividends	$ 180,875
Interest expense	—
Excess of market value over cost of miscellaneous investment donated to The Piper Foundation (not subject to income taxes)	93,167
Gain on sale of miscellaneous investment	119,833
	393,875
	1,669,929
Provision for Income Taxes:	
Federal	735,000
State	80,000
	815,000
Net Income for the Year	$ 854,929

TABLE 14: EXTRAORDINARY ITEMS—1961

Nature of Extraordinary Items	Income Account: 0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Retained Earnings Account: 0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	1961 Total Items
Disposal or sale of:															
Fixed assets	34	14	11	8	7	12	86	—	—	2	2	1	1	6	92
Investments or securities	10	3	8	3	4	1	29	1†	—	—	—	—	—	1†	30
Subsidiary, affiliate, or division	3	3	6	1	6	1	20	—	1	3	1	4	—	9	29
Other assets	2	1	—	1	2	—	6	—	—	—	—	—	—	—	6
Change in valuation bases:															
Inventory write-down to market	—	—	—	3	1	2	6	—	—	—	—	—	—	—	6
Change in investment valuation	3	1	—	1	—	—	5	2	—	—	—	1	1	4	9
Fixed assets conformed to "tax" basis	1	1	—	1	—	—	3	—	—	1	—	1	—	2	5
Other fixed asset adjustments	1	1	1	—	—	—	3	—	1	—	—	—	—	1	4
Miscellaneous adjustments	1	—	—	—	1	—	2	—	—	—	1	1	—	2	4
Expenses, losses, gains, etc.:															
Foreign exchange adjustments	13	2	—	1	—	1	17	—	1	—	—	—	—	1	18
Government contracts	—	—	—	—	—	—	—	—	—	1	1	—	—	2	2
Nonrecurring plant expenses	1	1	1	3	5	2	13	—	—	—	1	3	1	5	18
Various other gains and losses	8	1	1	4	2	1	17	1†	2	—	—	1	—	4†	21
Various prior year adjustments	1	2	—	2	2	—	7	1	1	2	1	—	—	5	12
Catastrophe—fire, flood, etc.	1	3	—	—	1	—	5	—	—	—	—	—	1	1	6
Expenses re: issue of stock	1	—	—	—	—	—	1	1	—	1	—	—	—	2	3
Miscellaneous other items:															
Lump-sum intangible asset reduction	1	1	—	—	—	—	2	1	1	—	—	2	—	4	6
Higher plant replacement cost or extraordinary depreciation	—	—	—	—	—	—	—	—	—	—	—	1	—	1	1
Transfer to reserves or reversal	6	—	3	6	2	2	19	1	1	3	2	4	—	11	30
Other	—	2	2	1	—	—	5	2	1	—	1	—	1	5	10
Total	87	36	33	35	33	22	246	10	9	13	10	19	5	66	312

Percentage of Materiality*

Number of Companies, adjusting accounts:	Accounts Adjusted for Special Items: Income	Retained Earnings	Capital Surplus	1961 Total
For extraordinary items	183	37	2	222

*Ratio of item to 1961 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.

BELL & HOWELL COMPANY

Income:	
Sales	$113,075,714
Gain on sale of securities	1,119,233
Manufacturing royalties (principally foreign)	628,596
Dividends, interest, and sundry	400,347
	$115,223,890
Costs and expenses:	
Cost of products sold	$ 82,821,064
Selling, administrative and general expenses	23,719,528
Interest	1,066,994
Sundry	312,843
Taxes on income	3,401,345
	$111,321,774
Net Income for the Year	$ 3,902,116

THE BUDD COMPANY

Income (loss) from operations	$ (554,004)
Royalties, dividends, interest and other income	1,564,219
Interest and debt expense (deduct)	(977,646)
Net gain on sale of capital assets	112,572
Income before taxes on income	145,141
Estimated federal, state and foreign taxes on income	410,000
Net income (loss) before extraordinary items	(264,859)
Extraordinary items:	
Gains or (losses) relating to sales of properties and discontinuance of certain operations, less tax effect	(1,397,029)
Net income (loss) for the year	$(1,661,888)

Valuation Changes

LIGGETT & MYERS TOBACCO COMPANY

Net Sales	$516,708,042
Other Earnings:	
Interest and dividends received (Note 1)	846,920
Equity in net earnings of unconsolidated subsidiary companies (Note 1)	169,587
Total Earnings	$517,724,549

Note 1: As of January 1, 1961, the basis of stating investments in unconsolidated subsidiaries was changed from cost to equity in net assets of the subsidiary companies. This change in accounting practice decreased net earnings for 1961 by $16,413, and increased retained earnings at the beginning of the year by $718,805. The Company's equity in the subsidiaries' net earnings is recorded as additions to the investment accounts, and dividends received from subsidiaries are recorded as reductions of the investment accounts.

THE MEAD CORPORATION

Net Earnings for the Year	$12,288,909
Extraordinary Charges:	
Shutdown, abandonment and obsolescence of certain plants ($894,000 net of related income tax effect) and adjustment of costs of investments in three companies in excess of net tangible assets acquired ($902,441)	1,796,441
	$10,492,468

MEDUSA PORTLAND CEMENT COMPANY

Net Income	$3,840,989
Special credit—adjustment of prior years' depreciation and other items to conform to income-tax bases	542,528
Net Income and Special Credit	$4,383,517

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Net income before extraordinary items	$23,132,000
Extraordinary items:	
Gain on sale of 40% interest in Noranda Copper and Brass Limited (Note 7)	3,627,000
Loss resulting from write-off of manufacturing facilities no longer used, less Federal income tax reduction of $3,667,000	(3,500,000)
Net income for the year	$23,259,000

RELIANCE MANUFACTURING COMPANY

Other (charges) and credits:	
Losses of non-consolidated subsidiaries in liquidation	$ (810,708)
Interest expense	(488,169)
Other expense, net (principally write down of marketable securities)	(194,137)
Equity in net income of affiliated companies	292,052
Estimated recovery of federal income taxes under carry-back provisions	317,400
	(883,562)
Net (loss) for the period	$(2,665,079)

Notes to Financial Statements

The accounts of three wholly-owned and previously consolidated subsidiaries are excluded from consolidation, since they were in liquidation at December 2, 1961. The 1961 losses of companies in liquidation, aggregating $810,708, is included as a separate item in profit and loss for the year. The remaining investment at December 2, 1961 in these discontinued unprofitable operations is not significant.

DRAVO CORPORATION

Retained Earnings:	
Net income for the year, less dividends declared	$ 646,867
Retained earnings at beginning of year	44,716,072
Increase (or decrease) in appraised value of investments	2,593
Gain on retirement of preferred stock	—
Net gain (or loss) on sale of treasury stock	(10,404)
Retained Earnings at End of Year	$45,355,128

R. J. REYNOLDS TOBACCO COMPANY

Cost of goods sold, selling and general expenses, exclusive of items below	$1,244,591,200
Provision for depreciation	11,833,441
Interest and debt expense	7,335,084
Provision to reduce net carrying amount of investment in non-consolidated foreign affiliates	7,207,733
Provision for Federal and state taxes on income	144,883,000
Total Income Deductions	$1,415,850,458

Special Expenses, Losses, or Gains

BLAW-KNOX COMPANY

Net Operating Income	$ 4,709,568
Recoveries in 1961 of Costs in Excess of Contract Amounts—Missile Contracts—Excess Costs in 1960 and 1959	(7,892,058)
	12,601,626
Taxes on Income:	
Federal	6,708,000
Pennsylvania	442,000
	7,150,000
Net income for the year	$ 5,451,626

BURROUGHS CORPORATION

Costs and expenses:	
Cost of sales, rentals and service	$261,763,157
Administrative, selling and general expenses	99,059,567
Depreciation	14,669,431
Interest	5,676,022
Loss arising from decline in foreign exchange rates	552,191
	$381,720,368
Income before income taxes	$ 19,490,369

CORN PRODUCTS COMPANY

Minority interest	$ 1,292,473
	$43,000,017
Unrealized losses on foreign exchange, net	428,314
Net income for the year	$42,571,703

THE EASTERN COMPANY

Income Before Non-recurring Loss	$369,485
Non-recurring Loss—Net of Tax Credit (Note D)	148,150
Net Income	$221,335

Note D: Expenses related to the discontinuance of foundry operations at Wilmington, Delaware and to the relocation of Wilfrid O. White & Sons, Inc. from Boston, Massachusetts to Portland, Maine amounted to $148,150 after deducting applicable federal income tax benefit of $160,496.

ALLEN INDUSTRIES, INC.

Costs and expenses:	
Cost of products sold	$35,337,189
Selling, administrative, and general expenses	3,028,959
Loss on disposal of equipment	—
Provision (overprovision) for loss on disposal of plant	(83,535)
Interest, principally on long-term debt	62,879
	$38,345,492
Earnings Before Income Taxes	$ 2,730,237
Federal income taxes	1,440,000
Net Earnings	$ 1,290,237

THE AMERICAN TOBACCO COMPANY

Net Operating Income	$68,496,424
Provision for possible loss in 1960 (credit adjustment in 1961 for partial recovery) of leaf inventory in Cuba, less applicable federal income tax	*237,622*
Net Income	$68,734,046

THE GOODYEAR TIRE & RUBBER COMPANY

Net Operating Income	$81,323,401
Loss arising from devaluation of assets in foreign countries	4,844,511
Deduct: Application of reserve for foreign operations previously provided	885,203
	3,959,308
Provision for restricted earnings of certain foreign subsidiaries	1,175,000
	$ 5,134,308
Net Income for the Year	$76,189,093

THE HOBART MANUFACTURING COMPANY

Income Before Income Taxes and Exchange Adjustment	$11,831,564
Federal and Foreign Income Taxes	5,791,036
Income Before Exchange Adjustment	6,040,528
Exchange Adjustment	288,870
Net Income for the Year	$ 5,751,658

KENNECOTT COPPER CORPORATION

Costs and expenses:	
Cost of goods sold	$326,476,484
Depreciation and retirements	18,555,444
Selling and general administrative expenses	19,998,791
Shut-down expenses during strikes	3,223,300
Research, general exploration and prospecting, and miscellaneous charges	6,302,239
	$374,556,258
	$132,253,154
Provision for U. S. and foreign taxes on income	70,356,294
Net income	$ 61,896,860

McKESSON & ROBBINS, INCORPORATED

Net income	$10,039,876
Special item:	
Provision for unrealized depreciation in Colombian peso—Note 2	290,000
Net income and special item	$ 9,749,876

Other Extraordinary Items

AMERICAN CHICLE COMPANY

Total Earnings	$9,630,798
Special Item:	
General Reserves no longer required (Note C)	315,093
Total Earnings and Special Item	$9,945,891

CHRYSLER CORPORATION

Cost of products sold, other than items below	$1,797,185,882
Depreciation of plant and equipment	67,439,779
Selling and administrative expenses	203,241,531
Pension and retirement plans	32,617,856
Interest on long-term debt	9,375,000
Provision for extraordinary risks pertaining to international operations	5,500,000
Taxes on income—taxes in other countries, $1,500,000 in 1961	10,300,000
	$2,125,660,048
Net Earnings	$ 11,138,436

COLLINS RADIO COMPANY

Net Income	$2,545,352
Special Credit:	
Tax credit arising from liquidation of two subsidiaries, less $228,020 of goodwill written off in liquidation	538,553
Net Income and Special Credit	$3,083,905

DIANA STORES CORPORATION

Operating profit	$1,743,208
Other income (net)—including $45,000 credit in 1961 for self-insurance reserve no longer required	96,522
	$1,839,730

FOREMOST DAIRIES, INC.

Income Before Special Charge	$5,966,800
Provision for Extraordinary Losses (net of income taxes)	1,000,000
Net Income	$4,966,800

J. J. NEWBERRY CO.

Net earnings for the year	$3,485,911
Special credit:	
Restoration to income of reserve for self-insurance provided in prior years	1,206,194
Net earnings including special credit	$4,692,105

RAYONIER INCORPORATED

Profit from operations	$16,220,454
Interest expense	3,753,943
Other income (net)	1,459,588
	$ 2,294,355

President's Letter

Page 6: Forks Fire Lawsuit Concluded—After ten years of litigation, which at one point reached the Supreme Court of the United States, Rayonier won its suit against the United States Government for damages sustained in a serious forest fire that occurred in the Calawah River area in the vicinity of the town of Forks, Washington, during the summer of 1951. The timber on approximately 13,000 acres of company-owned land was burned in the blaze.

In late 1961, Rayonier received from the Government, in payment of the judgment obtained in the suit, a total of $895,000, of which $738,000 is being reinvested in timber without present tax. The remainder, being subject to income tax, has been included in the accompanying income statement in the item of other income.

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 15. There were 70 survey companies that presented such items in a separate last section of the 1961 income statements. Thirty-one companies indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year, 34 companies clearly indicated the *exclusion* of such charges and credits from the figure of net income for the year, while 5 companies were classified as "not determinable."

Examples illustrating the presentation of the final figure of the income statement of the 1961 reports where material extraordinary charges or credits are involved follow. Additional examples are given under "Extraordinary Items," in this section.

Indicating Exclusion from the Net Income

CANADA DRY CORPORATION	
Net Income	$3,678,613
Special Items:	
Extraordinary gain on disposal of plant property	420,786
Loss resulting from expropriation of Cuban subsidiary	—
Net Income and Special Items	$4,099,399

INTERNATIONAL MINERALS & CHEMICAL CORPORATION		
Net Earnings (1961—$3.07 per share; 1960—$2.97 per share)		$8,143,223
Special Credit (after taxes, including $275,000 deferred taxes) see Pages 6 and 8):		
Gain on sale of property	$3,613,382	
Losses on permanent plant closings	2,025,376	1,588,006
Amount Transferred to Retained Earnings		$9,731,229

TABLE 15: DESIGNATION OF FINAL FIGURE—1961

Number of Companies presenting:*	1961
Extraordinary Items in Separate Last Section of the Income Statement	
Indicating "exclusion" from the net income for the year by:	
Designating figure preceding extraordinary item as—	
A: *Net income for the year* and final figure of the income statement as *net income and special item*	28
B: *Net income for the year* and final figure of the income statement as *transferred to retained earnings*	6
Indicating "inclusion" in the net income for the year by:	
Designating figure preceding extraordinary item as—	
C: *Net income before special item* and final figure of the income statement as *net income for the year*	18
D: *Net operating income* and final figure of the income statement as *net income*	7
E: Setting forth an *undesignated* figure preceding extraordinary item and designating final figure of the income statement as *net income for the year*	6
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*	5
Total	70

*Refer to Company Appendix Section—A: Co. Nos. 9, 79, 130, 212, 332, 408; B: Co. Nos. 279, 293, 309, 342, 409, 536; C: Co. Nos. 59, 115, 207, 302, 359, 529; D: Co. Nos. 48, 80, 221, 425, 429, 472; E: Co. Nos. 32, 172, 220, 266, 578; F: Co. Nos. 153, 164, 253, 473, 568.

LEAR, INCORPORATED	
Net Earnings	$3,256,791
Special Income:	
Return of prior years' tax provision no longer required	$ 290,760
Gain on sale of marketable securities less federal income taxes of $245,000	700,740
Gain on sale of certain assets of the LearCal division, less related expenses, and federal income taxes of $220,000	—
	$ 991,500
Net Earnings and Special Income	$4,248,291

J. J. NEWBERRY CO.	
Net earnings for the year	$3,485,911
Special credit:	
Restoration to income of reserve for self-insurance provided in prior years	1,206,194
Net earnings including special credit	$4,692,105

PARAMOUNT PICTURES CORPORATION	
Net Income	$5,668,000
Profit on Sale of Investments, net of applicable income taxes	1,480,000
Net Income and Profit on Sale of Investments	$7,148,000

COLLINS RADIO COMPANY

Net Income	$2,545,352
Special Credit:	
Tax credit arising from liquidation of two subsidiaries, less $228,020 of goodwill written off in liquidation	538,553
Net Income and Special Credit	$3,083,905

THE COLORADO FUEL AND IRON CORPORATION

Earnings (Loss)	$2,005,759
Loss on liquidation of Roebling electrical wire division (1961) and Claymont properties (1960), less Federal income tax credit	1,450,023
Earnings (Loss) after Special Deduction	$ 555,736

THE ELECTRIC AUTOLITE COMPANY

Net Earnings for the Year	$ 2,847,023
Special Items:	
Net gain and other credits resulting from sale of plant assets of Fostoria spark plug and Owosso battery plant operations, the trade name "Autolite" and certain other related assets, less costs and expenses of terminating and relocating operations, net of estimated federal income and capital gains taxes thereon of $5,120,000	14,841,293
Provision for loss in value of plant and equipment, net of federal income tax effect	—
Net Earnings and Special Items	$17,688,316

HARNISCHFEGER CORPORATION

Net Income for Year (Note)	$1,701,348
Special Charge:	
Amount applicable to return of capital stock in exchange for return of certain manufacturing rights and technical information arising from termination of licensing agreement	$ 603,210
Balance to Retained Earnings	$1,098,138

Note: Includes income of Harnischfeger International Corporation S.A. (a Panama corporation) of $1,197,000 and $742,000, respectively, for which no provision for federal income taxes is required.

Indicating Inclusion in the Net Income

ANHEUSER-BUSCH, INCORPORATED

Income before nonrecurring loss	$16,007,538
Loss on disposition of Miami brewery less applicable reduction in income taxes	891,858
Net income for the year	$15,115,680

RICHFIELD OIL CORPORATION

Net income from operations	$23,101,277
Provision for loss on foreign investments	(3,800,000)
Reduction in Federal income taxes arising through abandonment of foreign properties on which geological and geophysical expenses were required to be capitalized for Federal income tax purposes but were expensed as incurred	3,900,000
Prior years provision for Federal income taxes no longer required	2,000,000
Net income	$25,201,277

GENERAL RAILWAY SIGNAL COMPANY

Net Earnings Before Special Item	$2,581,194
Nonrecurring gain on sale of investments, net of taxes and expenses	735,091
Net Earnings	$3,316,285

KELSEY-HAYES COMPANY

Earnings Before Special Items		$3,703,056
Special Items:		
Gain on sale of assets ($2,434,161 less applicable federal taxes on income of $600,000)	$1,834,161	
Moving expenses and severance payments arising from relocation of certain manufacturing operations to Romulus, Mich. ($3,225,516 less applicable federal income tax credit of $1,700,000)	1,525,516	
		$ 308,645
Net Earnings		$4,011,701

INDIAN HEAD MILLS, INC.

Profit before non-recurring income	$4,228,302
Non-recurring income (loss):	
Profit on sale of certain inventories of businesses acquired, less applicable expenses ($383,900 in 1961 and $260,746 in 1960) (Note A)	932,188
Provision for losses and expenses related to discontinuance of certain facilities	(828,000)
Other	—
	104,188
Profit before provision for federal and foreign income taxes	4,332,390
Provision for federal and foreign income taxes (Note D)	606,000
Net profit	$3,726,490

THE MURRAY CORPORATION OF AMERICA

Income (loss) before extraordinary items	$(1,338,241)
Extraordinary items:	
Inventory and tooling write-down (Note 3)	2,132,177
Moving and relocation expenses	254,350
Additional provision for doubtful accounts applicable to accounts receivable at beginning of year	436,967
Write-off of cost of process of subsidiary (Note 3)	152,559
Idle plant expense (less applicable federal income tax benefits of $288,000)	—
Loss on sale of Detroit real estate (less applicable federal income tax benefits of $1,163,000)	—
	2,976,053
Net loss for the year	$(4,314,294)

Note 3: *Extraordinary Items*—The Company provided a reserve, at August 31, 1961, to write down certain finished goods inventories and parts to estimated net realizable value and to write off unamortized tooling costs for models which are not being produced or for which there are contemplated changes. In the main, these write-downs are with respect to inventories on hand at the beginning of the year.

In 1957 the Company purchased substantially all of the outstanding stock of Ram, Inc., a company which was developing a process for forming clay shapes. The cost of acquiring the Ram process, in excess of the underlying value of this subsidiary's assets at date of acquisition, amounting to $152,559, was previously included in "investments and other assets." As a result of a reappraisal of this investment, the cost of the process was written off at August 31, 1961.

BOHN ALUMINUM & BRASS CORPORATION

Earnings Before Special Items	$ 808,198	
Special items:		
Gain recognized on account of anticipated distribution of trust assets relating to investment in Reo Motors, Inc. (Delaware), less applicable federal taxes on income of $213,000 (Note C)	$ 641,526	
Losses applicable to disposal of excess manufacturing facilities and expenses of transferring certain operations to other locations, less applicable federal income tax credit of $449,000	413,863	
	$ 227,663	
Net Earnings	$1,035,861	

Other

RITTER COMPANY, INC.

Net Income Before Special Items	$ 622,596
Special Items:	
Non-recurring inventory write-offs and related charges, less applicable income taxes of $812,000	(767,214)
Credit for income tax provision in prior years no longer required	200,000
Net Income Including Special Items (to Statement of Consolidated Retained Earnings)	$ 55,382
Per Share of Common Stock:	
Net income before special items	$0.53
Special items	(0.48)
Net income including special items	0.05

UNITED STATES SMELTING REFINING AND MINING COMPANY

Net Operating Profit Excluding the Following Items ((a), (b) and (c))	$1,954,319
(a) Net gain from sales of oil and gas interests	732,794
(b) (Loss) resulting from fluctuations in 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)	(469,752)
(c) Set aside for additional depletion reserve (see Page 5)	(732,794)
Net gain for the year including the foregoing items	$1,484,567

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.

Where 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.

Of the 600 companies included in the 1961 survey, 554 disclosed comparative earnings per share figures for two years or more. Eight companies disclosed earnings per share for the current year only, and 38 companies made no such disclosures.

Examples

The following examples selected from the 1961 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

CITY PRODUCTS CORPORATION
President's Letter

Net earnings in the fourth quarter were eighty-eight cents per share, compared with fifty-five cents in 1960. Based on 2,834,000 shares outstanding, earnings for the year 1961 were $1.63 a share, compared with $1.78 a share in 1960. Shares now outstanding reflect the two for one stock split and the 2% special stock dividend.

TABLE 16: EARNINGS PER SHARE—1961

Method of Presentation or Computation	1961
Comparative Earnings per share—	
Adjusted retroactively for:	
Stock dividends (*Co. Nos. 5, 10, 103, 143, 156, 283)	56
Stock splits (*Co. Nos. 33, 106, 133, 140, 260, 302)	34
Stock conversions (*Co. Nos. 10, 226)	2
Stock options or other increases:	
Based on number of shares outstanding at end of current year (*Co. Nos. 67, 94, 153, 278, 334, 561)	25
	117
Not adjusted retroactively for:	
Stock dividends (*Co. Nos. 198, 315, 368, 398, 423, 531)	9
Stock conversions (*Co. Nos. 11, 68, 152, 198, 288, 412)	7
Stock options or other increases:	
Based on number of shares outstanding at end of each year (*Co. Nos. 15, 111, 117, 242, 290, 338)	126
Based on average number of shares outstanding during each year (*Co. Nos. 73, 138, 188, 208, 238, 286)	42
	184
No adjustments necessary:	
No material change in number of shares outstanding during the year	257
Total	558

Number of Companies	1961
Disclosing comparative earnings per share	554
Disclosing earnings per share for current year only (*Co. Nos. 6, 21, 78, 91, 174, 183)	8
Not disclosing earnings per share (*Co. Nos. 4, 61, 77, 263, 289, 322)	38
Total	600

*Refer to Company Appendix Section.

NATIONAL COMPANY, INC.

President's Letter

Earnings:

We report earnings as follows:

	1957	1958	1959	1960	1961
Billings (millions)	\$5.6	\$7.4	\$12.9	\$11.0	\$6.1
Net profit (loss) after taxes	\$72,000	\$174,000	\$302,000*	\$327,000	(\$312,000)
Net profits per common share**	8¢	20¢	36¢*	39¢	(40¢)

*After a retroactive \$58,000 downward adjustment to 1959 earnings for patent and trademark revaluation.

**Based on the number of shares outstanding December 31, 1961, after giving effect to annual preferred dividends of \$11,448.

Notes to Financial Statements

Note 4: Changes in common stock and in capital in excess of par value:

	Common Stock (\$1 Par)	Capital In Excess of Par Value
Balances, December 31, 1960	\$785,806	\$1,592,046
Stock options exercised	2,701	12,523
Stock dividends paid	15,740	283,320
Balances, December 31, 1961	\$804,247	\$1,887,889

ALDENS, INC.

Highlights

	Fiscal year ended January 31 1961	1960
Operating Results:		
Net Sales	\$126,210,157	\$114,682,148
Net Profit before Taxes	7,741,207	5,861,931
Net Profit after Taxes	3,926,207	3,379,931(a)
Per Share:		
Earnings per Common Share	4.18	3.58(a)
Dividend Rate per Common Share		
Cash	1.20	1.20
Stock	5%	3%
Dividends Paid per Preferred Share	4.25	4.25
Equity (Book Value) per Common Share	34.06	30.32
At Year-end:		
Working Capital	56,986,629	32,916,332
Merchandise Inventories	15,820,149	14,575,142
Accounts Receivable	64,725,368	44,624,706
Ratio of Current Assets to Current Liabilities	2.76	2.82
Shares Outstanding at Year-end:		
Common	912,196	750,307
Preferred	25,895	26,770
Number of Shareowners:		
Common Stock	4,600	4,200
Preferred Stock	400	400

(a) Includes non-recurring special credit of \$460,000, equivalent to \$.50 per common share. 1959 per share earnings adjusted to reflect 1960 common stock dividend and issuance of common shares resulting from conversion of debentures.

COLUMBIA BROADCASTING SYSTEM, INC.

President's Letter

Detailed financial reports begin on page 29, and a ten-year financial summary appears on pages 34 and 35. The table below shows the key financial data for 1961 as compared with 1960.

	1961	1960
Net sales	\$473,843,935	\$464,598,318
Net income	22,037,828	23,235,074
Net income per share	2.55	2.69*

**Adjusted for Stock Dividend*

10-Year Financial Summary (Dollars in thousands)

	1961	1960	1959-53	1952
Income and dividends:				
Net sales	\$473,844	\$464,598	....	\$194,109
Income before federal income taxes	47,038	51,335	....	15,246
Less: Federal income taxes	*25,000*	*28,100*	....	*8,800*
Net income	\$ 22,038	\$ 23,235	....	\$ 6,446
Per cent of net income to net sales	4.7%	5.0%	....	3.3%
Net income per share (see note)	\$ 2.55	\$ 2.69	....	\$ .77
Cash dividends paid per share (see note)	\$ 1.40	\$ 1.36	....	\$ .45

Note: Based on the average number of shares outstanding in each year, adjusted for prior years' stock dividends and for 3 for 1 stock split in 1955. Stock dividends of 3% were declared in 1961, 1960, 1959, 1958 and 1957, 2% in 1956, 1955 and 1954.

INTERSTATE BAKERIES CORPORATION

President's Letter

Sales for the fiscal year 1961 were \$139,082,299 establishing a new high over any previous 52-week year in Interstate's history. This compares to sales of \$137,747,107 for 1960 (a 53-week year adjusted to a comparable basis). Earnings for 1961 (52 weeks) were \$2,723,485; for 1960 (53 weeks) \$3,725,447; and the rates per share Common were \$2.36 and \$3,36, respectively (on basis of 1,000,854 shares Common now outstanding).

Notes to Financial Statements

Note 3: Additional paid-in capital was increased \$252,821 in 1961, representing the excess of proceeds over par value of 12,950 shares of common stock issued under the Employee Stock Option Plan.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION
Highlights

Comparative Figures for the Five Years Ending December 31, 1961:

	1961	1960	1959-58	1957
Net Sales	$92,254,000	$67,940,000	. . .	$36,989,000
Profit Before Federal Taxes on Income	8,200,000	6,990,000	. . .	1,865,000
Net Profit and Special Credit	5,252,000	3,755,000	. . .	799,000
Dividends Paid	1,249,136	611,084	. . .	238,061
Net Worth	32,877,000	28,697,000	. . .	12,057,000
Number of Employees	5,493	5,424	. . .	2,352
Number of Stockholders	10,997	12,859	. . .	1,778
Shares Outstanding (Two-for-one split in 1961 and 1959)	2,498,272	1,222,168	. . .	476,122
Per Share (Based on 2,498,272 shares)				
Net Profit and Special Credit	$ 2.10	$ 1.50	. . .	$ .32
Net Worth	13.16	11.49	. . .	4.83

FALSTAFF BREWING CORPORATION

The Year at a Glance	1961	1960
Operations:		
Gross sales	$165,987,675	$159,735,085
Federal excise tax	45,656,178	43,801,000
Net sales	120,331,497	115,934,085
Earnings before income taxes	11,716,843	12,152,953
Income taxes	5,926,700	6,268,000
Net earnings	5,790,143	5,884,953
Percentage of net earnings to net sales	4.8%	5.1%
Return on average net worth	13.7%	15.1%
Earnings per common share	2.60	*2.66
Dividends paid or declared (common and preferred)	2,887,886	2,691,935
Percent of earnings distributed	49.9%	45.7%
Dividends paid or declared per common share	1.30	1.225
Depreciation of property and amortization of leasehold improvements	3,618,490	3,756,966

*For the purpose of comparability, earnings per common share for the year 1960 have been restated to give retroactive effect to the conversion, in 1961, of all of the shares of preferred stock outstanding at December 31, 1960, into shares of common stock.

Not Adjusted Retroactively for Stock Dividends, Stock Splits, Conversions, or Other Increases in the Number of Shares Outstanding

CHERRY-BURRELL CORPORATION
Highlights

	1961	1960
Net sales	$32,724,785	$35,181,561
Net earnings	250,137	453,252
Net earnings per dollar of sales	.8%	1.3%
Net earnings per share of common stock*	29¢	72¢
Dividends paid per share of common stock	40¢	40¢
Number of shareholders on October 31st	1,071	1,222
Working capital at October 31st	12,092,101	12,194,684

*Based on weighted average of outstanding shares

Notes to Financial Statements

Note C: Common stock, $5 par value, $8-1/3 stated value:

	1961	1960
Authorized shares	600,000	600,000
Issued:		
Shares	489,392	488,592
Amount	$4,078,267	$4,071,600

At October 31, 1961 there were options outstanding for the purchase of 3,250 shares of unissued common stock and 12,250 shares of treasury common stock at prices ranging from $11.16 to $13.25 per share. An additional 6,350 shares of unissued common stock were reserved for future options. During the year options were exercised for 800 shares at $9.75 per share and options for 1,450 shares were cancelled.

JANTZEN INC.
10 Year Summary

Per Share of Common Stock Outstanding after Preferred Dividends

Year Ended Aug. 31	*Net Earnings*	*Earned on Common**	*Cash Dividends*	*Stock Dividends at Market***	*Book Value Per Share* of Common*
1961	$1,781,357	$2.22	$ .80	$1.50	$20.97
1960	1,857,467	2.43	.80	1.70	20.50
1959	1,888,320	2.66	.80	.90	20.03
1958	1,294,033	1.88	.80	1.45	18.83
1957	1,416,085	2.23	.80	2.20	18.91
1956	1,770,878	3.09	.80	1.15	19.18
1955	1,239,614	2.26	.80	1.05	17.66
1954	1.268,408	2.45	.80	1.70	16.91
1953	1,080,574	2.30	.80	1.65	16.65
1952	907,594	2.27	.80	1.55	16.30

*After giving effect to preferred dividends and the increased number of shares outstanding at the end of each fiscal year.

**The cumulative effect of stock dividends during the past 10 years is that 100 shares held since 1951 would now be 195 shares.

THE MEAD CORPORATION
Highlights

Shareholders:		
Number of shareholders	10,210	10,197
Average number of Common Shares outstanding	5,473,575	5,430,415
Per Common Share:		
Net earnings (on average shares)	$ 2.21	$ 2.64
Cash dividends paid	$ 1.70	$ 1.70
Book value of common equity	$ 30.76	$ 30.51

ALLEGHENY LUDLUM STEEL CORPORATION
Financial Summary

With the upward trend in sales, net earnings for 1961 showed a marked increase, to $11,690,000, equal to $3.00 per share on the 3,890,775 shares outstanding at year-end. This was a gain of 34 per cent over the $8,750,000 reported in 1960, equal to $2.25 per share on 3,883,470 shares then outstanding.

Notes to Financial Statements

Note 5: *Capital Surplus*—The changes in capital surplus for the year ended December 31, 1961 are summarized below:

Amount at December 31, 1960	$38,385,638
Changes during 1961:	
Excess of the option price over the par value of 7,281 shares of common stock issued under employees' stock option plan	195,910
Excess of principal amount of convertible subordinated debentures over par value of 24 shares of common stock issued upon conversion, less adjustments for cash paid in lieu of fractional shares and unamortized debenture expense	1,301
Amount at December 31, 1961	$38,582,849

THE KENDALL COMPANY
Financial Highlights

Operations for the Year:

	1961 (52 weeks)	1960 (53 weeks)
Sales	$123,950,000	$111,617,000
Earnings before taxes on income	9,842,000	10,172,000
Federal, state and Canadian taxes on income	4,830,000	5,070,000
Net earnings	5,012,000	5,102,000
Per share of common stock after preferred dividends*	2.37	2.44
Capital expenditures	8,596,000	3,757,000
Depreciation charges	2,861,000	2,602,000
Cash dividends:		
Preferred stock	146,000	148,000
Common stock	2,450,000	2,229,000
Per common share**	1.20	1.10

*Based on number of shares outstanding at end of each year and after adjustment for stock split in 1960.

**Based on number of shares outstanding at dates dividends were declared and after adjustment for stock split.

LEAR, INCORPORATED
President's Letter

Sales of $92,146,000 produced operating earnings for the year of $3,257,000. In addition, there was special income of $991,500 resulting in total income for the year of $4,248,000. Based on 2,804,898 shares outstanding on December 31, 1961, operating earnings equaled $1.16 per share. This compares with 1960 earnings of $1.03 per share on 2,749,885 shares outstanding. Operating earnings for 1961 were up more than 15% over 1960 and with special income amounted to $1.51 per share.

Consolidated statement of additional paid-in capital

Balance at beginning of year	$7,310,267	$6,370,879
Excess of option price over par value of common stock sold to officers and employees under stock option plans (39,160 shares in 1961 and 46,087 shares in 1960)	384,135	346,696
Excess of fair value over par value of common stock issuable to employees as compensation (5,693 shares in 1961 and 6,483 shares in 1960)	119,211	110,924
Excess of conversion price over par value of common stock issued upon conversion of 4¼% convertible subordinated debentures, less unamortized financing expenses related thereto:		
10,160 shares converted at $12.50 a share in 1961; and 52,000 shares converted at $10.00 a share and 1,600 shares at $12.50 a share in 1960	120,129	481,768
Balance at end of year	$7,933,742	$7,310,267

THE DOW CHEMICAL COMPANY
Operations Summary

	1961	1960 Combined*	1960 as Reported
Net Sales	$817,514,653	$810,845,250	$781,433,740
Total Income	835,119,287	823,775,714	794,027,092
Depreciation, Amortization, and Depletion	89,817,571	78,988,572	78,405,260
United States and Foreign Taxes on Income	43,725,000	70,374,478	68,317,000
Net Earnings	64,439,878	84,328,906	82,404,342
Earnings per Share—Common Stock	2.23	3.02	3.01
Cash Dividends Declared—Common Stock	40,198,076		36,609,599
Common Stockholders' Interest	651,108,665		585,706,100
Shares of Common Stock Outstanding	28,862,717		27,362,631
Common Stockholders	95,700		87,300

During each of the above fiscal years the Company distributed Common Stock to its stockholders in the ratio of one share for each fifty shares held.

*The combined figures include the former Allied Laboratories, Inc. and its subsidiaries for the year ended December 31, 1959 and The Dow Chemical Company and its subsidiaries for its fiscal year ended May 31, 1960. (See Note A to financial statements on page 26.)

Stockholders and Shares Issued: Fiscal Year Ending May 31	1961	1960
Number of Stockholders	95,700	87,300
Shares Outstanding	28,862,717	27,362,631
This increase resulted from:		
Sales to Employees		132,523 shares
Conversion of 3% Debentures		284,765 shares
2% Stock Dividend		549,682 shares
Acquisition of Allied Laboratories		533,116 shares

CONTINENTAL BAKING COMPANY
Brief Comparative Summary

	1961	1960
Net Sales	$429,746,861	$415,563,567
Net Income	$ 7,564,146	$ 9,382,560
Net Income Per Dollar of Sales	1.76¢	2.26¢
Net Income Per Share of Common Stock (Based on average number of shares outstanding during year)	$3.43	$4.42
Dividends Paid Per Share of Common Stock	$2.20	$2.20
Federal Income Tax Per Share of Common Stock (Based on average number of shares outstanding during year)	$4.04	$5.49

Notes to Financial Statements

Note 4: Changes during the year in common stock, to which account total consideration has been credited, may be summarized as follows:

Outstanding at December 31, 1960—as originally reported	1,957,217	$31,511,066
Shares issued in a pooling of interests	38,000	794,715
Outstanding at December 31, 1960—as revised	1,995,217	32,305,781
Shares issued upon exercise of options	12,360	433,255
Outstanding at December 30, 1961	2,007,577	$32,739,036

In December 1961 the Company exchanged 38,000 shares of its common stock for the business and substantially all of the net assets of Holsum Bakers, Inc. and Di-Me Rental Corporation. The accompanying financial statements for both 1961 and 1960 include the accounts of these companies.

Earnings Per Share Figure for Current Year Only

BASIC INCORPORATED
1961 Financial Highlights

Total Income	$25,194,259
Net Cash Income	$ 2,831,872
Net Income	$ 1,622,060
Common Shareholders	3,543
Common Shares Outstanding	1,180,381
Per Common Share:	
Net Cash Income	$2.33
Net Income	$1.30
Dividend Rate	$1.00
Market Price Range (NYSE)	High 21¾ Low 15⅝

CRADDOCK-TERRY SHOE CORPORATION
President's Letter

The net income for the year, after providing $709,954. for Federal and State Income Taxes, was $675,714., up $40,944., or 6.45% from the previous year. The percentage of net income to net sales was 2.44%. Earnings on the Common Stock after payment of dividends on the 5% Preferred Stock, was $3.02 per share.

WAGNER ELECTRIC CORPORATION
President's Letter

Dollar volume of sales of Wagner Electric in 1961 amounted to $96,837,941 with net earnings after taxes amounting to $3,395,558, or $1.66 per share on the 2,042,868 shares outstanding at the end of the year. This compares to sales of $105,692,628 with net earnings after taxes of $4,245,869 in 1960. The reduction in total sales and profits can be attributed largely to a general decline in business activity in the markets we serve, accompanied by lower prices affecting our product lines.

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.

Since United States income tax is a factor to be considered where income from foreign operations is reported, disclosures in this connection should be fully incorporated. *Accounting Research Bulletin No. 43,* referred to above, discusses Income Taxes in general—Chapter 10, Section B, states in part:

> 4. . . . Income taxes are an expense that should be allocated, when necessary and practicable, to income and other accounts, as other expenses are allocated. What the income statement should reflect under this head, as under any other head, is the expense properly allocable to the income included in the income statement for the year.
>
> 18. If, because of differences between accounting for tax and accounting for financial purposes, no income tax has been paid or provided as to certain significant amounts credited to surplus or to income, disclosure should be made. However, if a tax is likely to be paid thereon, provision should be made on the basis of an estimate of the amount of such tax. . . .

The following analysis made from the 1961 annual reports of the 600 survey companies is indicative of current practice, though it has been difficult in many cases to ascertain from the reports the precise information required to make a more informative presentation. 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 operation; in any case it does not quite coincide with the treatment of other foreign operations in general.

Foreign Subsidiaries—Consolidated

Income fully taken up:

With U. S. tax provided for (by a reserve, or net after taxes, etc.)
(*Co. Nos. 3, 344, 373, 423)

With no provision for related U. S. tax on unremitted earnings evident
(*Co. Nos. 6, 74, 96, 430)

With no information as to the related provision for U. S. tax (*Co. Nos. 5, 75, 182, 405)

*Refer to Company Appendix Section.

Foreign Subsidiaries—Not Consolidated

Income fully taken up:

With U. S. tax provided for (by a reserve, or net after taxes, etc.)

(*Co. No. 437)

Income taken up only as dividends are received

(*Co. Nos. 36, 79, 109, 415)

Income not taken up—no reference to dividends received

(*Co. Nos. 16, 26, 323)

Foreign subsidiaries evident but no information as to the accounting treatment of income

(*Co. Nos. 84, 138, 222, 316)

Examples of various presentations found in the 1961 reports are as follows:

Foreign Subsidiaries—Consolidated With U. S. Tax Provided for All Income Including Unremitted Earnings

ANDERSON, CLAYTON & CO.
Notes to Financial Statements

Note 5: The company and its subsidiaries have made full provision as of July 31, 1961, 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, 1961, this appropriation for theoretical tax liability amounted to $5,599,969 as compared with $10,307,259 as of July 31, 1960, a decrease of $4,707,290 for the current year.

With No Provision for U. S. Tax on Unremitted Earnings

ADMIRAL CORPORATION
Notes to Financial Statements

Note A: *Principles of Consolidation*—

(1) The Company's policy is to include in consolidation all majority-owned domestic and foreign subsidiaries and to carry the investments in finance subsidiaries at underlying book equities.

(2) The accounts of the foreign consolidated subsidiaries were converted: (a) as to net current assets at the rates of exchange prevailing at the close of the year; (b) as to capital stock, investments and fixed assets at the rates prevailing at the time of acquisition; and (c) as to income and expenses (except depreciation) at the approximate average rates of exchange prevailing during the year and as to depreciation at the exchange rates applicable to the related fixed assets.

As to the Companies located outside the United States and Canada, the aggregate of the amounts applicable thereto included in the accompanying consolidated balance sheet as at December 31, 1961 in respect to total assets, current assets, and current liabilities represent 7.50% (of which 2.03% are pledged as collateral to foreign bank loans), 7.55% and 11.64%, respectively, of the consolidated totals. The consolidated net income for the year ended December 31, 1961 is after reflecting a net loss of $420,061 attributable to the operations of these subsidiaries.

(3) The undistributed earnings of the domestic and foreign subsidiary companies (after eliminating inter-company profits) included in the consolidated earned surplus at December 31, 1961 amounted to $13,947,880. Such amount may be subject to Federal, state and Foreign income taxes at rates of tax prevailing (less applicable offsetting credits) if and when transferred in the form of dividends to their respective parent companies; no provision for such taxes has been made in the accompanying consolidated financial statements.

*Refer to Company Appendix Section.

Foreign Subsidiaries—Not Consolidated With U. S. Tax Provided for All Income Including Unremitted Earnings

PHILIP MORRIS INCORPORATED
Consolidated Statement of Earnings

	1961	1960
Earnings before provision for taxes on income and before equity in net earnings of unconsolidated foreign subsidiaries	$45,214,278	$43,717,440
Provision for federal and other taxes on income	24,364,000	23,370,292
Equity in net earnings of unconsolidated foreign subsidiaries	660,995	637,266
Net earnings	$21,511,273	$20,984,414

Eight-Year Financial Review

	1961	1960
Earnings before federal and other taxes on income (Note 2)	$45,214,000	$43,717,000
Net earnings	$21,511,000	$20,984,000

Note 2: Excludes equities in net earnings of unconsolidated foreign subsidiaries more than 50% owned, less related federal taxes on income; such equities are included in net earnings for all periods since dates of acquisition.

Notes to Financial Statements—year ended December 31, 1960

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.

Income Taken Up Only as Dividends Are Received

BRISTOL-MYERS COMPANY
Statement of Consolidated Earnings

Income:	
Sales, less returns	$164,420,656
Royalties	3,910,063
Interest	580,793
Dividends received from unconsolidated foreign subsidiaries	418,503
Gain on sale of securities	133,713
Miscellaneous income	126,944
	$169,590,672

Notes to Consolidated Financial Statements

Basis of Consolidation: The consolidated financial statements include the Company and all wholly-owned North American (United States and Canadian) subsidiaries. Subsidiaries operating in other countries have not been consolidated, but dividends received from such unconsolidated subsidiaries are included in reported net earnings.

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.

The accounting research division of the American Institute of Certified Public Accountants published in 1961 *Accounting Research Study No. 2—"Cash Flow" Analysis and The Funds Statement*. These "studies are designed to provide professional accountants and others interested . . . with a discussion and documentation of accounting problems. The studies are intended to be informative, but tentative only." However, since this study is pertinent to our topic, the following *Highlights* may be of interest:

> "Cash flow" in financial analysis means net income after adding back expense items which currently do not use funds, such as depreciation. It may also involve deducting revenue items which do not currently provide funds, such as the current amortization of deferred income. It corresponds to the "funds derived from operations" in a statement of source and application of funds.
>
> The *concept* of "cash flow" can be used effectively as one of the major factors in judging the ability to meet debt retirement requirements, to maintain regular dividends, to finance replacement and expansion costs, etc.
>
> In no sense, however, can the amount of "cash flow" be considered to be a substitute for or an improvement upon the net income, properly determined, as an indication of the results of operations or the change in financial position.
>
> Statistics and comments relating to the "cash flow" should not be presented in the annual report of a corporation apart from or without reference to the funds statement.

The following tabulation shows the results of our analysis of the 600 companies included in this survey for the past two years.

Number of Companies:	1961	1960
Referring to "cash flow"	80	61
Not referring to "cash flow"	520	539
Total	600	600

Method of Presentation or Location in Reports	1961	1960
Referred to in:		
President's letter or financial review	42	37
Operating summaries or statistics	16	4
Highlights	9	9
Separate statements	8	8
Chart form	6	12
Total	81	70

As indicated by the above tabulation 80 companies referred to "cash flow," "cash flow earnings," or "internal cash generation," etc., in 1961 compared with 61 companies in 1960. Statements of "working capital" or "source and application of funds" (referred to above as "the funds statement") which are not recent additions to accounting literature, are not as such, included in this presentation, but are treated elsewhere in this survey.

Of the above-mentioned 80 companies referring to cash flow, 37 presented it in dollar amount (*Co. Nos. 8, 121, 274, 359, 379, 497); 11 presented it in per-share amount (*Co. Nos. 175, 234, 247, 257, 517, 530); 27 presented it in both total and per-share amounts (*Co. Nos. 31, 44, 78, 193, 398, 430); 6 presented it in chart or graph form (*Co Nos. 72, 78, 97, 147, 418, 543). Examples follow.

Presented in Dollar Amount

THE AMERICAN SUGAR REFINING COMPANY
Financial Review

Cash Flow: During the year, additions and improvements to property, plant and equipment aggregated $9,087,498 and long-term debt was reduced $1,640,000. These funds were generated principally from depreciation of $7,208,059 and income retained in the business of $3,451,756.

JOSLYN MFG. AND SUPPLY CO.
President's Letter

The following summary of financial changes sets forth the use of our cash flow from operations for the last two years:

	1961	1960
We Received Funds from Sales and Services	$82,585,000	$85,050,000
We Paid Out for		
Materials and services	$51,803,000	$54,248,000
Payroll and other employee benefits	21,459,000	21,741,000
Taxes	4,201,000	4,010,000
Total costs and expenses (other than depreciation)	$77,463,000	$79,999,000
Cash Flow from Operations	$ 5,122,000	$ 5,051,000
Other Sources of Funds	—	103,000
Total Funds Provided	$ 5,122,000	$ 5,154,000

PENN FRUIT CO., INC.
President's Letter

Financial Position: As the close of fiscal 1961, working capital amounted to $12,279,996. The ratio of current assets to current liabilities was 2.78 to 1. Internal cash generation, represented by depreciation, retained earnings and tax deferrals, totaled $2,058,086.

*Refer to Company Appendix Section.

J. P. STEVENS & CO., INC.
President's Letter

Sales and Earnings: Total sales were $495,441,000 compared with $512,655,000, a drop of about 3½%. Net earnings, after taxes, were $10,541,000, compared with $15,303,000 in 1960. Net income per share declined to $2.52 on the 4,186,760 shares outstanding at the end of the fiscal year, compared with $3.65 per share on the 4,188,560 shares outstanding at the end of 1960.

Adding back depreciation charges to net earnings, the Company had a cash flow of $26,000,000 for 1961, compared with $28,000,000 for 1960. Depreciation charges for 1961 amounted to $15,342,000, which was $2,707,000 greater than in 1960. Of this increase, approximately $1,675,000 resulted from the adoption of the revised depreciation rates for textile machinery which the Treasury Department announced in October. This additional depreciation under the revised rates had the effect of reducing net income after taxes by 18¢ per share.

Presented in Per-share Amount

CITY PRODUCTS CORPORATION
Highlights

	1961	1960
Per share of common stock outstanding at each year end—(Note 1):		
Net income	$1.63	$1.86
Depreciation, depletion and amortization	2.28	2.20
Cash flow	$3.91	$4.06
Cash dividends	1.30	1.27
Stock dividend	2%	—

Note 1: Adjusted to give effect to the two-for-one stock split in May 1961 and the 2% stock dividend paid June 30, 1961.

HEYDEN NEWPORT CHEMICAL CORPORATION
President's Letter

Financial Condition: Cash flow from earnings, depreciation and deferred federal income taxes in 1961 was $2.83 per average number of shares of common stock, a decrease of 91¢ from the 1960 figure. Expenditures for capital additions in 1961 were $3,669,000, a marked decrease from the 1960 expenditures of $6,844,000.

H. K. PORTER COMPANY, INC.
President's Letter

Depreciation for the year 1961 amounted to $7,964,130 or $7.37 per share of common stock, compared with $7,438,203 or $6.88 per share in 1960. Cash flow (earnings plus depreciation) for 1961 was $9.41 per share of common stock compared with $9.45 per common share for 1960.

AMERICAN VISCOSE CORPORATION
Financial Review

The cash flow for 1961—that is, depreciation of $14.7 million together with net income of $9.8 million—was equal to $5.17 per share.

Presented in Both Total and Per-share Amounts

BLUE BELL, INC.
Highlights

	1961	1960
Per Share of Common Stock:		
Depreciation and amortization	$1.17	$1.23
Taxes on income	2.74	2.26
Net income	2.38	1.94
Cash flow (net income plus depreciation and amortization)	3.55	3.16

Financial Review

Cash Flow: The cash flow from operations in 1961 amounted to $2,547,174, the equivalent of $3.55 per share of common stock outstanding. In 1960, cash flow was $2,183,696, or $3.16 per share. Cash flow as used herein consists of net income, after taxes, plus depreciation and amortization.

CROWN ZELLERBACH CORPORATION
Financial Review

Cash Flow: Cash flow from operations—net income, plus expenses which did not require cash outlay, principally depreciation, depletion, and provision for deferred income taxes—totaled $70,818,000. This is a new high for the company and is equal to $4.57 per share, compared with $4.51 per share, adjusted for a 10% stock distribution, in 1960.

Cash flow represents the amount of cash generated from operations available for plant expansion and payments on debt as well as for payment of dividends and other corporate purposes.

G. C. MURPHY COMPANY
Financial Review

Cash Flow and Working Capital: The cash flow from operations was $12,291,725 or $5.87 per share, with depreciation, amortization and deferred taxes of $4,340,659 adding to funds provided by net earnings. Working capital of $39,050,579 at the year end reflected the following changes:

Total cash flow	$12,291,725
Purchase of treasury shares	1,297,500
Net additions to property, equipment and other assets	7,596,306
Payments on term notes payable, net	996,673
Dividends to shareholders	4,872,750
Total funds expended	$14,763,229
Reduction in Working Capital	$ 2,471,504

At the year end the ratio of current assets to current liabilities was 2.95 to 1 compared with 3.77 to 1 a year earlier.

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 1961 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, 1960, and 1961 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 1961 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 year under review, 559 survey companies declared cash dividends. Of these companies, 273 displayed such dividends in the retained earnings statement, 250 companies disclosed the cash dividends in a combined income and retained earnings statement, and the remainder used various other methods of presentation, as shown in Table 1.

In 518 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, 1960, and 1961 is given in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

Of the 600 survey companies, 396 reported in 1961 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 source.

Cash Dividend Restrictions—Examples

Typical examples of restrictions limiting the declaration of cash dividends, as presented in the 1961 reports, are as follows:

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Presented:	1961	1960	1955	1950
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in:				
Retained earnings statements (*Co. Nos. 7, 13, 34, 131, 224, 446)	271	278	310	325
Combined retained earnings and income statement (*Co. Nos. 67, 82, 123, 294, 345, 418)	217	212	182	150
Combined retained earnings and capital surplus statement (*Co. Nos. 54, 174, 561)	3	2	7	20
Stockholders' equity statement (*Co. Nos. 62, 100, 229, 371, 479, 531)	19	20	14	11
Balance sheet (*Co. Nos. 66, 83, 108, 320, 356, 421)	6	5	14	17
Unclassified surplus statement (*Co. No. 435)	1	1	7	8
Combined unclassified surplus and income statement (*Co. No. 318)	1	1	2	2
	518	519	536	533
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in:				
Retained earnings statement (*Co. Nos. 249, 251)	2	1	5	5
Combined retained earnings and income statement (*Co. Nos. 26, 53, 75, 119, 232, 327)	33	36	32	33
Income, costs, and changes in capital investment	—	1	—	—
Stockholders' equity statement (*Co. Nos. 268, 412, 572)	3	1	1	—
Statement of surplus	—	—	1	—
	38	39	39	38
At the foot of the income statement (*Co. Nos. 484, 569)	2	4	8	10
In a supplementary schedule (*Co. No. 424)	1	1	1	1
Within the "Distribution of Net Income" statement	—	—	2	3
	3	5	11	14
Number of Companies				
Declaring cash dividends	559	563	586	585
Not declaring cash dividends	41	37	14	15
Total	600	600	600	600

*Refer to Company Appendix Section.

LONG-TERM INDEBTEDNESS

ARMCO STEEL CORPORATION
Shareholders' Equity
Income Retained in the Business (Note 4) $455,952,346

Note 4: At December 31, 1961, under restrictive provisions of the instruments relating to long-term debt, the unrestricted balance of consolidated income retained in the business out of which dividends could be declared was approximately $322,000,000.

ART METAL, INC.
Retained Earnings
Retained earnings at end of year (see note below) $110,797,051

Note: Under note agreements, retained earnings in the sum of $66,079,000 on December 31, 1961 were unrestricted for the payment of dividends.

THE BOEING COMPANY
Notes to Financial Statements

Long-Term Debt and Restrictions on Retained Earnings:

5% Sinking Fund Debentures, less $5,899,000 reacquired debentures in treasury	$34,101,000
4½% Convertible Subordinated Debentures	30,537,000
	$64,638,000

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are $2,700,000 annually beginning in 1964. Reacquired debentures may be applied against requirements.

The 4½% Convertible Subordinated Debentures, due in 1980, are convertible at two shares for each $100 principal amount. Of the company's unissued capital stock, 610,750 shares are reserved for conversion of the debentures. 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, 1961, the maximum amount of retained earnings restricted under these indentures was $39,890,000.

BRIGGS MANUFACTURING COMPANY
Income Statement
Retained earnings at end of year (Note 3) .. $8,034,911

Note 3: *Long-Term Debt*: Under a loan agreement dated December 15, 1961, the company owed $1,100,000 at 4¾% interest to the National Bank of Detroit. Interest is payable monthly to and including September 20, 1962 and thereafter monthly installments of $20,000 including interest are to be made on the note until fully paid. Under certain conditions the entire balance or any part thereof may be prepaid at any time without penalty. The loan is secured by a first mortgage on approximately 91% of the net book value of all land, buildings, fixtures, furniture and equipment owned by the company and by an assignment of the capital stock of the subsidiary company. Under the terms of the loan agreement, the company agrees among other things unless the bank shall otherwise consent, it will not:

(a) Permit consolidated working capital to decline in any manner below $2,500,000.
(b) Declare or pay dividends (except stock dividends) or make any other distributions if after giving effect thereto (i) the aggregate amount of such dividends or distribution declared or paid after December 31, 1961 will exceed consolidated net earnings after such date or (ii) consolidated working capital will be less than $3,000,000.

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1961	1955	1951
Long-term indebtedness (*Co. Nos. 42, 107, 214, 350, 432, 525)	356	303	258
Preferred stock requirements (*Co. Nos. 78, 137, 263, 392, 440, 542)	34	49	43
Credit agreements (*Co. Nos. 31, 41, 92, 133, 241, 430)	34	22	21
V-loan agreements (*Co. Nos. 152, 168)	2	8	14
Treasury stock (*Co. Nos. 184, 221, 540)	5	8	7
Dividend arrearage (*Co. Nos. 289, 445, 512)	5	—	4
Articles of incorporation (*Co. Nos. 16, 85, 193, 233, 352, 417)	23	18	27
Elkins Act Decree (re: oil pipe lines) (*Co. Nos. 274, 518, 531)	3	3	6
State statutory limitation	—	—	2
Board of directors' resolution (*Co. Nos. 61, 123)	2	1	1
Restriction not described (*Co. No. 274)	1	2	8
Foreign statutory limitation (*Co. Nos. 57, 96, 266, 344, 518)	5	4	2
Various other (*Co. Nos. 340, 404)	2	3	—
Total	472	421	393

Number of Companies	1961	1955	1951
Referring to dividend restrictions	396	350	313
Not referring to dividend restrictions	204	250	287
Total	600	600	600

*Refer to Company Appendix Section.

(c) Redeem, retire, purchase or otherwise acquire any shares of its capital stock.

(d) Incur or permit to remain outstanding any other indebtedness for borrowed money except an amount not to exceed $80,000 and prior to February 28, 1962, unsecured indebtedness not to exceed $900,000 in connection with the acquisition of plant facilities.

The company has a commitment under the loan agreement to borrow an additional $900,000 from the bank on or before February 28, 1962 and at that time to execute a mortgage of the balance of land, buildings, fixtures, furniture and equipment not heretofore mortgaged.

At December 31, 1961 none of the retained earnings was available for the payment of dividends.

UNITED MERCHANTS AND MANUFACTURERS INC.

Long Term Debt (Note E)	$57,500,000

Note E: *Long Term Debt and Restrictions on Surplus*—The Corporation borrowed $47,500,000 from the Metropolitan Life Insurance Company under the terms of a new loan agreement dated February 23, 1961, and liquidated $32,000,000 of its prior long term debt to the insurance company. The note issued under the new agreement is payable in annual installments of approximately $2,420,000 commencing March 1, 1964 through March 1, 1980, with the balance of $6,385,000 due on March 1, 1981.

In addition, the Corporation borrowed $10,000,000 from a bank under the terms of a loan agreement dated September 7, 1960. The note issued for this loan is payable in five annual installments of $1,500,000 commencing September 15, 1962, with the balance of $2,500,000 due on September 15, 1967.

The aforementioned loan agreements provide various restrictions relating, among other things, to the creation of funded debt and mortgage indebtedness, investments, disposition of capital stock of subsidiaries, mergers and consolidations, purchase of the Corporation's own stock and payment of dividends other than stock dividends. As at June 30, 1961, the amount of surplus not restricted for payment of Common Stock dividends and for acquisition of the Corporation's own stock approximated $26,000,000.

GRANITE CITY STEEL COMPANY

Stockholders' Equity Statement

Earnings Reinvested in the Business:			
Net income for the year			$ 9,010,675
Less—			
Dividends paid in cash—			
Series B 5½% Preferred Stock	$ 4,348		
Common Stock, $1.40 per share	6,044,587		
		$6,048,935	
Premium on redemption of 3,162 shares of Series B 5½% Preferred Stock		25,296	6,074,231
Earnings reinvested in the business during year			$ 2,936,444
Amount at beginning of year (after stock dividends totaling $6,015,804)			65,233,051
Amount at end of year ($55,854,000 restricted as to cash dividends under applicable indenture provisions)			$68,169,495

WALTER KIDDE & COMPANY, INC.

Convertible debentures and other long-term debt (Note 4)	$6,287,826

Note 4: Long-term debt consists of—

4.9% promissory notes, due April 1, 1972	$3,391,000
5% Convertible Subordinated Debentures, due April 15, 1972	3,000,000
5½% Chattel Mortgages on capital equipment	107,584
	6,498,584
Less, Amount included in current liabilities	210,758
	$6,287,826

In each of the years 1963-1972, the Company is required to pay an instalment of $308,000 on the promissory notes, except in the year 1965 when there will be two instalments in the amount of $308,000 each. In addition, the Company is required to pay an amount equal to 25% of the consolidated net income of the Company and its domestic subsidiaries for the preceding fiscal year in excess of $800,000. The second instalment of $308,000 due in 1965 may be prepaid at any time; until this instalment is paid, the Company cannot pay or declare any dividends nor make any other distributions on any capital stock other than dividends payable in capital stock.

Under the terms of the loan agreement, the consolidated working capital of the Company and its domestic subsidiaries is required to be at least $6,000,000; at December 31, 1961, the amount of such working capital was approximately $10,125,000.

LIBBY, McNEILL & LIBBY

Long Term Debt (Note 4):	
Promissory Notes, current interest rate 4½%	$10,000,000
2⅞% Sinking Fund Debentures, due 1967	7,000,000
3% Promissory Notes, due serially to 1969	4,200,000
3½% Sinking Fund Debentures, due 1979	11,400,000
5% Convertible Sinking Fund Debentures, due 1976	9,817,400
	$42,417,400

Note 4: *Long Term Debt and Indenture Provisions*—The Promissory Notes due December 1, 1961 will be converted on that date into term loans maturing in five equal annual instalments commencing on December 1, 1962 and bearing interest at rates of 4⅝% on the first two instalments and 4¾% on the last three instalments.

The 5% Convertible Sinking Fund Debentures are convertible into common stock of the Company at $14.80 per share to December 15, 1966, $16.70 per share thereafter to December 15, 1971, and $18.75 per share thereafter to December 15, 1976. At July 1, 1961, 707,257 shares of common stock were reserved for conversion of the debentures.

Under provisions of the indentures and loan agreements, the amount of earnings retained in the business at July 1, 1961 available for the payment of cash dividends and the purchase of the Company's capital stock was $6,286,710.

ELECTROLUX CORPORATION

Long-Term Liabilities:

4½% loan payable to an insurance company in annual instalments of $1,000,000 (Note C)	$5,000,000
5¼% mortgage bonds of subsidiary payable 1963 to 1966	400,000
	$5,400,000

Note C: 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 three voluntary prepayments which have been substituted for the instalments due January 1, 1960, 1961 and 1962.

The loan agreement provides, among other things, that the Company shall not permit its consolidated 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 consolidated net earnings after December 31, 1953 plus $900,000. Approximately $23,115,000 of retained earnings at December 31, 1961 was restricted as to the payment of dividends under this agreement.

PFAUDLER PERMUTIT INC.

Long-term Debt—Note E $2,990,679

Note E: Long-term Debt—Long-term Debt (less current maturities) consisted of the following:

4¼% notes payable August 31, 1963	$ 138,000
5⅛% notes payable $165,000 annually	2,670,000
Mortgages and other notes payable	182,679
	$2,990,679

The agreements covering the 4¼% and 5⅛% notes provide, among other things, for certain limitations on the payment of dividends (other than dividends payable in capital stock), and the purchase, redemption or retirement of capital stock. Giving effect thereto at December 31, 1961, retained earnings not available for dividends and other distributions on capital stock amounted to $12,156,000.

PREFERRED STOCK REQUIREMENTS

JACOB RUPPERT

Notes to Financial Statements

Note 6: So long as any of the preferred stock remains outstanding, the Company covenants to restrict the payment of cash dividends, and other payments (as defined), on the common stock. Under the covenant the restriction on consolidated earned surplus as to payment of dividends and other payments on the common stock amounted to $6,012,612 at December 31, 1961, which was $1,682,977 in excess of the entire consolidated earned surplus at that date.

TIDEWATER OIL COMPANY

Notes to Financial Statements

Note 2: The bank credit agreements and the terms of issuance of the preferred stock provide for restrictions on the payment of cash dividends on or retirement of the common stock from earnings of the parent company prior to December 31, 1954, and December 31, 1953, respectively. At December 31, 1961, retained profits of the parent company not subject to restrictions as to payment of cash dividends on the common stock were $153,421,000.

CREDIT AGREEMENTS

AMERICAN ENKA CORPORATION

Less Notes Payable to Banks (Note 2) $3,500,000

Note 2: Notes Payable to Banks—Notes payable to banks, evidenced by 90 day revolving notes at a present interest rate of 4½%, are under a $9,000,000 credit agreement as amended. These notes may be refunded by the issuance of new revolving notes or, on December 31, 1962, by the issuance of term notes payable during the subsequent six years. The credit agreement, among other things restricts the payment of cash dividends. At December 31, 1961, approximately $54,400,000 of the $58,874,479 accumulated income retained for use in the business was so restricted.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

Notes payable, less current portion (Note 4) $9,723,960

Note 4: The details of notes payable at December 31, 1961 (excluding 1962 installments included in "Current Liabilities") follow:

U. S. Company:	
4½% Term notes payable (under credit agreement dated January 1, 1957), which, subject to the right of prepayment, mature in quarterly installments to January 1, 1964	$7,500,000
Foreign Subsidiaries:	
5½% Promissory notes due in annual installments 1963—1977	2,060,000
Other	163,960
	$9,732,960

In accordance with the credit agreement dated January 1, 1957, earned surplus of the U. S. Company is restricted with respect to payment of dividends. At December 31, 1961, the earned surplus of the U. S. Company amounted to $118,918,355 of which $107,534,450 was subject to this restriction.

THE BENDIX CORPORATION

Current Liabilities:

Notes payable:

Banks (see Note 3) $48,450,000

Note 3: Notes Payable—Under the terms of a bank credit agreement dated as of November 20, 1958, the Corporation has agreed that it will not pay dividends (except stock dividends) or make certain other distributions on or in acquisition of its capital stock in an amount in excess of its consolidated net earnings subsequent to September 30, 1958, plus $7,000,000. Under these terms the amount available for such purposes was $46,711,747 at September 30, 1961. The Corporation also has agreed not to permit consolidated net current assets to decline below $80,000,000.

THE TIMKEN ROLLER BEARING COMPANY

Notes Payable to Banks, less payments due within one year—Note B $21,875,000

Note B: Notes payable to banks were issued under a Credit Agreement which provides for repayment in eight annual installments commencing June 30, 1962, with interest, payable quarterly, at a rate which shall not exceed 5¼%. The Credit Agreement places certain limitations on the payment of dividends, but they are considered to be of little practical effect because of the amount of retained earnings which is free of the restrictions.

V-LOAN AGREEMENTS

CONTINENTAL MOTORS CORPORATION

Current Liabilities:

Notes payable to banks under V-Loan Agreement (Note C) $5,880,000

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 in excess of 70% of the Corporation's net earnings subsequent to October 31, 1960, plus $500,000, a total of $1,481,687 at October 31, 1961. 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 ($1,515,078), a total of $18,515,078. At October 31, 1961, earnings retained for use in the business in the amount of $161,687 were free from the foregoing dividend restrictions.

TREASURY STOCK

THE CURTIS PUBLISHING COMPANY

Notes to Financial Statements

Note 8: Treasury Stock—By reason of the Company's acquisition of its own Common Stock held in the treasury and uncancelled, $116,510 (the cost of such treasury shares) is restricted and not available for dividends or purchase of additional treasury shares.

WAITT & BOND, INC.

Notes to Financial Statements

Note 5: Surplus available for payment of dividends is restricted in the amount of the par value of treasury stock, until such stock is retired by appropriate action. On April 26, 1962 the Board of Directors voted (subject to ratification by Stockholders) to retire the treasury stock. These actions will remove this restriction.

DIVIDEND ARREARAGES

GOEBEL BREWING COMPANY
Notes to Financial Statements

Note D: Dividend Restrictions, Sinking Fund Requirements, and Redemption Provisions—There are no restrictions on the payment of dividends on the 4½% Cumulative Prior Preferred Stock. The issue is entitled to a sinking fund of $100,000 (plus additional amounts based on earnings) on June 1 of each year, which fund is to be used to redeem the shares at par. The Company did not make deposits to the sinking fund during 1960 and 1961. Terms of the issue provide that while dividends or payments to the sinking fund are in arrears (see Note E), no shares may be redeemed unless all the shares are redeemed. The shares are entitled upon redemption (other than through the sinking fund) or in liquidation to $103 a share to December 1, 1962, and at lesser premiums thereafter.

The agreement relating to the long-term notes payable to insurance companies provides that dividends on stocks junior to the 4½% Cumulative Prior Preferred Stock shall be paid only from net earnings (excluding amounts derived from the sale or exchange of capital assets and after increasing provisions for depreciation to amounts claimed for federal income-tax purposes) subsequent to December 31, 1950, plus $1,000,000, and that payment of such dividends shall not reduce net working capital (as defined) below $1,000,000. Accordingly, all retained earnings at December 31, 1961, are restricted as to dividend payments on the Convertible Preferred and Common Stocks. Furthermore, it is estimated that net earnings (as defined, and after provision for cumulative dividends on the 4½% Cumulative Prior Preferred Stock) subsequent to December 31, 1961, must approximate $2,350,000 before retained earnings will become available for dividends on the Convertible Preferred Stock.

Terms of the Convertible Preferred Stock include provisions for acquisition of the shares by the Company in the open market under certain conditions which were not operative at December 31, 1961, and impose certain limitations on the payment of dividends on Common Stock which are not as restrictive as those imposed by the long-term notes. The Convertible Preferred Stock is entitled upon redemption or in liquidation to $10.50 a share and is convertible into Common Stock on a share-for-share basis. 110,447 shares of unissued Common Stock were reserved for this purpose at December 31, 1961.

Note E: Cumulative Unpaid Dividends—Cumulative unpaid dividends amount to $48,656 on the 4½% Cumulative Prior Preferred Stock, representing the dividends for the quarterly periods subsequent to September 30, 1960, and $149,103 on the Convertible Preferred Stock, representing the dividends for the quarterly periods subsequent to September 30, 1959.

PITTSBURGH STEEL COMPANY
Notes to Financial Statements

Note G: Dividend Restrictions—At December 31, 1961, the company had borrowed $10,000,000 at 5% interest on short-term loans from various banks under a Credit Agreement dated as of September 1, 1961. This agreement permits loans up to a maximum amount of $15,000,000, which may be converted, at the option of the company, in December 1963, into five-year term loans maturing in equal semiannual instalments to December 31, 1968. The Credit Agreement and the Indenture covering the First Mortgage Bonds, (including proposed provisions of the Third Supplemental Indenture, dated as of October 1, 1961, which is to be signed prior to the first borrowings thereunder) limit the portion of accumulated earnings available for cash dividends on all classes of the company's capital stock to 75% of the consolidated net income accrued after December 31, 1961. In addition, they provide that such dividends may not be paid which would reduce the consolidated net current assets to less than $35,000,000, plus, in the case of the Credit Agreement, an amount equal to four-fifths of any borrowings thereunder in excess of $10,000,000.

No dividends on preferred stocks were declared or paid in 1961 and, at December 31, 1961, dividends in arrears amounted to $1,308,136 representing $5.50 per share on the Prior and $5.00 per share on the Class A stock.

ARTICLES OF INCORPORATION

ALLIS-CHALMERS MANUFACTURING COMPANY
Notes to Financial Statements

Dividend Restriction: The agreements relating to notes payable and the certificate of incorporation contain certain restrictions relating to the declaration of cash dividends. At December 31, 1961, the amount of earnings retained which was not available for the future declaration of cash dividends on the common stock was approximately $70,000,000.

BASIC INCORPORATED
Notes to Financial Statements

Note G: Restriction on Dividends—The long-term notes and preferred stock requirements of the Amended Articles of Incorporation restrict the payment of dividends under certain conditions. Under these provisions, $2,826,311 of consolidated retained earnings at December 31, 1961 was restricted relative to any payments on Common Shares and the consolidated net current assets requirement of $5,000,000 at that date restricted the payment of cash dividends on Common Shares to $1,076,771.

PET MILK COMPANY
Stockholders' Equity

Stockholders' investment represented by—	
Preferred stock, 4½% cumulative, $100 par value, callable at certain specified redemption prices, authorized 132,000 shares, outstanding 64,000 shares, 1961; 70,000 shares, 1959 (company is obligated to redeem for sinking fund purposes a specified number of shares annually)	$ 6,400,000
Common stock, no par value, authorized 2,000,000 shares, 1961; 1,000,000 shares, 1959; issued 1,417,500 shares, 1961; 945,000 shares, 1959	9,907,892
Earnings invested in the business (at March 31, 1961, $19,116,745 is unavailable for dividends on or acquisition of common stock under the charter provisions applicable to the preferred stock)	33,152,820
Common stock in treasury, at cost or less, 31,317 shares, 1961; 20,878 shares, 1959	(163,805)
	$49,296,907

RELIANCE MANUFACTURING COMPANY
Notes to Financial Statements

Note F: Restrictions on Dividends and Other Payments Relating to Common Stock—Provisions of the Articles of Incorporation contain certain restrictions as to payments of dividends, other distributions, purchases and redemptions on the company's common stock so long as preferred stock is outstanding. These provisions, among other things, require in effect that from December 31, 1945 the cumulative amount of such payments, together with preferred stock dividends shall not exceed cumulative consolidated net income, as determined for such purposes, plus $500,000. The effect of these provisions at December 2, 1961 is that the company cannot pay further dividends on its common stock or make other specified payments thereon until an additional $1,200,000 of net income, as determined for such purposes, is accumulated.

ELKINS ACT DECREE

GULF OIL CORPORATION
Notes to Financial Statements

Investments: Other investments and long-term receivables include $31,334,975 representing the cost of 920,299 shares of the corporation's capital stock held in connection with the Incentive Compensation Plan and for other corporate purposes, and $8,790,111 of cash deposits equivalent to the estimated restricted earnings of a pipeline subsidiary.

STANDARD OIL COMPANY (NEW JERSEY)
Financial Review

Shareholders' equity at the year end totaled $7,091,834,000, an increase during 1961 of $262,653,000. Earnings reinvested include $6,612,000 of unrestricted earnings of United States pipeline companies set aside since December 31, 1941, under the terms of the Elkins Act suit decree and $20,142,000 of statutory reserves of various foreign affiliates; neither amount is available for dividend distribution.

SUN OIL COMPANY

Notes to Financial Statements

Earnings employed in the business at December 31, 1961 include earnings of pipe line subsidiaries approximating $17,000,000 which are not available for dividends.

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 $70,000,000 reserved by the Board of Directors for working capital)	95,457,615
Total surplus	$97,991,617

FOREIGN STATUTORY LIMITATION

ANDERSON, CLAYTON & CO.
Notes to Financial Statements

Note 6: Included in earned surplus as of July 31, 1961, are legal reserves, aggregating $1,369,966 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.

THE BLACK AND DECKER MANUFACTURING COMPANY
Notes to Financial Statements

Note A: Great Britain, Australia, New Zealand, Brazil and South Africa have exchange controls and restrictions in effect, and withdrawals of the related investments and undistributed earnings of $7,191,538 at September 30, 1961, are subject in part to such restrictions.

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.

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 (pages 51-52):

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, in which charges were made to retained earnings. It is of interest to note that of the 40 stock splits disclosed in the 1961 reports, in only 3 instances were shares distributed in a ratio of less than one-half to one (*Co. Nos. 133, 383, 511).

Table 3 summarizes the accounting treatment of the stock distributions disclosed in 129 annual reports of the 600 survey companies. The distributions of 91

TABLE 3: STOCK DIVIDENDS AND STOCK SPLITS

	Stock Dividends		Stock Splits	
Distribution Recorded as:	1961	1955	1961	1955
Debit retained earnings	17*	21	4	4
Debit retained earnings and credit capital surplus	75	53	—	—
Debit capital surplus	—	1	9	15
Debit retained earnings and debit capital surplus	1	1	3	9
Credit capital surplus	—	—	1	3
	93	76	17	31
Increase in Number of Shares Only: *Set forth in*:				
Financial statements	—	—	7	—
Letters to stockholders	—	—	5	4
Accompanying footnotes	—	—	11	7
Total Transactions	93	76	40	42
Number of Companies showing:				
Stock distributions	93	76	40	42
No stock distributions	507	524	560	558
Total	600	600	600	600

*Includes 2 companies disclosing dividends-in-kind—see text.

companies were made in stock of the declaring company, of which 4 companies (*Co. Nos. 44, 143, 160, 365) reported both stock splits and stock dividends. *Two* distributions (*Co. Nos. 463, 517) were made in stock of other than the reporting company (dividends-in-kind) and the remaining *36* represented stock splits.

The classification of stock distributions as between stock dividends and stock splits, for the purposes of this survey, is generally based on the terminology employed in the company reports describing such distributions. Examples of the various presentations of these distributions follow.

1961 STOCK DIVIDENDS

Retained Earnings

AMERICAN MAIZE-PRODUCTS COMPANY

DR.—$1,244,623—"*Retained Earnings*: Dividends paid on common stock: 5% in common stock—1961—17,947 shares at $69.35 per share."

CALIFORNIA PACKING CORPORATION

DR.—$8,000,000—"*Unappropriated Earnings*—Transfers to Capital at the time of stock distributions—Note D."

Note D: *Capital*—On May 5, 1960 the Board of Directors declared a stock dividend of one share of capital stock for each twenty shares of the 4,915,644 shares then outstanding, making a total of 5,161,426 shares outstanding after issue of the dividend. In connection with the stock dividend $8,000,000 was transferred from unappropriated earnings to capital, or approximately $33 per share for each of the 245,782 shares issued as a stock dividend.

FOREMOST DAIRIES, INC.

DR.—$5,833,793—"*Earned Surplus*: Dividends: on common stock: in preferred stock—at $.75 par value per share in 1961."

McCALL CORPORATION

DR.—$1,039,500—"*Retained Earnings*: Dividends: Stock—3% (market value of 37,800 shares, 1961)."

THE OHIO OIL COMPANY

DR.—$11,734,000—"*Earnings Employed in the Business*: Dividends paid—Common capital stock—2% stock dividend at approximate market value."

SPIEGEL, INC.

DR.—$6,933,960—"*Earnings Invested in the Business*: Dividend distributed in common stock."

UNITED CARBON COMPANY

DR.—$2,993,566—"*Retained Earnings*: Dividends: Stock —3%—39,782 shares—(Note 1)."

Note 1: *Shareowners' Investment*—During 1961, the amount shown for common stock increased $2,993,595 as a result of a three per cent stock dividend of 39,782 shares and $742,684 from the sale of 15,300 shares of stock under the Company's Restricted Stock Option Plan.

Retained Earnings and Capital Surplus

ALDENS, INC.

DR.—$1,980,247—"*Retained Earnings*: Market value of common shares issued as dividend on common stock (transferred to capital stock and paid-in surplus)."

CR.—$1,763,067—"Paid-In Surplus: Excess of market value over par value of common shares issued as dividend on common stock (transferred from retained earnings)."

*Refer to Company Appendix Section.

BEATRICE FOODS CO.

DR.—$1,319,079.15—"*Earned Surplus (retained earnings)*: Charge arising from common stock distribution (see capital surplus)."

DR.—$6,864,995.85—"*Capital Surplus*: Charge arising from one-for-four common stock distribution:

Transferred to capital stock, par value 654,726 shares issued	$8,184,075.00
Less amount charged to earned surplus (retained earnings)	1,319,079.15
	$6,864,995.85"

BOOTH FISHERIES CORPORATION

DR.—$482,933—"*Earned Surplus*: 5% stock dividend recorded at fair market value of $28.50 per share."

CR.—$398,208—"Paid-In-Surplus."

CR.—$ 84,725—"Common Stock."

JANTZEN INC.

DR.—$1,113,390—"*Earned Surplus*: Dividends paid: Common—stock."

Notes to Financial Statements

Note 4: *Surplus*—The provisions under which the notes payable were issued provide certain restrictions on the payment of cash dividends and the purchase and retirement of capital stock. The unrestricted portion of earned surplus at August 31, 1961, was $2,108,830. Capital surplus has increased $1,105,389 which is the excess of market value over par value of common stock distributed during the current year.

STANDARD PRESSED STEEL CO.

DR.—$1,136,068—"*Retained Earnings*: Stock dividend —2%."

Notes to Financial Statements

Note 5: *Capital in Excess of Par Value of Common Stock*—During 1961 this account was increased by:

Excess of assigned value over par value of 54,099 shares of common stock issued as a stock dividend, less expenses, $2,013	$1,079,957

TWENTIETH CENTURY-FOX FILM CORPORATION

DR.—$1,725,135—"*Earned Surplus*: Dividends declared on common stock: Stock—2% (1961) (Note 9)."

CR.—$425,778—"Paid-In-Surplus: Add credit arising from issuance of treasury stock as stock dividend (Note 9)."

Note 9: *Stock Dividend*—A 2% stock dividend was paid on October 3, 1961 to stockholders of record September 11, 1961. Earned surplus was charged with $1,725,135 representing the fair market value of the 48,940 shares of treasury stock issued, treasury stock was credited with $1,299,357 representing the average cost of such shares and the difference ($425,778) was credited to paid-in surplus.

UNIVERSAL MATCH CORPORATION

DR.—$3,205,562—"*Retained Earnings*: 2% common stock dividend: 100,614 shares at market value."

CR.—$2,954,027—"Capital in excess of par value: Excess of market over par value of shares issued."

1961 DIVIDENDS-IN-KIND

RELIANCE MANUFACTURING COMPANY

DR.—$2,576,400—"*Retained Earnings*: Dividends declared: On common stock—distribution of common stocks of affiliates, at underlying net asset amounts."

Notes to Financial Statements

Note A: During 1961 the women's apparel operations were, in effect, combined under Puritan Fashions Corporation (Puritan), and parachute operations were combined under Pioneer Aerodynamic Systems, Inc. (Pioneer). Thereafter, part of the common shares of Puritan and Pioneer were distributed as dividends on the common stock (two-thirds of a share for each share of Reliance held). . . .

STANDARD OIL COMPANY (INDIANA)

DR.—$7,487,657—"*Earnings Retained and Invested in the Business*: *Special dividend—509,121 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 $0.848 a share of Standard Oil Company (Indiana) stock.

1961 STOCK SPLITS

Retained Earnings

PET MILK COMPANY

DR.—$472,500—"*Earnings Invested in the Business*: Transferred to common stock account due to stock split, 472,500 shares at $1.00 per share."

R. J. REYNOLDS TOBACCO COMPANY

DR.—$100,000,000—"*Earnings Retained*: Transferred to Common Stock in connection with the 2-for-1 stock split September 7, 1961."

SQUARE D COMPANY

DR.—$6,785,935—"*Earnings Retained for Use in the Business*: Par value of 1,357,187 shares of Common Stock issued as a result of five-for-four stock split."

UNIVERSAL LEAF TOBACCO CO., INC.

DR.—$6,377,774—"*Earned Surplus*: Amount transferred to Capital Stock Account to represent book expression of 597,364 shares of Common Stock issued on account of 2 for 1 stock split."

Retained Earnings and Capital Surplus

THE AMALGAMATED SUGAR COMPANY

Dr.—$9,616,900—"*Retained Earnings*: Transfer to common capital stock, in connection with a three-for-one stock split, as authorized by the Board of Directors on December 22, 1960."

President's Letter

As a result of action taken at the stockholders' meeting last year and effective in January, 1961, the common stock was split three for one, at the same time changing the $1.00 per share to no par value. This resulted in a total issue of 2,071,647 shares as compared to the previous issue of 690,549 shares. In this connection the common capital stock account was increased $9,667,686 by the transfer of $9,616,900 from earned surplus and $50,786 from capital surplus. . . .

THE GILLETTE COMPANY

DR.—$11,929,000—"*United States Earned Surplus*: Amount transferred to common stock in connection with stock split effective November 24, 1961 (Note 3)."

DR.—$6,924,000—"*Additional Paid-In Capital*: Amount transferred to common stock in connection with stock split effective November 24, 1961 (Note 3)."

Note 3: On November 16, 1961, a three-for-one split of the Company's common stock was approved by the stockholders, to be effected in the form of a 200% stock distribution to stockholders of record November 24, 1961. Accordingly, 18,853,632 shares of common stock were issued pro rata. The Company increased its common stock account $18,853,632, representing $1.00 par value for each share issued, by transferring $6,924,385 from additional paid-in capital (being all of the additional paid-in capital at that date) and $11,929,247 from United States earned surplus.

ZENITH RADIO CORPORATION

DR.—$3,058,649—"Earned Surplus.
DR.—$2,954,879—"Capital Surplus. $\}$ Amounts transferred to capital stock in connection with stock distribution."

Capital Surplus

APCO OIL CORPORATION

DR.—$754,777—"*Paid in Capital*: Transfer to common stock—par value of shares issued in 2½-for-1 stock split."

ATLAS CHEMICAL INDUSTRIES, INC.

CR.—$12,247,000—"Additional Paid-In Capital: Net transfer from common stock account in connection with reduction of par value from $20 to $1 a share and 4-for-1 stock split."

HARRIS-INTERTYPE CORPORATION

DR.—$617,765—"*Other Capital*: Par value of 617,765 shares issued relative to 3 for 2 stock split."

STRUTHERS WELLS CORPORATION

DR.—$150,974—"*Additional Capital*: Amount transferred to common stock in connection with three-for-one stock split and related reduction in par value from $2.50 per share to $1.00 per share."

Change in Number of Shares Only

AMERICAN MACHINE & FOUNDRY COMPANY
Notes to Financial Statements

Note 4: *Common Stock and Stock Options*—In April 1961 the Company increased its authorized common stock from 10,000,000 shares to 20,000,000 shares, reducing the par value per share from $3.50 to $1.75, and issued 8,035,372 additional common shares (including the addition of 47,956 common shares to those held in treasury) in a two-for-one stock split.

CHOCK FULL O'NUTS CORPORATION
Notes to Financial Statements

Note 8: In November, 1960 the number of authorized shares of common stock was increased to 5,000,000 and the previously outstanding shares were split on a four-for-one basis.

CITY PRODUCTS CORPORATION
Statement of Common Stock

	(Shares)	
Balance, December 31, 1960	1,339,894	$19,743,445
Shares issued during the year:		
For cash	85,398	1,769,983
2% stock dividend at fair market value	54,814	1,719,789
Two-for-one stock split, May 8, 1961	1,353,894	—
Balance, December 31, 1961	2,834,000	$23,233,217

FEDERATED DEPARTMENT STORES, INC.

Shareholders' Investment and Changes Therein: On September 9, 1960, the authorized number of common shares was increased to 25,000,000, par value was reduced from $2.50 to $1.25 per share, and the 8,594,224 shares then outstanding were split 2 for 1.

GERBER PRODUCTS COMPANY
Notes to Financial Statements

Stock Split: On April 14, 1961, the shareowners of the Company approved a reclassification of the Common Stock which authorized 7,000,000 shares of $5 par value in lieu of the 3,500,000 shares of $10 par value previously authorized. Such action reduced all outstanding shares to $5 par value and entitled holders of record on April 21, 1961, to receive one additional share for each share then held. This transaction, which is reflected in the accompanying statement of financial position at March 31, 1961, did not affect the aggregate par value of shares outstanding.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Financial Review

The Company's capital stock was split by issuing one-half new share for each share held at the close of business on May 5, 1961.

THE MAYTAG COMPANY
Statement of Financial Condition

Shareowners' Equity:	
Common stock (without par value)—authorized 10,000,000 shares, issued and outstanding (1961—6,600,474 shares; 1960—6,553,248 shares after giving effect to the two-for-one stock split)—Note C	$16,501,185
Additional paid-in capital—Note D	477,236
Retained earnings	37,369,516
	$54,347,937

PFAUDLER PERMUTIT INC.
Notes to Financial Statements

Note F: *Common Stock*—In 1961, the Shareholders approved a two-for-one stock split whereby the authorized Common Stock of the Company was changed from 1,000,000 shares of $10 par value to 2,000,000 shares of $5 par value.

STOCK DIVIDENDS—DECLARED BEFORE BALANCE SHEET DATE FOR DISTRIBUTION AFTER BALANCE SHEET DATE

Nineteen 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 1961 reports of the companies in the circumstances referred to above.

The date of the fiscal year end is given under the name of each company.

HUPP CORPORATION
December 31, 1961
Notes to Financial Statements

Note C: *Common Stock Dividend*—On November 21, 1961, the Directors declared a three per cent dividend on Common Stock, payable January 31, 1962, to shareholders of record December 29, 1961. Upon payment of the dividend, $1,239,751 will be charged to earnings retained for use in the business, and common stock and capital surplus accounts will be credited with $162,059 and $1,077,692, respectively.

THE McKAY MACHINE COMPANY
December 31, 1961

DR.—$945,720—"*Earned Surplus*: Stock dividend declared (Note 4)—10% on Common stock at $60 (approximate market value) 15,672 shares in 1961.

Stockholders' Equity:

Common stock—No par value, authorized 250,000 shares (Note 4)	
Issued and outstanding or reserved for issue 180,697 shares at December 31, 1961 (including 15,762 shares for stock dividend declared November 27, 1961 and issued February 5, 1962)	$6,408,305

Note 4: *Capital Stock and Dividends Payable*—The Board of Directors of McKay declared a 10% stock dividend on the common stock on November 27, 1961, payable February 5, 1962 to holders of record January 15, 1962. 15,762 shares were issued February 5, 1962 at $60 a share (approximate market value) which resulted in a transfer from earned surplus to common capital of $945,720. Such shares were reflected in the financial statements

as of December 31, 1961. Cash in lieu of fractional shares in the amount of $43,890 was paid to shareholders February 5, 1962 and was included in dividends payable at December 31, 1961.

BEECH AIRCRAFT CORPORATION
September 30, 1961
Stockholders' Equity:

Common Stock, par value $1.00 a share:	
Authorized 5,000,000 shares—Notes D and G	
Issued and outstanding:	
1961 — 2,719,819 shares;	
1960 — 896,976 shares	$ 2,719,819
Capital surplus — Notes D and G	9,710,991
Earned surplus — Notes D and G	18,518,640
	$30,949,450

Note G: *Stock-Split and Stock Dividend*—The Board of Directors, on October 11, 1960, authorized the issuance of two additional shares of Common Stock for each share outstanding to stockholders of record on October 31, 1960. Upon the issuance of the 1,797,222 additional shares on November 23, 1960, the aggregate par value of $1,797,222 of the additional shares issued was transferred from the Capital Surplus account to the Common Stock account.

The Board of Directors, on October 10, 1961, declared a stock dividend of 1/50 share (2%) for each share outstanding, payable November 29, 1961, to stockholders of record on October 20, 1961. Payment of this dividend will result in the issuance of 52,268 additional shares of Common Stock (fractional shares will be paid in cash) and the transfer of $973,753 from earned surplus, of which $52,268 will be credited to the Common Stock account and $921,485 will be credited to the Capital Surplus account.

PEOPLES DRUG STORES, INCORPORATED
December 31, 1961
Notes to Financial Statements

Note 3: *Stock Dividend Payable in 1962*—On December 1, 1961, the Company declared a 5% stock dividend upon the common stock, payable on January 26, 1962, to holders of record January 5, 1962. No fractional shares were issued, but each stockholder entitled to less than a full share was paid cash in lieu thereof.

In January, 1962, retained earnings was charged with $52.50 for each share issued in payment of the stock dividend. The aggregate charge against retained earnings amounted to $1,441,368 (including the cash paid in lieu of fractional shares). The common stock account was credited with $130,670 and capital surplus was credited with $1,241,365 for the full shares issued.

PITTSBURGH PLATE GLASS COMPANY
December 31, 1961
DR.—$13,308,992—"*Earnings Retained for Use in the Business*: Dividends paid: Common stock—Stock."
Notes to Financial Statements

Dividends: Cash dividends amounted to $22,693,152 on common stock and consisted of four quarterly payments of $.55 for a total of $2.20 per share then outstanding. The Company also declared a 2% stock dividend amounting to 206,469 shares payable on January 19, 1962 to shareholders of record on November 24, 1961. The market value of these shares on the declaration date was transferred from retained earnings to the capital accounts as of December 31. . . .

REXALL DRUG AND CHEMICAL COMPANY
December 31, 1961
Stockholders' Equity:

Retained earnings per accompanying statement	$52,147,680
(Of the 1961 amount $7,097,762 is reserved for a 3% stock dividend of 131,745 shares payable March 9, 1962)	

UNION OIL COMPANY OF CALIFORNIA
December 31, 1961
DR.—$11,555,610—"*Net Earnings Retained in the Business*: Share Dividend Payable February 28, 1962, at rate of one share for each fifty shares outstanding, at fair value of $66 per share."

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 1961 are summarized and classified in Table 4.

One hundred and fifty-four 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, 366 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 1961 annual reports, 490 companies presented capital surplus or unclassified surplus accounts.

Capital Stock Transactions

In August, 1961, the American Institute of Certified Public Accountants published *Accounting Research and Terminology Bulletins—Final Edition* which consolidated under one cover "the 1953 revisions and restatements of earlier bulletins, with all subsequent bulletins issued by the committees on accounting procedure and accounting terminology." Section B of Chapter 1 discusses "Profits or Losses on Treasury Stock," but since it also relates more or less to the corporation's capital stock transactions generally—paragraph 7 is quoted below:

> Apparently there is general agreement that the difference between the purchase price and the stated value of a corporation's common stock purchased and retired should be reflected in capital surplus. Your committee believes that while the net asset value of the shares of common stock outstanding in the hands of the public may be increased or decreased by such purchase and retirement, such transactions relate to the capital of the corporation and do not give rise to corporate profits or losses. Your committee can see no essential difference between (a) the purchase and retirement of a corporation's own common stock and the subsequent issue of common shares, and (b) the purchase and resale of its own common stock.

1961 CHARGES AND CREDITS

Illustrative examples of some of the other charges and credits to retained earnings and capital surplus accounts (which do not include those merely presenting the net loss or income for the year) are as follows:

TABLE 4: RETAINED EARNINGS AND CAPITAL SURPLUS

	Retained Earnings Account				Capital Surplus Account			
	1961		1955		1961		1955	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Capital Stock Transactions:								
Revision in capital structure	2	1	4	—	3	3	5	12
Premium or discount on initial issue of capital stock	—	—	—	—	1	27	1	37
Conversion from preferred stock or debentures to common stock (or preferred)	—	1	—	—	—	50	2	58
Redemption, retirement of capital stock, warrants, scrip, etc.	18	5	36	4	14	58	24	47
Treasury stock transactions	12	5	3	1	22	23	8	22
Business Combinations:								
Acquisition of subsidiary companies or business properties for cash or through the issuance of stock	—	1	9	3	8	40	5	53
Pooling of interests	12	29	2	2	13	24	2	2
Liquidations and dissolutions	2	3	3	10	1	—	6	11
Adjustments arising in consolidation	9	9	8	7	2	2	1	6
Goodwill, intangible assets	4	—	7	—	—	—	—	1
Employee benefit plans involving sale or issue of capital stock	2	—	1	—	7	252	3	136
Appropriation or reserve—transfers thereto and transfers therefrom	22	16	17	29	—	2	1	3
Financing expenses	4	—	7	1	7	—	12	—
Extraordinary losses or gains	22	3	8	6	3	—	—	—
Foreign exchange adjustments	1	—	1	—	—	—	—	1
Prior year adjustments:								
Fixed assets and depreciation	1	3	—	5	—	—	1	2
Tax adjustments	6	8	5	10	1	—	—	1
Various other adjustments	7	12	12	8	—	2	1	1
Miscellaneous transactions	1	2	2	7	4	4	6	5
Dollar changes—not described	—	—	1	—	2	25	1	10
	125	98	126	93	88	512	79	408
Stock dividends and stock split-ups (Note 3)*	100	—	88	—	13	76	26	56
Cash dividend declaration (Table 1)	559	—	586	—	—	—	—	—
Net loss or income for the year	43	557	21	579	—	—	—	—
Total Other Charges or Credits	827	655	821	672	101	588	105	464

*Includes dividends-in-kind for 2 companies (see Table 3).

REVISION OF OR CHANGES IN CAPITAL STRUCTURE

Retained Earnings and Capital Surplus

CLETRAC CORPORATION

DR.—$5,000,000—*"Retained Earnings*: Transfer to capital surplus as authorized by the Board of Directors (Note 5)."

CR.—$5,000,000—"Capital Surplus."

CR.—$37,654,132—"Capital Surplus."

Transfer from common stock in connection with reduction of par value of common stock to $.50 per share (Note 5)	$37,654,132
Transfer from retained earnings as authorized by the Board of Directors (Note 5)	$ 5,000,000

Note 5: Capital Stock—Authorized but unissued preferred stock is 125,000 shares and authorized common stock is 4,000,000 shares. In June 1961, the shareholders authorized a change in par value of the common stock from $1.00 to $.50 per share and the transfer of $37,654,132 from capital stock to capital surplus effective July 28, 1961. On October 26, 1961, the Board of Directors authorized transfer of $5,000,000 from retained earnings to capital surplus. . . .

VICTOR COMPTOMETER CORPORATION

DR.—$90,046—*"Retained Earnings."*

CR.—$90,046—"Capital Surplus."

Notes to Financial Statements

Note 1: Victor Electri-Car Rentals, Inc. was dissolved on February 28, 1961. However, its operations have been included in those of the parent company since January 1, 1961. Victor Electri-Car Rentals, Inc. was largely inactive during the two months ended February 28, 1961. Victor Electric Mfg. Co. was dissolved on September 29, 1961. Its principal assets were sold on August 31, 1960 and it had been largely inactive since that date. The acquisitions of these two companies were treated as purchases. The net excess of the cost of these investments at date of acquisition over the net assets acquired was $90,045.86. This amount had been charged to capital surplus in the consolidated statements prior to 1961. Since the subsidiaries have now been liquidated, the amount has been charged to retained earnings and credited to capital surplus.

TIDEWATER OIL COMPANY

DR.—$19,442,000—*"Retained Profits Reinvested*: Transfer from retained profits of par value of preferred shares issued in exchange for common stock surrendered and cancelled."

CR.—$7,777,000—"Capital Surplus: Transfer from common capital stock account of par value of shares surrendered for cancellation in exchange for preferred stock."

Notes to Financial Statements

Note 3: *Preferred Stock*—Pursuant to the plan of recapitalization adopted in 1960, 777,688 shares of common stock were exchanged as of January 11, 1961 for an equal number of shares of $1.20 cumulative preferred stock.

The preferred stock is redeemable at the option of the Company at par value of $25.00 per share. To comply with a requirement to redeem semi-annually 1¼% of the greatest number of shares theretofore outstanding, the Company purchased 48,007 shares in 1961. After retirement of 72,113 shares during the year, the Company held 69,298 shares of treasury stock at December 31, 1961. On January 10, 1962, a semi-annual redemption of 40,917 preferred shares was made to comply with this requirement.

Capital Surplus

ATLAS CHEMICAL INDUSTRIES, INC.

CR.—$12,247,000—"Additional Paid-in Capital."

Notes to Financial Statements

Note 4: *Capital Stock*—In connection with the Stuart merger agreement, the company's Certificate of Incorporation was revised, effective as of May 31, 1961, to provide for (a) creation of Class A stock, (b) change in authorized common stock from 1,450,000 shares of $20 par value to 6,000,000 shares of $1 par value, and (c) four-for-one split of previously outstanding common stock....

Note 5: *Additional Paid-in Capital*—Changes in this account during 1961 are summarized as follows:

Net transfer from common stock account in connection with reduction of par value from $20 to $1 a share and 4-for-1 stock split	$12,247,000

DUMAS MILNER CORPORATION

DR.—$7,270 and $7,918—*"Capital in Excess of par Value."*

Notes to Financial Statements

Note 9: *Capital in Excess of Par Value*—The changes in capital in excess of par value from December 31, 1960 to December 31, 1961 were as follows:

Capital in Excess of Par Value—December 31, 1960		$858,566
Less: Stock acquired and cancelled subsequent to December 31, 1960, but before recapitalization of April 28, 1961	$7,270	
Fractional shares acquired and cancelled as part of recapitalization	7,918	15,188
Capital in Excess of Par Value—December 31, 1961		$843,378

Note 2: *Recapitalization*—During the early part of 1961, there was effected a recapitalization whereby 1,500,000 shares of the Company's authorized common stock of no par value were changed into 2,000,000 shares of $1 par value of the following classes of stock:

Class A	1,700,000
Class B	100,000
Class C	100,000
Class D	100,000

At the time of the recapitalization, there were issued the following shares in exchange for the no par value shares then outstanding:

Class A	599,895
Class B	64,895
Class C	64,895
Class D	69,912

REYNOLDS METALS COMPANY

DR.—$1,525,276—*"Capital Surplus."*

Notes to Financial Statements

Note H: *Transfer of Capital Surplus*—By resolution of the Board of Directors, the balance of $1,525,276 in the capital surplus account was transferred to the Common Stock account as of December 31, 1961. For comparative purposes, changes have been made in the 1960 balance sheet to reflect this action.

PREMIUM OR DISCOUNT ON INITIAL ISSUE OF CAPITAL STOCK

Capital Surplus

THE CONDÉ NAST PUBLICATIONS, INC.

CR.—$862,500—"Capital in excess of stated value of common stock issued."

Notes to Financial Statements

In connection with the acquisition of Street & Smith Publications, Inc. in 1959, warrants were issued to the former owners to purchase 150,000 shares of Condé Nast common stock at prices ascending from $10.50 per share at the end of the first year to $12.00 per share. Subsequently, an affiliated company purchased the warrants from the former stockholders of Street & Smith and on February 28, 1961 exercised such warrants and purchased 150,000 shares of Condé Nast stock at $10.75 per share. The excess ($862,500) of the purchase price over the stated value of the stock has been credited to "Capital in excess of stated value of common stock issued."

CONSOLIDATED CIGAR CORPORATION

CR.—$6,443,202—"Capital Surplus."

Notes to Financial Statements

Note 5: In May 1961 the Corporation made an offering to the holders of its Common Stock to subscribe for additional shares of such stock at the rate of one share for each eight shares held. As a result, 173,263 shares of Common Stock were issued (259,895 shares after giving effect to the three-for-two stock split). The net proceeds, $6,616,465, have been reflected in the financial statements by credits of $173,263 and $6,443,202 to common stock capital account and capital surplus, respectively.

THE GARRETT CORPORATION

CR.—$4,143,600—"Additional Capital Paid In: Sale of Common Stock in July 1960, less $41,400 related issuance expenses."

GENERAL PLYWOOD CORPORATION

CR.—$854,083—"Capital Surplus: Excess of net amount received over par value of 63,500 shares of Common Stock sold."

OLIN MATHIESON CHEMICAL CORPORATION

CR.—$3,136,000—"Paid-in Surplus: Excess of proceeds over par value of 100,000 shares of common stock issued upon exercise of stock purchase warrant."

Financial Review

During the third quarter, The Prudential Insurance Company of America, which had received, as a commitment fee, a warrant for 300,000 shares issued in 1952 in connection with long-term financing by Olin Industries, Inc., agreed to accept a cash consideration in partial satisfaction of its commitment fee, thereby waiving its rights under the warrant as to 100,000 shares.

Prudential had exercised the warrant to the extent of 100,000 shares in 1957 and exercised the warrant as to the final 100,000 shares in December 1961. As a result, at year end all stock warrants had been eliminated. . . .

PITTSBURGH STEEL COMPANY

DR.—$1,586,528—*"Other Capital."*

Notes to Financial Statements

Note E: The Board of Directors determined that the stated value of 1,189,947 shares of common stock issued during the year should be $10 per share, the same as the value of shares previously outstanding. The excess ($1,586,528) of the stated value of $11,899,470 over the net proceeds from the sale of such stock was charged to other capital.

Financial Review

The $44,000,000 capital improvements program, previously presented to the shareholders and set forth in detail under a special section of this report, will be financed by a combination of funds from sources outside the Company and cash generated from operations. Arrangements for funds from outside sources have been completed and are set forth below:

(1) $10,312,942—the net proceeds from the sale of 1,189,947 shares of Common Stock completed in November, 1961, through a rights offering to Common Stockholders who were given the right to buy three additional shares for each four shares held at a price of $9.25 per share. . . .

PERMANENTE CEMENT COMPANY

CR.—$51,257—"Additional Paid-in Capital: Excess of selling price over par value of 315,000 shares of preferred stock sold, less expenses of sale."

CONVERSIONS

From Preferred Stock into Common:

Retained Earnings and Capital Surplus

SAFEWAY STORES, INCORPORATED

CR.—$37,833—"Retained Earnings: Additions resulting from stock conversions and acquisitions."

CR.—$241,203—"Additional Paid-In Capital: Changes in 1961 consist of $241,203 excess of 4.30% preferred stock par value over that of common stock issued on conversion less $8,217 pro rata share of original issue expense."

Capital Surplus

P. R. MALLORY & CO. INC.

CR.—$49,344—"Additional paid-in capital: Arising from issuance of 1,184 shares of common stock (934 shares by preference stock conversions and 250 treasury shares awarded to employees)."

PITTSBURGH BREWING COMPANY

CR.—$37,440—"Capital Surplus: Excess of stated value of Preferred Stock over par value of Common Stock into which Preferred shares were converted: 1961—936 shares Preferred to 9360 shares of Common."

WAITT & BOND, INC.

CR.—$60,650—"Paid-in Surplus: Addition to paid-in surplus upon conversion of 30,325 shares of preferred stock into 60,650 shares of common stock."

Notes to Financial Statements

Note 4: Preferred stock is entitled, upon redemption, liquidation or dissolution, to $12.50 per share ($402,597 in excess of the aggregate par value of preferred stock outstanding, exclusive of treasury stock) and each share is convertible into common stock as follows: 2 shares prior to December 31, 1964, 1-1/3 shares thereafter and prior to December 31, 1967, 1 share thereafter and prior to December 31, 1970; accordingly, 446,440 shares of common stock have been reserved for such conversion privileges. . . .

Conversion of Debentures into Preferred and Common Stocks

Capital Surplus

STANDARD PACKAGING CORPORATION

CR.—$15,840—"Capital Surplus: Conversion of $28,800 subordinated debentures into 633 shares of common and 792 shares of preferred."

Conversion of Debentures into Common Stock

Capital Surplus

ARDEN FARMS CO.

CR.—$420,002.09—"Capital Surplus: Arising in conversion of 5% and 6% subordinate debentures into common stock at $15.00 and $16.67 per share respectively, less unamortized debenture issue expense applicable thereto at date of conversion."

DAYSTROM, INCORPORATED

CR.—$682,217—"Additional Capital: Excess of conversion price of 4¾% convertible subordinate debentures over the aggregate of the cost of treasury stock and par value of unissued common stock issued in conversions and expenses of conversion."

Notes to Financial Statements

Note 7: The 4¾% convertible subordinate debentures previously outstanding were called for redemption on July 14, 1960. All debentures were converted into common stock except for $125,000 principal amount which were redeemed.

THE GRAND UNION COMPANY

CR.—$6,921—"Capital Surplus: Excess of principal amount of debentures converted into common stock over par value of shares issued (Note 3)."

Note 3: The 4⅛% debentures outstanding at February 25, 1961 are convertible into common stock on the basis of $28.35 principal amount of debentures for each share of stock. The conversion price is subject to certain adjustments as specified in the indenture.

STANDARD OIL COMPANY (INDIANA)

CR.—$292,764—"Capital in Excess of par Value: Capital stock issued—14,218 shares in the conversion of Thirty Year 3⅛% Debentures."

Notes to Financial Statements

Capital Stock: . . . Of 13,711,460 shares authorized but unissued at the year end, the Company has reserved 303,520 shares for conversion of Thirty Year 3⅛% Debentures. The debentures still outstanding have a face value of $13,961,900.

Conversion of Common Stock into Preferred

Retained Earnings

INTERNATIONAL MILLING COMPANY

DR.—$305,808—*"Accumulated Earnings*: Par value of 3,055 shares of 5¼% Series E first preferred stock issued in exchange for 4,318 shares of convertible common stock, plus $308 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, 1961, Series E 5¼% shares are 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

L. S. AYRES AND COMPANY

CR.—$830—"Earnings Retained in the Business: Adjustment due to redemption of preferred stock under the sinking fund provision (Note F)."

Note F: The sinking fund for both series of the 4½% Cumulative Preferred Stock to be set aside on or before April 28, 1961, amounts to $116,993.

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 liquidations 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 848 shares of 4½% Cumulative Preferred Stock issued in 1945, and 259 shares of 4½% Cumulative Preferred Stock, Series of 1947, at an aggregate cost of $109,870. The excess of the aggregate par value over the cost of such shares, amounting to $830, was credited to Earnings Retained in the Business. . . .

MARTIN MARIETTA CORPORATION

DR.—$1,002,995—"*Retained Earnings*: Premium paid on retirement of American-Marietta Company preferred stock."

Notes to Financial Statements

Note E: *4½% Cumulative Preferred Stock*—So long as any shares of preferred stock are outstanding, the Corporation, not later than October 1, 1962, and each year thereafter, shall set aside $1,150,000 as a sinking fund to be applied within 45 days to the retirement of preferred stock at $100 per share plus accrued dividends. The Corporation may redeem all, but not less than all, of the shares outstanding at any time after October 1, 1964, at $105 per share plus accrued dividends.

NEPTUNE METER COMPANY

DR.—$7,450—"*Accumulated Earnings*: Net charge resulting from operations of preferred stock purchase fund."

Notes to Financial Statements

Note 4: 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.

PENN FRUIT CO., INC.

DR.—$1,620—"*Earnings Retained and Invested in the Business*: Premium paid on Redemption of 4.6% Cumulative Preferred Stock through sinking fund (1961, 1620 shares)."

Notes to Financial Statements

Note 6: *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 to September 1, 1962 and $1.00 thereafter, in addition to par and accrued dividends. 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. . . .

STAHL-MEYER, INC.

CR.—$7,030—"*Retained Earnings*: Excess of par value of prior preferred stock retired over the cost thereof (Note 6)."

Note 6: *Prior Preferred Stock*—The company is required to appropriate $15,000 annually from retained earnings for the retirement of prior preferred stock. The company purchased 142 shares during the 1961 fiscal year for $7,170, leaving an unexpended current appropriation of $7,830. In addition to the unexpended appropriation of $7,830 for the current year an additional $135,680 is unexpended from prior years' appropriations or an aggregate appropriation of retained earnings of $143,510. The holders of the prior preferred stock have a preference as 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. In addition prior preferred stockholders are entitled to share dividends at the same rate per share as paid to common stockholders to the extent of $1.50 per share. At October 27, 1961 the accumulated preferred dividends not paid or declared amounted to $10,426.

The prior preferred stock may be redeemed, at any time upon sixty days prior notice, at par plus accumulated and unpaid dividends.

In liquidation, whether voluntary or involuntary, the prior preferred stock has a preference of $105 per share, or $312,795 in the aggregate, plus accumulated dividends.

UNIVERSAL LEAF TOBACCO CO. INC.

DR.—$44,887—"*Earned Surplus*: Premium on Preferred Stock acquired for Sinking Fund."

WILSON & CO., INC.

CR.—$4,325—"*Retained Earnings*: Excess of recorded value over cost of preferred stock retired."

Notes to Financial Statements

Note 3: *Preferred Stock*—The $4.25 cumulative preferred stock is redeemable at the option of the Company at, and is entitled in involuntary liquidation to, $100 per share.

Retained Earnings and Capital Surplus

THE ELECTRIC AUTOLITE COMPANY

DR.—$14,897,714—"*Retained Earnings.*"

DR.—$ 4,257,001—"*Additional Capital.*"

	Year Ended December 31, 1961		
	Par value ($5 per share)	*Additional capital*	*Retained earnings*
Cost of common shares acquired: Pursuant to tender (shares retired 309,528) . . .	$1,547,640	$4,257,001	$14,897,714

FORD MOTOR COMPANY

DR.—$5,509,107—"*Earnings Retained for Use in the Business*: Excess of cost of 65,297 shares of Class A Stock purchased and retired over par value and amount allocable to capital account in excess of par value of stock."

DR.—$351,298—"*Capital Account in Excess of Par Value of Stock*: Amount allocable to 65,297 shares of Class A Stock purchased and retired."

MOORE DROP FORGING COMPANY

DR.—$17,845 }
CR.—$17,845 } "*Earnings Retained for Use in the Business.*"

DR.—$17,845—"Sinking fund for preferred stock."

CR.—$17,845—"Credit for retirement of cumulative preferred stock charged to earned surplus in prior year for sinking fund requirement."

CR.—$3,304—"*Capital Surplus*: Par value in excess of cost of preferred stock retired under sinking fund provision."

Notes to Financial Statements

Note 3: . . . The preferred stock is redeemable in whole, or in part, at the option of the board of directors, on 30 days notice at $52 per share, plus accrued dividends.

The preferred stock is entitled to the benefit of a cumulative sinking fund payable out of the annual net earnings after preferred dividends, beginning with the first fiscal year ending after July 1, 1955, in an amount equal to 3% of the total par value of preferred stock outstanding July 1, 1955.

During the year ended June 30, 1961, 423 shares of Preferred Stock were retired from shares in the Treasury and $17,845.50 has been set aside for retirement of Preferred Stock in the year ending June 30, 1962.

Capital Surplus

MARSHALL FIELD & COMPANY

Paid-in Surplus:	
Balance at January 31, 1960	$9,804,631
Excess of par value of 3,068, 4¼% Cumulative Preferred Shares purchased and cancelled, over the cost thereof	24,495
	$9,829,126
Excess of cost of 18,300 Common Shares purchased and cancelled, over the average stated value thereof	697,254
Balance at January 31, 1961	$9,131,872

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.

DR.—$32,544—"*Capital Surplus*: Redemption price and cost of treasury shares in excess of par value of 74,431 shares of 5% Preferred stock retired (see Note E)."

Note E: On October 20, 1961 the remaining 67,931 outstanding shares of preferred stock were called for redemption at the applicable redemption price of $20.50 plus an amount equal to the accrued dividend to such date of $.05 a share, or a total of $20.55, whereupon the Certificate of Incorporation was amended to eliminate this class of capital stock from the shares authorized to be issued by the Company. As approved by stockholders on May 16, 1961 the Certificate of Incorporation was also amended in 1961 to increase the number of authorized common shares from 5,000,000 to 10,000,000 shares. . . .

AMERICAN MACHINE & FOUNDRY COMPANY
CR.—$39,632—"Capital Surplus: Excess of par value over cost of preferred stock retired."

FEDERAL PAPER BOARD COMPANY, INC.
CR.—$62,622—"Other Capital."
Notes to Financial Statements

Note 3: *Preferred Stock*—Effective in 1961, the Company is required to purchase annually for sinking fund purposes at least 35,257 shares of its 4.6% cumulative preferred stock, computed on a cumulative basis. At December 30, 1961 these requirements were met; other capital was credited in the amount of $62,622 representing the excess of par over cost of such preferred shares applied to the sinking fund. The redemption price for any shares called by the Company for this purpose is par.

SCOVILL MANUFACTURING COMPANY
CR.—$85,406—"Additional Capital paid in by stockholders."
Notes to Financial Statements

Note D: The 3.65% Cumulative Preferred Stock is redeemable at $102.25 per share. The annual sinking fund requirement is dependent on earnings and is limited to $200,000. At December 31, 1961, the Company had acquired by purchase in the open market sufficient shares of such stock to satisfy approximately $130,000 of future years sinking fund requirements.

Additional capital paid in by stockholders was increased in 1961 by $85,406 for the excess of par value over cost of 3,110 shares of this stock purchased and retired during the year.

SERVEL, INC.
DR.—$152—*"Paid-In and Other Capital Surplus*: Excess of cost over stated value of 1,510 shares of preferred stock acquired."
Notes to Financial Statements

Note 6: The Company's Certificate of Incorporation provides that after full dividends on the $5.25 cumulative preferred stock have been paid or provided for, the Company shall retire annually shares of such preferred stock through a sinking fund. The Company has retired a sufficient number of shares of preferred stock to meet the sinking fund requirements through 1961. Beginning in 1962 the Company must retire annually through the sinking fund 2,700 shares of preferred stock. At October 31, 1961, 1,710 shares had been acquired towards the 1962 requirement....

SUNRAY MID-CONTINENT OIL COMPANY
CR.—$11,000—"Capital in Excess of Par Value of Stock: Excess of par value over cost of 4½% preferred stock, series A, purchased for sinking fund."
Financial Review

Capital Stock: The 4½% cumulative preferred stock, series A, is callable on 30 days' notice at par value of $25 per share plus a premium of 25 cents per share declining to par on July 1, 1963. Sinking fund payments of $707,500 are required on January 1 and July 1 to provide for retirement but, in lieu of cash, 56,600 shares may be acquired by the Company and applied to the sinking fund at par value.

REDEMPTION OR RETIREMENT OF WARRANTS, SCRIP, OR FRACTIONAL SHARES

Capital Surplus

GAMBLE-SKOGMO, INC.
Notes to Financial Statements

Note 6: The increase in capital surplus is attributable to the expiration of conversion rights on scrip certificates for fractional shares of common stock.

THE DOW CHEMICAL COMPANY
CR.—$27,740—"Capital Surplus: Proceeds received from sale of unclaimed stock scrip."

JIM WALTER CORPORATION
DR.—$108,101—*"Capital Surplus."*
Notes to Financial Statements

Note 5: *Capital Surplus*—All of the capital surplus has arisen from the original issue of Founder's Bonds, stock and warrants or from the later conversion of such bonds or warrants. As a result of the conversions of bonds and warrants during the year ended August 31, 1961, bonded indebtedness increased by $5,317,-825, capital stock by $74,148 and capital surplus by $3,107,303, less $108,101 representing the excess of the repurchase price over the original issue price of 27,093 B warrants—see Note 3.

TREASURY STOCK TRANSACTIONS

Retained Earnings

CARNATION COMPANY
CR.—$42,758—"Retained Earnings: Discount on Preferred Stock purchased for Treasury."

DIANA STORES CORPORATION
CR.—$345—"Retained Earnings: Gain on Sale of Treasury Stock."

LIGGETT & MYERS TOBACCO COMPANY
DR.—$417,482—*"Retained Earnings*: Excess of cost over par value of preferred stock reacquired."
Financial Review

Your Management was successful in reacquiring 8,380 shares of non-callable 7% Preferred Stock during the year. As of December 31, 1961 there was held in the treasury a total of 55,660 shares.

THE OHIO OIL COMPANY
DR.—$660—*"Earnings Employed in the Business*: Excess of cost over stated value of treasury common capital stock acquired."

THE SINGER MANUFACTURING COMPANY
CR.—$170—"Retained Earnings: Gains on Sales of Treasury Stock."

THE SUPERIOR OIL COMPANY
DR.—$542,840—*"Earnings Reinvested*: Cost of Capital Stock, 450 shares in 1961."

Retained Earnings and Capital Surplus

MIDLAND-ROSS CORPORATION

	Additional Paid-In Capital	Retained Earnings
Cost of Common Stock purchased and held in treasury (common stock DR. $125,175)	DR. ($366,082)	DR. ($784,117)

Financial Review

During the past six months, our company purchased about 22,000 of its common shares—and may from time to time buy additional shares—for possible use in acquisitions that might involve an exchange of stock in whole or in part. . . .

THE WARNER & SWASEY COMPANY
DR.—$42,640—"Earnings reinvested in the business."
DR.—$19,860—*"Capital in Excess of par value of common stock*: Charge resulting from purchase of treasury shares."

THE HOOVER COMPANY

DR.—$152,590—"*Income Employed in the Business*: Applicable portion of excess of purchase price over par value of 9,500 Class A and 500 Class B Common Shares acquired for the treasury."

DR.—$ 2,410— } "Other Capital."
CR.—$11,208— }

Notes to Financial Statements

Note C: The increase of $8,798 in other capital during the year ended December 31, 1961 consisted of $11,208 resulting from the purchase of 3,736 Preferred Shares for cancellation at less than the par value thereof, decreased by the amount of $2,410 representing the applicable portion of the excess of purchase price over par value of 9,500 Class A and 500 Class B Common Shares acquired for the treasury.

KERN COUNTY LAND COMPANY

DR.—$127,194—"*Reinvested Earnings*: Treasury Stock purchased."

CR.—$398,000—"Capital Surplus."

Notes to Financial Statements

Change in Capital Surplus: In 1961, due to the exercise of stock options, capital surplus increased $398,000. This represents the excess over par value of amounts paid for 5,379 new shares issued and amounts received from sale of 6,696 treasury shares.

Capital Surplus

AMERICAN METAL PRODUCTS COMPANY

DR.—$996,340—"*Additional Paid-in Capital*: Excess of cost over par value of 60,757 shares of treasury stock."

Notes to Financial Statements

Note B: *Common Stock Issuable Under Contract*—During the year the Company acquired the operating assets of the Arcadia, Louisiana, division of Cook and Company and in connection therewith agreed to issue 80,000 shares of its Common Stock, of which 5,000 shares have been issued and 75,000 shares are to be issued on or before March 15, 1962. The market value of the shares at the contract date has been assigned to the properties acquired. An additional maximum of 25,000 shares may be required to be issued, depending upon the earnings of the division for the calendar years 1962 through 1966. Treasury shares may be utilized for this purpose.

THE MURRAY CORPORATION OF AMERICA

DR.—$345,923—"*Capital Surplus*: Excess of purchase price over par value of 19,927 (19,000 in 1960) shares of common stock acquired for treasury."

Financial Review

Stockholders' equity at August 31, 1961 totalled $49,737,000 or $49.13 per share on each of the 1,012,300 shares outstanding. During the past fiscal year, the Company purchased 19,927 shares of its stock on the open market at an average price of $27.36 per share, and may make additional purchases from time to time as circumstances warrant.

NATIONAL PRESTO INDUSTRIES, INC.

CR.—$645.19—"Paid-in Surplus: Add Excess of market value of 198 shares of treasury stock distributed as prizes or compensation over cost."

STEWART-WARNER CORPORATION

DR.—$253,204—"*Capital in excess of par value*: Cost of 7,900 shares of capital stock acquired during the year."

TEXTRON INC.

DR.—$22,835,167—"*Capital Surplus*: Excess of cost over par value of 828,285 shares of common stock acquired for the treasury including 771,885 shares acquired through an invitation of tenders."

Notes to Financial Statements

Note A: *General*—On July 28, 1961, Textron acquired the net assets of Spencer Kellogg and Sons, Inc. in exchange for 1,038,718 shares of Textron common stock, of which 771,885 shares were purchased through an invitation of tenders and the balance was provided from shares held in the treasury.

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 a *purchase* or as a *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:

1. 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.

2. 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.

4. 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. . . .

8. 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.

9. When a combination is deemd 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 interests; 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 1961 reports the survey companies disclosed business combinations arising as follows: 48 purchases and 52 poolings of interests.

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.

PURCHASE OF SUBSIDIARIES FOR CASH OR THROUGH THE ISSUANCE OF STOCK

Capital Surplus

ARMOUR AND COMPANY

CR.—$1,658,332—"Capital and paid-in surplus."

Notes to Financial Statements

Note 5: Common stock and Capital and paid-in surplus changed as follows during the 1961 fiscal year—

	Common stock	Capital and paid-in surplus
Balance at beginning of year	$26,150,072	$47,821,708
Exercise of warrants	419,955	1,049,887
Market value of 36,347 shares of Common stock issued in exchange for assets and business of Food Specialties, Inc., and affiliated companies	181,735	1,658,332
Balance at end of year	$26,751,762	$50,529,927

THE CUBAN-AMERICAN SUGAR COMPANY

CR.—$75,000—"Capital Surplus: Capital (excess of market value over par value of 10,000 shares of treasury common stock issued in 1961 in connection with the acquisition of a subsidiary)."

Financial Review

Florida Sugar Corporation is a new acquisition. On March 2, 1961 your Company purchased all of the common stock and 86% of the preferred stock (with an option to buy the remainder) of Florida Sugar Corporation at a cost of $455,000., and 10,000 shares of Cuban-American common stock, and to September 30 your Company has made advances of $1,383,693 to that corporation. Assets and liabilities of Florida Sugar Corporation to the extent of $3,894,653 and $1,950,676 respectively are included in the accompanying consolidated balance sheet.

BELL & GOSSETT COMPANY

CR.—$115,908—"Capital in excess of par value: Value in excess of par value of 8,916 shares issued in acquisition of Circuit Development Corporation."

Notes to Financial Statements

Note 2: As of January 5, 1961, the Company acquired 100% of the outstanding capital stock of Circuit Development Corporation in exchange for 8,916 common shares of Bell & Gossett Company's common stock. The accounts of the subsidiary have been consolidated in the accompanying financial statements for 1961.

THE EASTERN COMPANY

DR.—$362,550—*"Capital Surplus*: Excess of cost of capital stock of Pattin Manufacturing Company and Wilfrid O. White and Sons, Inc., over their net worth."

Financial Review

The cost of purchasing Wilfrid O. White and Thompson Materials Corporation was $1,084,400 and involved an increase in our total long-term borrowings to $700,000.

HUNT FOODS AND INDUSTRIES, INC.

DR.—$14,766—*"Capital Surplus*: Excess of cost of additional investment in subsidiary over related equity in net assets."

KELSEY-HAYES COMPANY

CR.—$1,516,638—"Additional Paid-In Capital: Excess of market value over par value of 44,607 shares of Common Stock issued in connection with the acquisition of Gunite Foundries Corporation."

SMITH-CORONA MARCHANT INC.

CR.—$74,000—"Capital Surplus."

Notes to Financial Statements

Note 6: *Capital Surplus*—The increase of $123,356 in capital surplus during the year ended June 30, 1961 results from the following transactions:

Excess of market value over par value of capital stock issued to acquire subsidiary company	$ 74,000
Excess of sales price over par value of capital stock issued as follows:	
Upon exercise of stock options	49,283
Upon conversion of subordinated debentures	73
Total	$123,356

THE STEEL IMPROVEMENT AND FORGE COMPANY

CR.—$72,726—"Paid-In Surplus."

Notes to Financial Statements

Note 5: *Paid-in Surplus*—The paid-in surplus account increased $72,726 during the year. This amount represents the excess of the fair value over the par value of the 7,274 common shares issued for the purchase of the 20% minority interest of Sifco Metachemical, Inc., now a wholly-owned subsidiary.

PURCHASE OF BUSINESS PROPERTIES

Capital Surplus

THE FUTTERMAN CORPORATION

CR.—$2,194,916—"Paid-In Surplus: 160,095 shares issued in connection with acquisitions."

Financial Review

Major Acquisitions: The largest acquisition in 1961 was the bulk purchase of a group of 23 properties in Texas and Louisiana. These properties, which aggregate over 1,000,000 square feet of commercial space and 1,472 rental apartments, consist of two major office buildings in Dallas and one in Shreveport, Louisiana, seven apartment projects in the Dallas area and one in San Antonio, a number of single-tenant industrial and distribution centers, two parking garages, two truck service centers, and several smaller office and loft structures in Dallas, Fort Worth and Houston. Of the total purchase price of approximately $27,000,000, about $4,665,000 was paid in cash and Class A stock.

CONTINENTAL OIL COMPANY
CR.—$583,066—"Capital Surplus."
Notes to Financial Statements

Note 7: During 1961, capital surplus was increased by $583,066 representing the excess of market value over par value of 11,634 shares of treasury stock issued to purchase certain marketing properties, and by $886,149 representing the excess of option price over par value received for 34,549 shares issued on exercise of stock options including 17,169 shares issued upon exercise of options granted by subsidiaries prior to their acquisition by the Company.

JEANNETTE GLASS COMPANY
CR.—$1,057,500—"Capital Surplus: Excess of market value over par value of 60,000 shares of common stock issued in the acquisition of certain assets (Note 1), less related expenses of issuance, $3,754."

Note 1: *Plant and Inventory Acquisition*—As of September 1, 1961, the company acquired a plant and certain inventories from Thatcher Glass Manufacturing Company, Inc. for a purchase price of $4,117,500, consisting of $750,000 in cash, a first mortgage note (more fully described in Note 3) in the principal amount of $2,250,000, and 60,000 shares of its $1 par value common stock having a market value of approximately $1,117,500. The excess, $1,057,500, of the market value over par value of such shares was credited to capital surplus.

OCCIDENTAL PETROLEUM CORPORATION
CR.—$522,360—"Capital Surplus: Issuance of common stock in connection with acquisitions of interests in certain producing oil and gas properties (Note 8)."

Note 8: *Purchase of Oil and Gas Properties*—In the latter part of 1961, the Company purchased certain interests in producing oil and gas properties. Under the purchase agreements, part of the consideration was to be paid in common stock of the Company (53,302 shares) on the basis of $10 per share, the fair market value of the stock at the date the agreements were entered into. Of the total number of shares issued, 49,365 shares were issued subsequent to December 31, 1961, and the issuance thereof has been given effect to in the accompanying consolidated balance sheet.

VICTOR COMPTOMETER CORPORATION
CR.—$353,989—"Capital Surplus: Excess of net assets of company acquired in 1961 over par value of common shares issued in payment—Note 1."

Note 1: As of July 1, 1961, the company purchased the business and certain assets of National Systems & Forms Company, Inc., for 19,598 shares of the common stock of Comptometer Corporation at an issue price of $19.0625 per share or a total of $373,586.87. As of October 1, 1961, the company purchased the business and certain assets of Columbia Business Forms for a cost of $10,000. The accounts of these businesses have been included in the consolidated statements from dates of acquisition. . . .

POOLING OF INTERESTS

Pooling of interests has already been referred to in this section under the caption 'Business Combinations." However, the committee on auditing procedure of the American Institute of Certified Public Accountants issued in October, 1961, *Statements on Auditing Procedure, No. 31—Consistency,* which contains the following significant paragraphs:

35. When companies have been merged or combined in accordance with the accounting concept known as a "pooling of interests," appropriate effect of the pooling should be given in the presentation of results of operations and earnings per share of years prior to the year of pooling as described in Accounting Research Bulletins Nos. 48 and 49. Comparative financial statements which do not give appropriate recognition to the pooling are not presented on a consistent basis. The inconsistency arises, in this case, not from a change in the application of an accounting principle in the current year but from the lack of such application to prior years.

37. When single-year statements only are presented, a note to the financial statements should adequately disclose the pooling transaction and state the net incomes of the constituent companies for the preceding year separately or on a combined basis. Omission of such a disclosure would require appropriate comment in the independent auditor's report. With either type of disclosure, the independent auditor may express the usual opinion on consistency.

Retained Earnings

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

Earned surplus at beginning of year	$27,861,267
The Emeloid Co., Inc. earned surplus as at July 31, 1960—net amount after pooling adjustments (Note 3)	410,299
	$40,448,179
Dividends paid:	
Cash—$.90 for 1961, $.78¾ for 1960	$ 5,759,387
Stock—2% for 1961, 3% for 1960	8,598,430
	$14,357,817
Earned surplus at end of year (Note 2)	$26,090,362

Note 3: In December, 1960, the Company issued 34,500 shares of common stock in exchange for all of the outstanding capital stock of The Emeloid Co., Inc.; this has been accounted for as a pooling of interests. Accordingly, to reflect the pooling retroactively, the results of operations of The Emeloid Co., Inc., for the entire year ended July 31, 1961, are included in the accompanying Statement of Income for that year; however, the July 31, 1960, financial statements have not been restated to include The Emeloid Co., Inc. Such restatement would have increased net income for the year ended July 31, 1960, from $12,694,207 to $12,914,214.

BAYUK CIGARS INCORPORATED
Notes to Financial Statements

Note 1: In June 1961 the company acquired all the outstanding capital stock of Mason, Au & Magenheimer Confy. Mfg. Co., Inc. in exchange for 48,000 shares of its capital stock held in the treasury. The acquisition has been treated as a "pooling of interest" for accounting purposes, and accordingly the balance sheet at December 31, 1961 and the statement of income for 1961 and 1960 include the accounts of "Mason."

In 1961 Bayuk International, Inc. was formed to process tobacco in Puerto Rico; this company commenced operations in 1962.

REYNOLDS METALS COMPANY
CR.—$326,882—"Retained earnings: Add retained earnings at January 1, 1961, of United States Foil Company and Reynolds Corporation, less expenses (net of income taxes of approximately $690,000) and adjustments (net) incident to merger of those companies into Reynolds Metals Company—Note A."

Note A: As of April 10, 1961, United States Foil Company and Reynolds Corporation were merged into the Company. As a result, 8,515,435 shares of the outstanding Common Stock of the Company theretofore owned by United States Foil Company and Reynolds Corporation were cancelled, and 7,984,967 shares were issued to stockholders of United States Foil Company for the stock of that company held by them. Although the merger has been accounted for as a pooling of interests, the Statement of Consolidated Income includes the operations (after the elimination of inter-company transactions) of the constituent corporations only for 1961, as the effect of reflecting retroactively the "pooling" for 1960 would be immaterial.

As of August 1, 1961, Tilo Roofing Company, Inc. was merged into the Company and 83,477 shares of Second Preferred Stock, 4½% Convertible Series, of the Company were issued to the former stockholders of Tilo Roofing Company, Inc. This transaction has been accounted for as a purchase.

Retained Earnings and Capital Surplus

AMERICAN HOSPITAL SUPPLY CORPORATION
CR.—$3,369,501—"Retained Earnings."
CR.—$ 92,853—"Additional Capital."

	Common Stock	Additional Capital	Retained Earnings
	Year Ended December 31, 1961		
Balance, Jan. 1, 1961:			
As previously reported in 1960 annual report to share owners	....	$12,108,649	$16,750,103
Adjustment to give effect to 3-for-1 split of common shares and change from $2.00 per share par value to no par value shares on May 5, 1961	....	—	—
Adjustment arising from issuance of common shares for subsidiaries included herein on a pooling of interests basis—Note A	....	92,853	3,369,501
Revised Balance	....	$12,201,502	$20,119,604

Note A: *Principles of Consolidation*—During 1961, the Company acquired all of the outstanding common shares of Bruck's Nurses Outfitting Co., Inc. and affiliates and Midwest Dental Manufacturing Co. and affiliate, in exchange for an aggregate of 423,000 shares of its previously unissued common shares. These transactions have been reflected in the accompanying financial statements in accordance with the pooling of interests accounting principle and accordingly the consolidated balance sheet at December 31, 1960 and the related statement of earnings for the year then ended, presented herein for comparative purposes, have been revised to include the acquired companies.

ROBERTSHAW-FULTON CONTROLS COMPANY
Earnings Retained in the Business:

	1961	1960
Balance at beginning of the year:		
Robertshaw-Fulton Controls Company	$23,967,887	$21,935,503
The Lux Clock Manufacturing Company, Inc.	—	1,585,461
	$23,967,887	$23,520,964

Notes to Financial Statements

Note E: *Capital Surplus*—Changes in this account during the year were as follows:

Balance at beginning of the year:	
Robertshaw-Fulton Controls Company	$13,008,624
The Lux Clock Manufacturing Company, Inc.	1,122,133
	$14,130,757

Pooling of Interests: In 1961 the Company acquired the net assets of The Lux Clock Manufacturing Company, Inc. through issuance of 52,500 shares of its Common Stock in exchange therefor. This transaction has been accounted for as a pooling of interests; consequently, the financial statements reflect the accounts of the acquired Company and its wholly owned Canadian subsidiary for the entire year 1961.

For comparative purposes, the financial statements included herein for 1960 have been revised to include the accounts of The Lux Clock Manufacturing Company, Inc. and its wholly owned Canadian subsidiary.

ATLAS CHEMICAL INDUSTRIES, INC.
Statement of Consolidated Retained Earnings

Balance December 31, 1960:		
Atlas Powder Company	$22,330,000	
The Stuart Company (after conforming adjustments)	2,450,000	$24,780,000
Net Earnings for the Year		3,656,000
		28,436,000
Dividends:		
Atlas Common Stock—$.60 a share (annual rate adjusted for stock-split)	1,951,000	
Stuart Common Stock (prior to 5/31/61 merger)	239,000	2,190,000
Balance, December 31, 1961		$26,246,000

Notes to Financial Statements

Note 1: *Principles of Statement Presentation*—The consolidated financial statements include the accounts of Atlas Chemical Industries, Inc. (formerly Atlas Powder Company) and all domestic and foreign subsidiaries, after elimination of inter-company accounts and transactions.

As of May 31, 1961, The Stuart Company was merged into Atlas and the outstanding capital stock of Stuart was converted into 96,690 shares of Atlas Class A stock and 396,600 shares of Atlas common stock. The merger has been treated as a "pooling of interests" for accounting purposes; accordingly the statement of consolidated earnings for the year ended December 31, 1961 combines the results of operations of Atlas and Stuart as if the merger had taken place on January 1, 1961. For purposes of comparison, the financial statements of Atlas and Stuart for 1960 have been combined, after certain adjustments and reclassifications necessary to conform their accounting practices. . . .

Note 5: *Additional Paid-in Capital*—Changes in this account during 1961 are summarized as follows:

Balance, January 1, 1961:		
Atlas Powder Company		$ 4,565,000
The Stuart Company		1,585,000
		6,150,000
Net transfer from common stock account in connection with reduction of par value from $20 to $1 a share and 4-for-1 stock split		12,247,000
Excess of proceeds over par value of common shares sold to employees pursuant to exercise of stock options		91,000
		18,488,000
Deduct:		
Excess of par or stated value of Atlas stock over par value of Stuart stock converted upon merger	$229,000	
Expenses of merger	320,000	
		549,000
Balance, December 31, 1961		$17,939,000

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
Retained Earnings at Beginning of Year (Note 2) $43,578,116

Note 2: *Acquisitions*—In the 1961 fiscal year, the Corporation issued 80,000 shares of its common stock in exchange for all of the outstanding capital stock of Bioferm Corporation and consummated this transaction on a "pooling of interests" basis. Accordingly, the amounts shown for 1960 in the accompanying financial statements have been restated from those reported in the 1960 Annual Report to include the accounts of Bioferm for the full 1960 fiscal year. This transaction has resulted in credits as of July 1, 1959 of $212,401 to retained earnings (for the accumulated undistributed earnings of Bioferm) and $400,000 to capital stock (for the par value of the common stock issued by the Corporation) and a charge as of the same date of $258,138 to capital in excess of par value (primarily for the excess of the par value of the common stock issued by the Corporation over the par value of Bioferm's stock.

Note 5: *Capital in Excess of Par Value*—The changes in capital in excess of par value are as follows:

Balance at June 30, 1960, per 1960 Annual Report	$29,542,991
Acquisition adjustments (see Note 2)	258,138
Balance at June 30, 1960, as adjusted	$29,284,853

CONSOLIDATED FOODS CORPORATION

Earned Surplus:

Balance, beginning of year:		
Consolidated Foods Corporation and subsidiaries		$20,111,898
Eagle Food Centers, Inc., and subsidiaries, less estimated expenses incident to pooling of interests, $129,345		3,595,879
Net total, after pooling of interests		$23,707,777

Paid-in Surplus:

Balance, beginning of year:		
Consolidated Foods Corporation and subsidiaries		$37,532,879
Eagle Food Centers, Inc., and subsidiaries		2,378,065
		$39,910,944
Par value of common stock of Eagle Food Centers, Inc.	$1,635,835	
Less par value of 367,603 shares of common stock of Consolidated Foods Corporation, issued therefor	490,137	1,145,698
Total, after pooling of interests		$41,056,642

Notes to Financial Statements

Note 1: *Pooling of Interests*—On May 24, 1961, the Corporation exchanged 367,603 shares of its common stock for the net assets of Eagle Food Centers, Inc., at the same time forming a new corporation of that name, to which the net assets were transferred and which has continued the business acquired. This acquisition has been treated as a pooling of interests and the accounts of Eagle Food Centers, Inc., have been included in the financial statements for the entire year 1961, but not for 1960. Had they been included for 1960, sales in that year would have been greater by approximately $55,673,000 and net income by approximately $1,075,000.

MAXSON ELECTRONICS CORPORATION

Notes to Financial Statements

Note 1: *Principles of Consolidation*—The consolidated financial statements include the accounts of Hopkins Engineering Company, a wholly-owned subsidiary acquired during the year in a pooling of interests transaction for 70,000 shares of the Company's capital stock. Consolidated earned surplus at the beginning of the year has been adjusted to include $260,672 earned surplus of Hopkins. Consolidated capital in excess of par value at the beginning of the year has been adjusted to include $304 capital in excess of par value of Hopkins and has been reduced by $90,000 transferred to capital stock in connection with the exchange of 70,000 shares of the Company's capital stock for all of the outstanding capital stock of Hopkins.

Consolidated net income for the prior fiscal year adjusted to include the net income of Hopkins was $420,040.

PENN FRUIT CO., INC.

DR.—$114,989—*"Earnings Retained and Invested in the Business*: Decrease resulting from a 'pooling of interests' with Leonard Wasserman, Inc. and its eleven affiliated companies, known as 'Kiddie City' (Note 1)."

CR.—$29,291—"Paid-In Capital in Excess of par value of Capital Stock: Net credit arising from exchange of common stock of company for capital stock and debentures of companies acquired and treated as a 'pooling of interests' (Note 1)."

Note 1: *Basis of Consolidation*—The consolidated financial statements include the accounts of Penn Fruit Co., Inc. (the "Company") and all subsidiary companies. All subsidiary companies are wholly-owned. Material intercompany accounts and transactions have been eliminated.

During the year ended August 26, 1961, the Company purchased for cash amounting to $1,115,000 all of the capital stocks of Schreiber Bros., Incorporated and its three wholly-owned subsidiary companies. Earnings of these companies are included in the statement of Consolidated Earnings from the date of acquisition, November 5, 1960.

The Company also acquired all of the capital stocks and debentures of Leonard Wasserman, Inc. and its eleven affiliated companies, known as "Kiddie City," in exchange for 37,000 shares of its common stock. These transactions have been accounted for as a "Pooling of interests." Accordingly, the statement of Consolidated Earnings includes the accounts of these companies for the entire year. For the prior year ended August 27, 1960, the statement of Consolidated Earnings is as previously reported and does not include amounts for businesses acquired in the current year on a "Pooling of interests" basis. If the results of operations of these businesses had been included for the prior year, the sales would have been $172,942,526 and the net earnings would have been $2,613,067.

LIQUIDATIONS AND DISSOLUTIONS

Retained Earnings

MARMON-HERRINGTON COMPANY, INC.

DR.—$94,830—*"Retained Earnings*: Accumulated deficit from date of acquisition of nonconsolidated subsidiary dissolved (business assumed by parent) on January 3, 1961)."

METAL & THERMIT CORPORATION

CR.—$322,622—"Earned Surplus: Add, Credits relating to subsidiaries liquidated or in process of liquidation (Note 2)."

Note 2: Based upon financial statements of its partly owned subsidiaries and affiliates not included in the consolidation, the Company's equity in the net assets of such companies was approximately $847,000 and $1,640,000 at December 31, 1961 and 1960, respectively. The accompanying consolidated income statements include dividends received from these companies, which exceeded the Company's equity in their operating results by $107,000 in 1961, and $51,000 in 1960 before applying the $206,000 surplus credit representing gain on liquidation of an investment.

Consolidated earned surplus includes $322,622 of distributions received in 1961 from International Titanium Corporation in process of liquidation; and $254,807 equity in undistributed earnings of prior years of Tin & Chemical Corporation liquidated in 1960.

NATIONAL PRESTO INDUSTRIES, INC.

CR.—$106,829.08—"Earned Surplus: Final liquidating dividend from National Presto Industries of Canada, Limited."

Financial Review

National Presto Industries (Canada) Limited, Wallaceburg, Ontario, Canada: Final liquidation of this affiliate, including sale of its physical plant, pursuant to resolutions adopted in 1960, was accomplished during the year under review.

NATIONAL STARCH AND CHEMICAL CORPORATION

DR.—$557,250—*"Earnings Retained in the Business*: Loss on liquidation of subsidiary before reduction for tax carry-forward credit."

Notes to Financial Statements

Note 4: On October 31, 1961, American Parboard Corporation, a wholly owned subsidiary, was merged into the Company and its operations continued as a division. An amount in excess of the loss on liquidation, representing operating losses of the subsidiary, was used as a tax loss carry-forward, and reduced the provision for taxes in the current year by $363,440.

Retained Earnings and Capital Surplus

HUPP CORPORATION

DR.—$9,362—*"Earnings Retained for Use in the Business*: Charge resulting from distribution of Hupp Corporation Common Stock to shareholders of Gibco, Inc. in partial liquidation of such subsidiary."

DR.—$49,413—*"Capital Surplus*: Distributed to minority shareholders of Gibco, Inc. in partial liquidation of such subsidiary—2,353 shares of Preferred Stock and 10,130 shares of Common Stock."

Capital Surplus

HAT CORPORATION OF AMERICA
CR.—$11,930—"Capital Surplus: Excess of approximate market quotations over par value of common stock issued in exchange for a portion of the minority interest in Jonas & Naumburg Corporation, merged into the company as at October 31, 1961—1,515 shares."

VICTOR COMPTOMETER CORPORATION
DR.—$242,069—*"Capital Surplus*: Adjustment of property accounts of subsidiary liquidated during the year."

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 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

THE AMERICAN SUGAR REFINING COMPANY
CR.—$10,785,082—"Income Retained in the Business: Add—Excess of book value over cost of investment in Spreckels Sugar Company (not previously consolidated)—Note 1."

Note 1: *Consolidation*—Consolidated financial statements include the accounts of the Company and all of its subsidiaries including Spreckels Sugar Company, which was not previously consolidated. During 1961 the Company increased its interest in Spreckels Sugar Company from 78 to 91¾ per cent. Consolidated financial statements for 1960 have been restated to include Spreckels Sugar Company and, as a result, consolidated net income, as previously reported for such year, has been increased $363,554.

DYNAMICS CORPORATIONS OF AMERICA
CR.—$44,965—"Earned Surplus: Adjustment upon consolidation of foreign subsidiary."
Notes to Financial Statements

Note A: *Principles of Consolidation*—The consolidated financial statements for 1961 include all domestic and foreign subsidiaries, one of which was carried as an investment in 1960 and two of which were acquired in 1961.

GETTY OIL COMPANY
DR.—$1,548,343—*"Retained Earnings*: Deduct—Deficit at December 31, 1960, of subsidiaries consolidated for the first time in 1961 (Note 5)."

Note 5: *Consolidation of Subsidiaries Previously Not Consolidated*—The accompanying consolidated financial statements include, for the first time, Pacific Western Oil Co., Ltd., which became wholly-owned in 1961, Lubrificanti Veedol S.p.A. (previously a subsidiary of Getty Oil Italiana S.p.A.), which became active in 1961, and Pacific Western Oil Corporation. These subsidiaries are not considered significant in the aggregate.

NATIONAL LEAD COMPANY
CR.—$17,934,383—"Earned Surplus: Foreign subsidiaries not previously consolidated (Note 1)."

Note 1: The consolidated financial statements for 1961 include all wholly owned United States and Canadian subsidiaries and, for the first time, all other major wholly owned subsidiaries. The financial statements for 1960 have been restated to conform to the new basis of consolidation. Foreign currency has been translated at appropriate rates of exchange.

PITTSBURGH PLATE GLASS COMPANY
CR.—$2,929,682—"Earnings Retained for Use in the Business: Equity in retained earnings of wholly owned European subsidiaries at January 1, 1961."
Notes to Financial Statements

Principles of Consolidation: The consolidated financial statements include all domestic subsidiary companies in which ownership is more than 51% and all Canadian and European subsidiaries which are wholly owned. The inclusion of the wholly owned European subsidiaries in consolidation for the first time in 1961 did not have a material effect on the consolidated financial statements. Items in foreign currencies have been converted into United States dollars generally at the current rate of exchange as to current assets and current liabilities and at the average rate of exchange for the year 1961 as to profit and loss accounts. As to property and investments, long-term liabilities, and capital accounts, conversions have been made on the basis of the rates of exchange at the date acquired or incurred.

THE DOW CHEMICAL COMPANY

DR.—$53,803—"*Earned Surplus*: Earned surplus at June 1, 1960 of subsidiary companies eliminated from the consolidated group (Note A)."

Note A: *Principles of Consolidation*—The consolidated financial statements for the year ended May 31, 1961 include the accounts of the Company and all of its domestic and foreign subsidiaries except for those located in Mexico. In the preceding year all subsidiaries were consolidated.

Retained Earnings and Capital Surplus

GULF OIL CORPORATION

CR.—$2,803,842—"Earnings Retained in the Business:
DR.—$ 894,918—"*Other Capital*:
Adjustments incident to consolidation."

Notes to Financial Statements

Principles of Consolidation: The consolidated financial statements include the accounts of Gulf Oil Corporation and its subsidiary companies (more than 50% owned) except exploration and marketing subsidiaries operating in the Eastern Hemisphere.

Consolidated net assets related to operations in the United States amount to $2,259,000,000, in other Western Hemisphere areas to $467,000,000, and in the Eastern Hemisphere to $366,000,000. Consolidated net income includes amounts attributable to operations in the United States of $204,000,000, in other Western Hemisphere of $29,000,000, and in the Eastern Hemisphere of $106,000,000.

The Canadian dollar accounts of a Canadian subsidiary have been included in the consolidated accounts on a dollar for dollar basis. Transactions which were completed in other foreign currencies have been converted to United States dollars as follows: net current assets—at rates current at end of period; long-term investments and properties, plants, and equipment—at rates current on dates of acquisition; accumulated depreciation, depletion and amortization and related provisions against income—on the basis of dollar value of the related assets; and operating income and expenses—at monthly average rates.

SPRAGUE ELECTRIC COMPANY

DR.—$58,477—"*Retained Earnings*: Adjustments (in consolidation) in connection with acquisition of subsidiaries."

CR.—$112,136—"Capital Surplus: Excess of market value over par value of common stock issued in acquisition of capital stock of subsidiaries (Note 1)."

Note 1: *Consolidation*—The consolidated financial statements for the year ended December 31, 1961 include the accounts of European subsidiaries not previously included in the consolidated statements. The balance sheet at December 31, 1960 has been restated to include the unaudited accounts of those subsidiaries and is included for comparative purposes only.

During the year 1961, the Company acquired all of the capital stock of Northern Berkshire Manufacturing Co., Inc., and 75% of the capital stock of Sprague-TCC (Canada) Ltd. (formerly The Telegraph Condenser Company [Canada] Ltd.), and the operations of these companies are included in the financial statements for the full year.

All material intercompany transactions, including intercompany profits in inventories, have been eliminated from the consolidated statements. In consolidation, foreign accounts have been translated at rates of exchange which approximate the rates in effect during the year 1961. The application of historical rates with respect to the properties of foreign subsidiaries would not result in material differences. . . .

Capital Surplus

UNIVERSAL AMERICAN CORPORATION

CR.—$1,698,437—"Additional paid-in Capital: Company's share of increase in net assets of a subsidiary (Paul Hardeman, Inc.) resulting from its sale of unissued common stock to the public."

ARDEN FARMS CO.

CR.—$877.75—"Capital surplus: Adjustment arising in consolidation."

GOODWILL—INTANGIBLE ASSETS

Retained Earnings

ELASTIC STOP NUT CORPORATION OF AMERICA

DR.—$1,000,000—"*Retained Earnings*: Goodwill written off at disposition of subsidiary company."

THE MEAD CORPORATION

DR.—$902,441—"*Retained Earnings*: Extraordinary Charges—shutdown, abandonment and obsolescence of certain plants ($894,000 net of related income tax effect) and adjustment of costs of investments in three companies in excess of net tangible assets acquired ($902,441)."

Financial Review

In 1961, it was determined that the carrying values for three paperboard mills required adjustment and that a provision for shutdown costs was required for one of them. A marginal mill was shut down in 1961, another was abandoned and dismantled, and the third became partially obsolete due to changing customer requirements.

Also in 1961, it was determined that the goodwill applicable to three container plants, purchased in prior years, no longer existed due to discontinuance of the use of the former companies' names, customer and personnel turnover, and the failure of operating results to confirm the existence of goodwill values.

These extraordinary plant and equipment and goodwill adjustments aggregated $1,796,441, net of related income tax effect, and were charged to retained earnings.

SMITH-CORONA MARCHANT INC.

DR.—$947,966—"*Retained earnings*: Write-off of certain intangible assets (Note 3)."

Note 3: *Intangible Assets*—As a result of a review by management during the year ended June 30, 1961, it became evident that certain intangible assets with a net book value of $947,966 were no longer of value to the Company and they were accordingly written off by a charge to retained earnings.

TECUMSEH PRODUCTS COMPANY

DR.—$1,612,479—"*Retained Earnings*: Unamortized cost of certain intangible assets acquired in the purchase of Ohio Semiconductors Inc., charged against retained earnings."

Financial Review

During 1961 an amount of $1,612,479 representing the cost of certain intangible assets acquired in the purchase of Ohio Semiconductors, Inc. was charged against retained earnings and therefore did not affect the net profit for the year. Such cost at December 31, 1960 was included in Other Assets in the above schedule and in Deferred Charges on the Balance Sheet.

VICTOR COMPTOMETER CORPORATION

DR.—$138,374.83—"Retained Earnings."

Notes to Financial Statements

Note 7: Write-off of goodwill arising from acquisition of various companies. . . .

FORD MOTOR COMPANY

Notes to Financial Statements

Excess of Cost of Investments in Consolidated Subsidiaries Over Equities in Net Assets: The excess of cost of investments in consolidated subsidiaries over equities in net assets at the dates of acquisition is not being amortized because in the opinion of management there has been no decrease in value. Substantially all of the increase during 1961, $224.6 million, was the result of additional investment in Ford Motor Company Limited (Britain).

EMPLOYEE STOCK PLANS

In 1961 there were 261 adjustments to surplus accounts resulting from various employee benefit plans involving sale or issue of capital stock. The great majority of such adjustments—259 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, Incentive Stock Options, Stock Purchase Plans, Stock Bonus and Profit Sharing Plans, are as follows:

Stock Options

Retained Earnings

NAUTEC CORPORATION

DR.—$106,220—"*Earnings retained*: Excess of cost over option price for 9,600 shares of common stock issued under employees' stock option plan (Note 7)."

Note 7: *Stock Options*—The Corporation has a restricted stock option plan under which officers and employees may be granted options to purchase shares of common stock of the Corporation. During the year ended June 30, 1961, options for 6,000 shares were granted, at prices ranging from $19.77 to $21.85 per share; options for 9,600 shares were exercised at $12.65 per share; and options for 8,600 shares previously granted were terminated. At June 30, 1961, there were options for 7,800 shares outstanding and there were 13,650 shares available for future options under the plan. These options were granted at 95% of the then market price and become exercisable at any time during the five-year period beginning two years after the date of grant. . . .

Capital Surplus

COLLINS & AIKMAN CORPORATION

DR.—$6,575—"*Paid-in surplus*: Excess of the cost of 800 treasury shares issued over the amount received therefor."

Notes to Financial Statements

Note 4: At February 27, 1960, 21,100 shares were reserved under the plan against which options for 18,200 shares were outstanding.

Paid-in surplus was charged with $6,575 representing the excess of the cost of 800 treasury shares issued over the amount received therefor upon exercise of stock options during the year.

GENERAL AMERICAN TRANSPORTATION CORPORATION

CR.—$582,636—"Capital Surplus: Option price in excess of par value of Common Stock issued under stock option plan."

Notes to Financial Statements

Note C: *Stock Option Plan*—As of December 31, 1961, 26,750 shares of Common Stock were issuable under options granted prior to termination of the Stock Option Plan on April 24, 1961. The changes in the number of shares covered by outstanding options during the year were as follows:

Outstanding options at January 1, 1961	39,350 shares
Granted	1,500
Exercised	14,100
Outstanding options at December 31, 1961	26,750 shares

The option prices per share are at least 95% of quoted market prices on the dates the options were granted.

ACME STEEL COMPANY

CR.—$17,259—"Additional capital paid in on Common Stock: Proceeds in excess of par value of shares sold under stock options."

Notes to Financial Statements

Note B: *Stock Options*—In 1960, the Company adopted a restricted stock option plan for all employees and granted options thereunder to purchase Common Stock at $21.00 a share, which was 90% of the market price on the date granted. The plan also provided for the granting of additional options at not less than $21.00 a share on the succeeding two anniversary dates of the plan to employees who were not eligible to receive grants in 1960. The options may be exercised at any time up until August 31, 1963. During 1961, options to purchase 5,722 shares were granted and options to purchase 1,569 shares were exercised. At December 31, 1961, options to purchase 195,815 shares were outstanding and 52,527 shares were reserved for grant in 1962 to employees not previously eligible.

Employees deposit funds in savings accounts with the Company for the purchase of the stock, and interest thereon is credited semiannually at the annual rate of 3%.

Additional capital paid in on Common Stock was increased in 1961 by $17,259 representing proceeds in excess of par value of shares sold under stock options.

BASIC PRODUCTS CORPORATION

DR.—$13,937—"*Capital Surplus*: Excess of cost over option price of treasury common stock issued for stock options exercised—1961, 5,604 shares."

Notes to Financial Statements

Note 5: Under the restricted stock option plan, approved October 27, 1953, as amended, 80,000 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.

In addition, at the date of the acquisition of Hevi-Duty Electric Company, the Company assumed the outstanding stock options of Hevi-Duty for 14,800 shares. These options are exercisable at any time prior to March 17, 1967.

At July 31, 1960, 47,267 shares were optioned at an average price of $14.63 per share. During the year, options for 9,100 shares were cancelled and options for 5,604 shares at an average option price of $13.16 were exercised. The excess cost of treasury shares reissued over the option price has been charged to capital surplus. . . .

ST. REGIS PAPER COMPANY

CR.—$427,903—"Capital Surplus: Excess of sales price over par value of common stock sold to officers and employees (Note 7)."

Note 7: *Employees' Stock Option Plan*—The company's stock option plan permits the granting (prior to April 15, 1963) of options to officers and employees to purchase shares of the company's authorized unissued common stock at prices not less than 95 per cent of the fair market value at the grant dates, such options to be exercisable in whole or in part after the expiration of the second year of their seven-year terms. At January 1, 1961, there were outstanding options relating to 188,865 shares. During 1961, options relating to 62,300 shares, with option prices aggregating $2,189,845, were granted; options relating to 13,782 shares were exercised at option prices aggregating $484,437; and options relating to 7,595 shares were cancelled. At December 31, 1961, there were outstanding options relating to 229,788 shares, with option prices aggregating $8,090,588. At the same date there remained 6,240 shares available for future options, as compared with 60,945 shares at January 1, 1961.

Incentive Stock Options

Capital Surplus

DAYSTROM, INCORPORATED

CR.—$16,020—"Additional Capital: Excess of option price over the par value of common stock issued under the Company's stock option incentive plan."

Notes to Financial Statements

Note 8: *Stock Options*—Under the stock option incentive plan approved by shareholders on June 28, 1955, and amended June 30, 1958, the Company may grant restricted options, exercisable not later than ten years from the date of grant, to purchase 96,450 shares of the Company's common stock at prices equivalent to 95% of the average market price of the stock on the dates such options are granted, but in no event shall the price be less than the par value of the stock. During the fiscal year, options were granted covering 24,500 shares, options covering 5,000 shares were cancelled, options covering 860 shares were exercised and at March 31, 1961 options covering 62,050 shares (of which 19,290 were exercisable) were outstanding at prices ranging from $21.435 to $43.403 per share. . . .

MIRRO ALUMINUM COMPANY

CR.—$6,600—"Capital in excess of par value (Note 2)."

Note 2: Under the Employees' Incentive Stock Option Plan, approved by the stockholders on April 14, 1954, 54,287 shares of common stock were reserved for option to key employees at not less than 95% of the fair market value at date of grant. Options are exercisable after two years and within ten years of date of grant. At December 31, 1961, options had been granted for 53,787 of the reserved shares with options on 3,550 shares not yet exercised. During 1961 options for 550 shares were exercised at $22.00 per share; $6,600 proceeds in excess of par value have been added to capital in excess of par value. On April 12, 1961, the stockholders terminated this plan and 500 shares of stock, for which options had not been granted, were returned to an unreserved status. However, this termination did not affect outstanding options under the plan. . . .

SUNRAY MID-CONTINENT OIL COMPANY

CR.—$956,000—"Capital in excess of par value of stock: Excess of amount received over par value of stock issued on employees' options."

Financial Review

Stock Options: Under the provisions of incentive stock option plans adopted in 1952 and 1959, ten-year options have been granted to key executives and employees to purchase shares of the Company's common stock at prices ranging from $15 to $25.375 which prices were not less than 95 per cent of market on the respective granting dates.

There were options totaling 339,571 shares outstanding on January 1, 1961, options for 51,843 shares were exercised during 1961, options for 8,480 shares expired or were cancelled, and no new options were granted. At the year-end options of 279,248 shares were outstanding and there remained 161,171 shares available for future grants.

Stock Option and Stock Purchase Plans

Capital Surplus

CUTTER LABORATORIES, INC.

CR.—$149,663—"Paid-in Surplus (Note 4)."

Note 4: *Paid-in Surplus*—Paid-in surplus was increased during the year by $149,663, representing the excess of proceeds or market value over the par value of shares of Class A common stock issued under the employees' stock purchase and stock option plans.

MILLER MANUFACTURING CO.

CR.—$8,747—"Additional paid-in capital."

Notes to Financial Statements

Note B: *Changes in Capital Accounts*—Under a stock purchase plan, 50,000 shares of the Company's unissued Common Stock were reserved at September 30, 1961, for sale to officers and employees on a deferred payment basis, at the market price on the subscription date. Participants have no rights with respect to the shares, pending full payment and issuance. A summary of the transactions under this plan during the year follows:

	Number of Shares	Aggregate Subscription Prices
Subscriptions outstanding at October 1, 1960	53,000	$236,613
Subscriptions canceled	(250)	(1,700)
Subscriptions exercised	(3,000)	(12,750)
Subscriptions outstanding at September 30, 1961	49,750	$222,163

During the year additional paid-in capital was increased by $8,747 representing the excess of proceeds over par value of the 3,000 shares of Common Stock issued pursuant to the plan, less the excess of cost over par value of 280 shares of Class "A" Stock acquired and retired.

ARMSTRONG CORK COMPANY

CR.—$1,125,832—"Capital in excess of redemption price and par value of outstanding shares."

Notes to Financial Statements

Note 3: Under an "Employees' Stock Option and Stock Purchase Plan" there were options outstanding for 194,781 shares of common stock at the beginning of the year and 163,792 shares at the end of the year. During the year, (a) options were granted for an additional 18,850 shares at $57.25 per share, (b) options for 48,979 shares were exercised, and (c) options for 860 shares were cancelled and thus became available for future granting. There were 18,640 shares at the beginning of the year and 650 shares at the end of the year available for the granting of options under the plan. The option prices are not less than 95% of the market price of the shares on the dates the options were granted. The excess, $1,125,832, of proceeds over the par value of shares sold through exercise of options was added to capital in excess of redemption price and par value of outstanding shares.

GENESCO INC.

CR.—$922,730—"Additional Paid-In Capital: Excess of sales price or fair market over par and stated value over cost, of common shares issued and preference shares purchased."

Notes to Financial Statements

Note 4: *Stock Options*—Under the company's stock option plan, 125,000 shares of common stock have been reserved for issuance to certain employees at not less than 85% of market value at date of grant. Of the options granted under this plan (34,669 in 1960 at $28.05 per share, 58,303 in 1958 at $19.34 per share), 25,731 shares have been issued, of which 8,035 shares were issued in 1961 at prices averaging $22.75 per share.

The company has also reserved under an employee stock purchase plan, 60,000 shares of common stock to be sold generally at 90% of market value. Under this plan, 6,561 shares have been sold to employees, of which 547 shares were sold in 1961 at prices averaging $27.94 per share.

LINK-BELT COMPANY

CR.—$135,520—"Additional paid-in capital (1961 increase represents excess of selling price over par value of 3,080 shares of stock sold to officers and employees)."

Notes to Financial Statements

Common Stock: The stockholders have authorized the sale of 62,565 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, 1961, 24,946 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, 1962, will be withdrawn from registration.

Stock Bonus and Profit Sharing Plans

Capital Surplus

ALCO PRODUCTS, INCORPORATED

CR.—$3,212—"Amount paid the Company for capital stock in excess of par value (Note 6)."

Note 6: "Amount paid the Company for capital stock in excess of par value" has been credited with $3,212 representing the excess of the award value over the carrying value of common stock delivered in payment of contingent awards made in prior years under the Incentive Compensation Plan.

HOUDAILLE INDUSTRIES, INC.

CR.—$16,388—"Capital in excess of par value of capital stock: Excess of award value over cost of treasury stock distributed under extra-compensation plan (Note H)."

Note H: 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 1961 the maximum available for awards amounted to $271,074 consisting of $269,551 provided from the current year's income plus $1,523 carried forward from 1960.

The Compensation and Audit Committee has determined awards for 1961 under the Plan in the amount of $218,750 leaving a balance of $52,324 carried forward and available for extra compensation awards in subsequent years.

The consolidated balance sheet at December 31, 1961 includes in "Accrued payrolls, taxes, interest, etc." the portion of the extra compensation awards for 1960 and 1961 which are payable in cash in 1962 amounting to $53,601. The remainder of the extra compensation awards for 1960 and 1961 amounting to $94,900 and payable in cash and common stock has been included in "Other Liabilities—Extra-compensation plan." Common stock held in treasury at December 31, 1961 for extra-compensation purposes amounted to 3,375 shares carried at $70,188 awarded for the years 1962 and 1963 and held for future delivery under the earning out provisions of the Extra-Compensation Plan.

SIGNODE STEEL STRAPPING COMPANY
CR.—$501,000—"Capital Surplus (Note 3)."

Note 3: Capital surplus increased $2,885,757 during 1961 as a result of additions for: (a) $2,051,956 excess of market value over par value of 61,362 shares of common stock distributed as a 2% stock dividend; (b) $501,000 excess of market value over par value of 16,700 shares of common stock contributed to profit-sharing trust funds; and (c) $332,801 excess of proceeds over par value of 28,156 shares of common stock acquired by employees under the company's stock option plan.

THE WARNER & SWASEY COMPANY
CR.—$10,442—"Capital in excess of par value of common stock: Amount in excess of par value of Common Stock distributed under contingent deferred compensation plan—381 shares in 1961."
Notes to Financial Statements

Note C: *Contingent Deferred Compensation*—The deferred liability for contingent compensation has been accrued pursuant to a plan under which a specified portion of the annual compensation otherwise payable to certain key employees is deferred for distribution in five or ten annual installments after retirement or death of the employee.

APPROPRIATIONS OR RESERVES*

Retained Earnings Charges

Transfers Within Stockholders' Equity

BRISTOL-MYERS COMPANY
Statement of Earnings Retained in the Business

Balance at Beginning of Year	$43,645,222
Add: Net earnings for the year	12,957,049
	56,602,271
Deduct: Dividends:	
Preferred stock	175,877
Common stock (1961—$1.20; 1960 $1.05)	6,224,236
	6,400,113
Balance at End of Year (Includes amounts set aside for estimated increase in replacement cost of property, plant and equipment, 1961—$8,159,691; 1960—$7,309,274)	$50,202,158

MEREDITH PUBLISHING COMPANY
DR.—$102,000—*"Retained Earnings Used in the Business*: Appropriated for replacement of publishing equipment."

*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

AYRSHIRE COLLIERIES CORPORATION
DR.—$5,000,000—*"Earned Surplus*: Provision for loss on Thunderbird operating property (credited to accumulated depreciation and depletion)."
Financial Review

. . . Mining conditions at Thunderbird have thus far been materially more adverse than we had anticipated prior to opening the mine. This has been especially true in the cost of maintaining a workable roof condition. As a consequence, with the higher mining cost we have experienced exceeding the price at which the coal has been sold, it was felt advisable to write off a substantial amount of investment which may not be recovered through depreciation. We have accordingly provided $5,000,000 as a reserve against Thunderbird's $9,836,000 investment.

J. I. CASE COMPANY
DR.—$1,383,350—*"Accumulated Earnings (Deficit)*: Provision for additional loss of equity applicable to investment in and advances to French subsidiaries (Note 4)."

Note 4: *Investment in and Advances to French Subsidiaries*—Losses incurred by the French subsidiaries during the 1961 fiscal year have been recognized in the consolidated loss from operations. In order to reduce the carrying value of the Company's investment in and advances to French subsidiaries to its equity in their net assets at October 31, 1961, the amount of $1,383,350, arising from adjustments in the French accounts applicable to prior years, was charged to accumulated earnings (deficit). An additional advance of $400,000 was made to these subsidiaries in December 1961.

During 1959, the Company guaranteed $3,700,000 of the French subsidiaries' debt. At January 20, 1962, there was a remaining contingent liability under these guarantees of $2,340,000.

CHAMPION PAPERS, INC.
DR.—$5,253,734—*"Income Retained in the Business*: Provisions for separation payments to former employees and employees' vacation pay ($4,563,734), and for obsolescence of repair parts, etc. ($690,000) (Note 2)."

Note 2: Provisions for separation payments to former employees and employees' vacation pay, and for obsolescence of repair parts, etc., as shown in the accompanying statement of consolidated income retained in the business, have been decreased by $7,871,574 for the effect of reduction in income tax and profit sharing expense. Liabilities for the separation payments and vacation pay are stated in the balance sheet net of applicable income tax and profit sharing. . . .

HAZELTINE CORPORATION
DR.—$79,000—*"Earned Surplus*: Transferred to accrued expenses for liability upon death of covered employee."

LONE STAR CEMENT CORPORATION
DR.—$709,731—*"Earned Surplus*: Reserve against investment in Cuban subsidiary, less $912,036 related reduction of United States income taxes."
Notes to Financial Statements

Note 2: No official information was received throughout the year 1961 regarding the properties of the Corporation's Cuban subsidiary which was "nationalized" late in 1960. Accordingly, while management is still hopeful that recovery will eventually be received either of the properties of the Cuban subsidiary or of compensation at least equal to the Corporation's investment in such subsidiary, full reserve has been provided against such investment.

Retained Earnings Credits

Transfers Within Stockholders' Equity

McGRAW-HILL PUBLISHING COMPANY, INC.
CR.—$16,874—"Income retained in the business: Adjustments of income retained in the business—appropriated, to reflect changes in unexpired subscriptions and in related Federal income taxes."

ANDERSON, CLAYTON & CO.

CR.—$4,707,290—"Earned Surplus—Unappropriated: Transferred from (to) surplus appropriated for contingent tax liability (Note 5)."

Note 5: The company and its subsidiaries have made full provision as of July 31, 1961, 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, 1961, this appropriation for theoretical tax liability amounted to $5,599,969 as compared with $10,307,259 as of July 31, 1960, a decrease of $4,707,290 for the current year.

DICTAPHONE CORPORATION

CR.—$328,000—"Earnings reinvested: Restoration of prior years' appropriation for contingencies."

Balance Sheet

Capital:	1961	1960
Capital stock:		
Preferred, 4 per cent cumulative, $100 par value	$ 1,119,900	$ 1,146,800
Common, $5 par value	2,936,360	2,936,360
	4,056,260	4,083,160
Capital surplus	1,011,230	1,011,230
Earnings reinvested	13,049,705	11,856,941
Reserve for contingencies	—	328,000
Total capital	$18,117,195	$17,279,331

WEYERHAEUSER COMPANY

CR.—$772,478—"Earned Surplus: Realization in 1961 of March 1, 1913 increase in timber value."

Balance Sheet

Shareholders' Interest:	
Capital stock, authorized 31,000,000 shares; issued 30,545,369 shares, par value $7.50 per share	$229,090,268
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation ($772,478 realized and transferred to earned surplus in 1961)	21,327,321
Earned surplus (income retained in the business) — see accompanying statement	298,033,303
Paid-in surplus	3,103,208
Treasury stock, at cost, 532,994 and 450,244 shares at respective dates (see Note)	*19,603,398*
Total shareholders' interest	$531,950,702

Transfers from Valuation and Liability Reserves

CANADA DRY CORPORATION

CR.—$50,057—"Earned Surplus: Decrease in reserve for cases, for balance sheet purposes, to amount equal to 50% of ledger value of cases."

THE McKAY MACHINE COMPANY

CR.—$5,000—"Earned Surplus: Transfer from reserve for adjustments on contracts."

Balance Sheet—Noncurrent Liabilities

	1961	*1960*
Contingent reserve for adjustments on contracts	$ —	$5,000

BIGELOW-SANFORD, INC.

CR.—$1,166,793—"Earnings Retained and Employed in the Business: Reversal of reserve to reduce Thompsonville Plant & Equipment to estimated realizable values, not now required (Note 11)."

Note 11: As at December 31, 1957, a reserve was provided from earnings retained and employed in the business for revaluation of the Company's Thompsonville plant and equipment in connection with the transfer to southern locations of a substantial part of its manufacturing operations. Of the amount then provided, $1,166,793 is not now required and has therefore been returned to earnings retained and employed in the business.

PEPSI-COLA COMPANY

CR.—$418,806—"Earned Surplus: Portion of prior year's appropriation to Reserve for Foreign Activities restored to Earned Surplus (amount equivalent to foreign subsidiary's loss which reduced unremitted profits previously appropriated)."

Notes to Financial Statements

Note 2: It is the policy of the Company to exclude from consolidated net income and consolidated earned surplus the unremitted earnings of foreign subsidiaries, other than Canadian subsidiaries, by providing a Reserve for Foreign Activities. A transfer is made each year to or from the reserve representing (a) such subsidiaries' unremitted profits (before devaluation charges) less applicable charges for amortization of goodwill. . . .

Capital Surplus

STUDEBAKER-PACKARD CORPORATION

CR.—"Capital Surplus:

Unused portion of reserves provided prior to quasi-reorganization in 1956:	
Reserve for possible loss on disposal of surplus property and equipment	$1,619,174
Reserve for costs related to discontinued operations	$ 739,634"

FINANCING EXPENSES

Expense of Stock Issues

Retained Earnings

HOWE SOUND COMPANY

DR.—$78,274—*"Retained Earnings*: Expenses of sale of Preferred Stock."

Notes to Financial Statements

Note D: *Preferred Stock*—In July 1961 the Company issued and sold to six institutional purchasers 50,000 shares of $5.50 Convertible Preferred Stock, in the aggregate principal amount of $5,000,000. The net proceeds were added to working capital. . . .

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

DR.—$508,820—*"Earned Surplus*: Commissions and expenses in connection with the issuance of preference stock."

Capital Surplus

AMERICAN CYANAMID COMPANY

DR.—$9,430—*"Capital Surplus*: Deduct expenses in connection with offering of Common Stock to employees."

BELL & GOSSETT COMPANY

DR.—$100,000—*"Earnings Retained in the Business*: Expenses related to pooling of interests."

CONTINENTAL MATERIALS CORPORATION

DR.—$251,883—*"Paid-In Surplus*: Financing costs on sale of common stock in 1954."

Expense of Business Combinations

Retained Earnings

FEDERAL PAPER BOARD COMPANY, INC.
DR.—$19,246—"*Earnings Retained*: Merger expenses."

Capital Surplus

ATLAS CHEMICAL INDUSTRIES, INC.
DR.—$320,000—"*Additional Paid-in Capital*: Expenses of merger."

THE BORDEN COMPANY
DR.—$323,436—"Capital Surplus."
Notes to Financial Statements

Capital Stock and Capital Surplus: There was credited to capital surplus during 1961, $4,059,435 representing the excess of the option price over the par value of 153,292 shares issued pursuant to options exercised and $9,903,756 representing the excess of fair value over the par value of 192,121 shares reissued for businesses acquired. Capital surplus was charged with $10,284,638 representing excess of cost over par value of 181,213 shares acquired; $3,084,450 representing excess of par value of 525,800 shares issued over the par value of common stock of Columbus Coated Fabrics Corporation in a pooling of interests; and $323,436 representing costs incident to this pooling of interests.

Amortization of Original Costs of Issue of Corporate Securities

Capital Surplus

LEAR, INCORPORATED
CR.—$120,129—"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: 10,160 shares converted at $12.50 a share in 1961; and 52,000 shares converted at $10.00 a share and 1,600 shares at $12.50 a share in 1960."

SAFEWAY STORES, INCORPORATED
Notes to Financial Statements

Additional Paid-in Capital: Changes in 1961 consist of $241,203 excess of 4.30% preferred stock par value over that of common stock issued on conversion less $8,217 pro rata share of original issue expense; $1,553,868 excess of proceeds over par value of common stock issued under options exercised; $219,297 discount on 4% preferred stock acquired.

VICTOR COMPTOMETER CORPORATION
DR.—$54,792—"*Capital Surplus*: Write-off of deferred finance costs applicable to issuance of debentures and to debentures converted during the year."

EXTRAORDINARY LOSSES OR GAINS*

Extraordinary Losses

Retained Earnings

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
DR.—$811,982—"*Earnings Retained in Business*: Loss resulting from expropriation of net assets in Cuba less related reduction in federal income taxes."
Financial Review

The consolidated financial statements of your Company, exclusive of the Cuban subsidiary, for the year ended June 30, 1961, together with the opinion of Price Waterhouse & Co., are included in this report.

The Company's net assets in Cuba, and those of its Cuban subsidiary, were expropriated by the Cuban government in October 1960. Accordingly, the financial statements of that subsidiary are not included with the Company's consolidated financial statements and the loss resulting from expropriation (net of related reduction in federal income taxes) amounting to $811,982., has been charged to "Earnings Retained in Business." Company earnings for fiscal year 1961 have not been materially affected as a result of the seizure. . . .

THE PHILIP CAREY MANUFACTURING COMPANY
DR.—$333,051—"*Reinvested Earnings*: Undepreciated cost of certain plant assets abandoned (Page 2) less credit of $360,805 applicable to Federal income tax."

Page 2: As was expected, Careytemp, our new insulation that performs excellently in a broad temperature range, has replaced the magnesia type in most specifications. Accordingly, our magnesia insulation operation at Plymouth Meeting, Pennsylvania, was abandoned during 1961. This action reduced steam requirements to the extent that it was advisable to abandon the old boiler plant and replace it with a new, efficient package boiler. The write-offs involved are reflected in the "Consolidated Reinvested Earnings" section of this report.

BELL INTERCONTINENTAL CORPORATION
DR.—$117,068—"*Earnings Retained in the Business*: Nonrecurring professional fees relating to corporate organization and market surveys."

CUTTER LABORATORIES, INC.
DR.—$776,300—"*Retained Earnings*: Provision for settlement costs and other expenses of poliomyelitis suits, less related reduction of federal income taxes (Note 7).

Note 7: *Poliomyelitis Suits*—Substantially all of the lawsuits brought against the Company in connection with the manufacture and distribution of poliomyelitis vaccine in 1955 have been settled. The total amount of judgments and settlements in these cases, together with an estimated provision for legal and other expenses and for settlement of several remaining cases, exceeded the Company's product liability insurance by $1,564,300. This amount, less the related reduction in federal income taxes of $788,000, has been charged to retained earnings in the accompanying consolidated financial statements.
Financial Review

Status of Suits and Settlements: At the start of the year 1961, we had settled only a few cases. We have now settled all of the cases with the three attorneys handling the most cases against us, and also settled a number of other cases not handled by these three attorneys. The last and largest block was settled in December 1961.

Since that time, a court has dismissed one case and we have settled several others on a reasonable basis. At this writing, 54 suits against us for an amount of $11,813,000 have been settled for $3,049,000. Our insurance covered us for $2,000,000. So we had to pay out $1,049,000. However, over half of this will be returned to us by a reduction in 1961 taxes and by "carry back" provisions in the tax laws, probably by June, 1962. . . .

MARMON-HERRINGTON COMPANY, INC.
DR.—$150,000—"*Retained Earnings*: Reduction in carrying value of investment in two nonconsolidated subsidiaries to approximate amount of net assets applicable to the investments."
Financial Review

We have remaining two unconsolidated subsidiaries operating in the petroleum industry. These are The Flash Perforating Co., and Well Production Services, Inc. Disposal of part of their assets was made during 1961 and a write down of $150,000 in the carrying value of investments has been taken on the Company's books to more closely reflect the underlying assets. Oil production has been at unsatisfactory levels for sometime and little improvement is in sight.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
DR.—$2,780,000—"*Earned Surplus*: Reduction in equity in net assets of Reactive Metals, Inc. (principally due to operating losses for years prior to 1960)."

*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.

THE NATIONAL SUGAR REFINING COMPANY

DR.—$942,857—"*Earnings Retained for General Use in the Business*: Loss on sale of Reserve Division plant property, less recoverable prior year Federal and State taxes on income of $966,141."

Notes to Financial Statements

Note 1: *Sale of Reserve Refinery*—The plant property and business of the Reserve Division was sold on December 28, 1961 for $4,000,000, of which $600,000 was received in cash, and the balance of $3,400,000 is represented by a 6% note receivable which is collateralized by a mortgage on the property sold. The note is due in annual installments of $100,000 each in 1963 and 1964 and $400,000 each from 1965 to 1972. Raw and refined sugar inventories, and certain other current assets of the Reserve Division, were also sold to the purchaser at their book values; a cash payment of $5,665,131 for these items was received on December 28, 1961, and provision has been made in the accompanying financial statements for a refund to the purchaser of $89,144 for the final settlement of the sales price.

Capital Surplus

AMERICA CORPORATION

DR.—$466,387—"*Capital Surplus*: Contracts entered into in 1959 by a subsidiary resulting in losses of $329,005 in 1960 and $137,822 in 1961, charged to capital surplus net of minority interest in the subsidiary of $440, since losses are applicable to period prior to January 1, 1960 quasi-reorganization."

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

DR.—$131,523—"*Additional Paid-in Capital*: Expenses, net of Federal income taxes, in connection with the partial rescission of a stock option (Note 5)."

Note 5: *Stock Options*—(a) A Settlement Agreement filed during 1961 with the Court of Chancery of the State of Delaware and approved by that Court provides, among other things, that the stock option agreement between the company and John Carter shall be rescinded to the extent of a total of 8,474 shares (after adjustment for the stock split) of the company's common stock.

Extraordinary Gains

Retained Earnings

DRAVO CORPORATION

CR.—$2,593—"Retained Earnings: Increase in appraised value of investments."

THE FUTTERMAN CORPORATION

CR.—$975,054—"Retained Earnings (deficit): Life insurance settlement."

SMITH-CORONA MARCHANT INC.

CR.—$503,742—"Retained Earnings: Intercompany inventory revaluation (Note 2)."

Note 2: *Inventories*—Prior to June 30, 1961, inventories of finished calculators were stated in the financial statements at the standard costs in effect at the time the specific calculators in inventory were produced. As of June 30, 1961, the Company adopted the practice of pricing finished calculators in inventory at the standard costs currently in effect. If the practice previously followed had been continued at June 30, 1961, inventories at that date and net income for the year then ended would have been approximately $150,000 and $75,000, respectively, less than as shown in the accompanying financial statements.

The intercompany profits in inventories eliminated in consolidation at June 30, 1961 were reduced by the related income taxes. In order to avoid distorting income for the year then ended, the intercompany profits in inventories eliminated in consolidation at the beginning of the year were recalculated to give recognition to the then applicable income tax reduction, resulting in a credit of $503,742 to retained earnings for the year.

STERLING PRECISION CORPORATION

CR.—$253,787—"Accumulated Deficit: Special items (net)."

Financial Review

Aurora Note: On January 31, 1959, Sterling acquired the Wood & Brooks Company, piano mechanism producer of Buffalo, N. Y. Subsequently, Sterling received an offer for Wood & Brooks from the Aurora Corporation of Illinois and sold the company, September 30, 1959.

In consideration, Sterling accepted a long-term note from Aurora for a minimum sales price of $3,000,000, compared to Sterling's investment of $1,600,000. The sales contract also provided for five per cent interest annually on the unpaid balance as well as certain additional returns contingent on future profits of Wood & Brooks.

With final payment not due until 1967, Sterling this year entered into negotiations with Aurora for major revisions of the agreement. As a result, Aurora paid the remaining balance of approximately $2,400,000 to Sterling on April 25, 1961. Sterling retains its contingent participation in future Wood & Brooks profits.

This payment was a major factor in enabling Sterling to retire short-term loans amounting, in the aggregate, to more than $2,000,000, and also accounts for the non-recurring special credit to earned surplus.

UNITED FRUIT COMPANY

CR.—$4,162,581—"Retained Earnings: Non-recurring profits from sale of tropical properties (net after taxes)."

Financial Review

A new Company policy provides for the leasing, selling or contracting of Company land to the nationals of these republics. Under this type of partnership the nationals grow the crops and United Fruit acts as a technical advisor, distributor and marketer. This enlightened land use policy is finding popular support and is an essential ingredient towards improving living standards. The United Fruit Company is keeping pace with the accelerating tempo of economic growth and social progress in the Americas.

Capital Surplus

GENERAL MOTORS CORPORATION

CR.—$216,271—"Capital Surplus: Increase in carrying value of treasury common stock revalued in accordance with provisions of the Bonus Plan (42,105 shares in 1961 and 12,339 shares in 1960)."

Notes to Financial Statements

Common Stock in Treasury: During 1961, a total of 1,743,290 shares of common stock was acquired for purposes of the Incentive Program and Savings-Stock Purchase Program at a cost of $83,401,922. Further, the carrying value of 42,105 shares of common stock held in the treasury, representing 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 $216,271 in accordance with provisions of the Bonus Plan.

PRIOR YEAR ADJUSTMENTS—

Fixed Assets and Depreciation

Retained Earnings

JACOB RUPPERT

CR.—$434,722—"Earned Surplus: Add adjustment of depreciation, etc., applicable to prior years (see Note 1)."

Note 1: The Company's Federal income tax returns for 1957, 1958, and 1959 are currently under examination by the Internal Revenue Service. In this examination the Service has proposed, among other things, reductions in rates of depreciation based upon an extension of the estimated useful lives of certain assets, to which the Company has agreed. The property and depreciation reserve accounts have been adjusted to accord with the tax basis. This adjustment resulted in a net credit of $434,722 to earned surplus during the year.

As a result of the revision of depreciation rates, net income for 1961 is approximately $60,000 greater than it otherwise would have been.

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY

CR.—$480,252—"Earnings Retained in Business: Reduction of prior years (1957-1960) depreciation less related federal income taxes to conform to proposed adjustments by revenue agent."

McGRAW-HILL PUBLISHING COMPANY, INC.

CR.—$1,747,878—"Income retained in the business."

Notes to Financial Statements

Note 4: Prior to January 1, 1961, it was the consistent policy of the company and its subsidiaries (except for F. W. Dodge Corporation and its subsidiaries) to charge operations with the cost of furniture and equipment in the year acquired and to reflect the net asset on the balance sheet at a nominal value of $1.00. As of January 1, 1961, furniture and equipment purchased in prior years, net of accumulated depreciation, was capitalized. This change resulted in a credit to income retained in the business of $1,747,878 and an increase in net income for 1961 of $13,788.

Land, buildings, furniture, and equipment was composed of the following:

	1961	1960
Land	$ 1,707,878	$ 1,642,402
Buildings and improvements	12,353,810	11,145,617
Furniture and equipment	5,355,683	1,498,847
Leasehold improvements	466,941	325,509
	$19,884,312	$14,612,375
Less: Accumulated depreciation	8,903,363	6,450,829
	$10,980,949	$ 8,161,546

PLYMOUTH OIL COMPANY

CR.—$1,590,782—"Earnings Retained in the Business: Adjustment of accumulated depreciation applicable to prior years."

Financial Review

As a result of an audit of the Company's Federal Income Tax Returns by the Internal Revenue Service, it became necessary to make retroactive additions to depreciation expense for the years 1957 through 1960, inclusive. The adjusted net loss for the year 1960 amounted to $1.01 per share rather than $.92 per share as indicated in the 1960 Annual Report.

Prior Year Adjustments—Taxes

Retained Earnings

CONTINENTAL CAN COMPANY, INC.

DR.—$4,400,000—*"Earnings Retained*: Provision for possible additional prior years' taxes (with interest) on sales of can closing equipment."

Financial Review

Income Taxes: Depreciation for tax purposes, computed using accelerated depreciation methods permitted by the Internal Revenue Service, was greater than the depreciation charged for financial statement purposes. This reduced income taxes currently payable on 1961 earnings by approximately $4,947,000 compared with $3,427,000 in 1960. These amounts were added to the reserve for deferred income taxes.

Under a consent decree entered against the Company in 1950, we were required to offer our can closing machines for sale as well as lease. Many of our customers availed themselves of this right of purchase resulting in substantial profits to the Company. These gains were reported, on advice of counsel, as capital gains for tax purposes. However, in another, but similar case, the Tax Court recently held that such gains are ordinary income. We are advised that this decision will probably be appealed.

We shall vigorously contest this issue in our own case. Nonetheless, in the interest of conservative accounting, we have provided an additional $4,400,000, by a charge against retained earnings, to cover possible prior years' tax liabilities which may ultimately result.

MARMON-HERRINGTON COMPANY, INC.

CR.—$40,959—"Retained Earnings: Unrequired provision for prior years federal income taxes."

Notes to Financial Statements

Note H: No provision for federal income tax is required for 1961 because the unused net operating loss deduction arising in prior years exceeds taxable income for 1961.

DYNAMICS CORPORATION OF AMERICA

DR.—$393,314—*"Earned Surplus*: Provision for Federal income tax—prior years (Note E)."

Note E: *Federal Income Taxes*—During the year, final determination of tax liabilities of the Company and its subsidiaries applicable to the years 1948 through 1953 and settlement with respect to Federal income tax returns for the years 1954 through 1957 were concluded, resulting in additional charges to earned surplus of $393,314. Returns for the Company and its subsidiaries for the years subsequent to 1957 have not been examined.

Deferred Federal income taxes result from the policy of certain subsidiaries of including overhead charges in inventories in financial statements, but deducting these charges in the years incurred for tax purposes.

MOHASCO INDUSTRIES, INC.

DR.—$844,145—*"Earned Surplus*: Additional Federal and State income taxes for prior years and interest thereon (Note 7)."

Note 7: *Federal Income Taxes*—The company was recently advised by its tax counsel that it is entitled to treat royalties from an exclusive licensee under certain patents and patent applications as income subject to Federal taxes at capital gain rates and Federal income taxes for 1961 have been provided on that basis. The provision for Federal income taxes in 1960 would have been approximately $300,000 less if a retroactive adjustment had been made in that year's figures.

Settlements have been made with the Internal Revenue Service in connection with its examination of the income tax returns of Alexander Smith, Incorporated for the years 1950 and 1951. The effect of the settlements, excluding the 1951 Federal tax assessment, is shown as a charge in the statement of consolidated earned surplus. The Service is holding the 1951 assessment in abeyance as it is expected that it will be eliminated by a net operating loss carry-back from 1952.

The Federal income tax return of Alexander Smith, Incorporated for 1952 is being examined currently. The tax returns of former Mohawk Carpet Mills, Inc. have been settled through the date (December 31, 1955) of its merger with Alexander Smith, Incorporated. The returns of Mohasco Industries, Inc. have not been examined.

UNITED FRUIT COMPANY

DR.—$2,804,452—*"Retained Earnings*: Adjustment of income taxes, principally pertaining to the 1960 write-down of certain tropical banana facilities to estimated economic value—Note 2."

Note 2: As previously reported, the book value of certain tropical banana facilities was written down in 1960 to estimated economic value as determined by the Board of Directors. This resulted in an estimated future tax benefit which is being amortized over the period 1960-1965. The estimated 1961 tax benefit was $1,675,900 less than anticipated last year. This amount has been charged to Retained earnings. Additional income tax adjustments increased the charge to Retained earnings to $2,804,452.

VICTOR COMPTOMETER CORPORATION

DR.—$247,000—*"Retained Earnings*: Estimated additional federal income tax for prior years—Note 3."

Note 3: *Federal Income Tax*—Reference is made to Note 2 regarding the net operating loss carry-forward.

The Internal Revenue Service is proposing additional income taxes for the parent company and certain export subsidiaries based on the nonrecognition of these subsidiaries as separate taxable entities since 1952, or alternatively on a reallocation of income between the parent company and the subsidiaries. These issues are being contested before the Internal Revenue Service and are docketed in the Tax Court of the United States. Under a proposed settlement, which it appears will be accepted by the company and the Service, the liability under these issues for all years through 1957 will be $247,000.00. This amount has been charged to retained earnings and accrued as a liability in the consolidated statements.

For federal income tax purposes, the company has fully amortized that portion of the cost of certain assets covered by emergency certificates of necessity. These assets are being depreciated in the books of account on a normal depreciation basis. Provision has been made in the financial statements for the federal income taxes deferred as a result of using the allowable five-year amortization for tax purposes. This deferred amount is being restored to income over the remaining useful lives of the assets. Credits included in the provision for income taxes were $18,378.30 in 1961.

Capital Surplus

AMERICA CORPORATION

DR.—$100,000—*"Capital Surplus*: Provision for Federal income tax deficiency of subsidiary applicable to year 1952, charged to capital surplus, since it is applicable to period prior to January 1, 1960 quasi-reorganization (Note 5)."

Note 5: *Federal Taxes on Income*—Consolidated Federal income tax returns are filed resulting in no provision for Federal taxes on income required for the year ended December 31, 1961 because of the use of net operating losses. At December 31, 1961, the Company estimates that the net operating loss carry-forward available for use in future years was approximately $500,000.

The Internal Revenue Service succeeded in its appeal to the Third Circuit Court of Appeals to reverse the decision in favor of Virginia Metal Products, Inc. by the Tax Court in connection with a tax deficiency asserted for the year 1952 in the amount of $200,000 (including interest). The Supreme Court of the United States has denied a petition for certiorari, and the Company has provided in its accounts for the full amount of the tax deficiency.

There are numerous and complex issues of law and fact involved in the Federal income tax returns filed for 1956 and subsequent years, of which all open years through 1959 are currently under examination by the Internal Revenue Service. In the opinion of counsel, there will be no ultimate liability for Federal taxes on income for all years ended December 31, 1961.

Prior Year Adjustments—Various Other Retained Earnings

BELL INTERCONTINENTAL CORPORATION

DR.—$147,264—*"Earnings Retained in the Business*: Settlement of contracts of predecessor company relating to prior years."

E. G. BRACH & SONS

CR.—$995,000—"Accumulated Earnings: Adjustment of inventories (see note to balance sheet)."

Note: Effective October 1, 1960, the Company changed its method of determining cost of inventories under the last-in, first-out method. This change had no material effect on net income for the year ended September 30, 1961; however, the amount stated for inventories and accumulated earnings at September 30, 1960, has been increased by $995,000.

CLEVITE CORPORATION

DR.—$1,344,000—*"Retained Earnings*: Net after tax effect of government contract settlement applicable to prior years."

Notes to Financial Statements

Contingencies: In August 1961 final settlement was made with respect to certain Government contracts. Since the settlement is deemed to be deductible for Federal income tax purposes and in the year in which it was made, but since it relates to transactions of prior years, the net after tax effect is reflected as a charge against retained earnings.

The Corporation is subject to renegotiation for 1960 and 1961 and to other contingencies arising in the course of business. The effect of any adjustments to earnings which may result from these contingencies cannot be determined at this time.

KENNECOTT COPPER CORPORATION

CR.—$1,506,602—"Earned Surplus: Exploration expenses previously written off now capitalized."

THE UNITED PIECE DYE WORKS

DR.—$36,208—*"Surplus (Deficit)*: Extraordinary retroactive charge for 1960 in connection with set-up of pensions plan—amount not determined until mid 1961."

FAIRBANKS WHITNEY & CO.

CR.—$304,982—"Earned Surplus: Restatement of carrying value of investments in consolidated subsidiaries as of January 1, 1961 (Note 6)."

Note 6: *Investments in Consolidated Subsidiaries*—In order to reflect on the books of Fairbanks Whitney Corporation (Parent Company) earned surplus which would be legally available for dividends under Pennsylvania law, the Company as of January 1, 1961 adopted the policy of carrying its investments in consolidated subsidiaries on a cost basis. Previously, investments in consolidated subsidiaries had been carried at their underlying book value which at January 1, 1961, was $304,982 less than cost. At December 31, 1961, the Company's equity in the net undistributed losses of consolidated subsidiaries (principally Fairbanks, Morse & Co.) since May 31, 1960, (date of restatement of capital accounts of the Company) amounted to $732,000. In the opinion of management, such losses do not represent a permanent impairment in the carrying value of its investment in these subsidaries. The earned surplus of Fairbanks Whitney Corporation (Parent Company) at December 31, 1961, amounted to $96,733 after deducting the payment of preferred stock dividends.

HAZELTINE CORPORATION

CR.—$248,778—"Unappropriated earned surplus: Adjustments resulting principally from final determination of contract adjustments and federal taxes on income applicable to prior years."

Notes to Financial Statements

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. 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.

Provisions are usually made to give effect to any price revisions that may be required to the extent that they can reasonably be predicted. A contract entered into late in 1958 and partially delivered in 1960 required substantial engineering changes over and above the specification requirements, and extra costs so incurred were partially absorbed in 1960. The gross billings and net income for the year ended December 31, 1961 include an upward contract price adjustment resulting from a 1961 modification of that contract which revised the specifications and partially covered such costs, a portion of which had been allocated to products delivered prior to 1961. . . ."

Capital Surplus

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.

DR.—$187,254—*"Capital Surplus*: Settlements and costs of anti-trust litigation applicable to period prior to January 1, 1960 (see Note G)."

Note G: *Contingent Liabilities*—The Company and its subsidiaries have contingent liabilities under pending litigation, including anti-trust suits, to many of which a predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants. Under the Plan of Reorganization of Paramount Pictures Inc., the Company assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc. on December 31, 1949. Payments of $187,254 made during the year with respect to such litigation were charged to capital surplus.

The Company has an obligation to the sellers of The Prairie Farmer Publishing Company measured by a percentage of profits of that company and its subsidiaries over the next 4¼ years. The amount of liability is not presently determinable but any payment will represent additional intangibles not presently subject to amortization.

Section 5 AUDITOR'S 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 substance 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."

Further discussion on the use or replacement of the term "surplus" is presented in Section 1 in connection with Tables 10, 11, 12 and 13.

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 balance sheet and statement of income and income reinvested in the business of *The Youngstown Sheet and Tube Company* and subsidiary companies present fairly the consolidated financial position of the companies at December 31, 1961 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. Our examination of those 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.

ADOPTION OF SHORT-FORM

The survey of the 600 annual reports for the year 1961 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 theere were 16 in 1950 as shown in Table 1, have now been eliminated in the trend toward uniformity in this respect. In the year under review the recommended short-form has been used in 501 reports, and the modified version in 99.

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 240 of the 501 reports which used the recommended short-form for the year 1961. Among these variations were the following items, which are summarized below.

37 reports omitted in the opening sentence the words "as of . . . (date shown)" and modified the phrase "for the year then ended" in the scope paragraph to read "for the year ended . . . (date shown)" (*Co. Nos. 12, 86, 192, 297, 341, 466).

94 reports used in the opening sentence of the report the words "at" or "as at" instead of "as of" (*Co. Nos. 6, 144, 269, 330, 433, 525).

72 reports refer to "similar examinations for the preceding year" (*Co. Nos. 2, 33, 277, 320, 409, 514).

57 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. 94, 108, 287, 376, 425, 590).

12 reports referring to calendar year closing used the phrase "for the fiscal year" instead of "for the year then ended" (*Co. Nos. 156, 166, 207, 333, 541, 584).

8 reports, while expressing opinion for one year only, shortened the last clause in the opinion paragraph to read "generally accepted principles applied on a consistent basis" (*Co. Nos. 58, 165, 277, 310, 423, 491).

5 reports included in the last clause the words "in all material respects" with regard to the consistency phrase (*Co. Nos. 72, 129, 145, 260, 297).

Minor wording variations were also found in the 99 reports which used the more or less typical modified short-form report. The most important of these was that 59 of such reports substituted "financial statements" or "the accompanying statements" for "balance sheet," etc. (*Co. Nos. 16, 82, 183, 331, 484, 517).

"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 standards except that owing to special conditions no con-

*Refer to Company Appendix Section.

TABLE 1: SHORT-FORM AUDITORS' REPORT

Number of Reports with:	1961	1960	1955	1950
"Recommended Short-form of Report" with scope set forth in first paragraph and opinion stated in a following paragraph:				
Adopted—				
In full	261	230	234	251
With minor wording variations	240	269	259	265
	501	499	493	516
"Modified Short-Form Report" with *opinion* stated in opening sentence of a single paragraph form	95	100	92	65
"Modified Short-Form Report" with *opinion* stated in first paragraph and *scope* set forth in a following paragraph	4	1	2	3
Various other forms	—	—	13	16
Total	600	600	600	600

TABLE 2: AUDITING STANDARDS

Auditors' Report:	1961	1960	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

firmations 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:

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, for the year 1961, 46 of these reports also referred to the omission of certain normal auditing procedures, stating in all cases that other procedures were employed.

Omission of Auditing Procedures

Table 4 discloses that 46 auditors' reports of the 1961 survey companies revealed 50 instances of omission of certain normal auditing procedures. Of these, 49 omissions pertained to the confirmation of accounts receivable, including 44 with regard to U. S. Government accounts, in which it was stated that other auditing procedures had been applied.

Five of the 46 reports mentioned above (*Co. Nos. 25, 43, 92, 379, 508) did not contain the phrase "we have satisfied ourselves by means of other auditing procedures." This wording was recommended in Statement No. 26 issued by the Institute's committee on auditing procedure in 1956. However, in all 5 reports the auditors indicated or implied their satisfaction by the use of other terms.

Representative examples are as follows:

*Refer to Company Appendix Section.

TABLE 3: AUDITING PROCEDURES

Auditors' Report:	1961	1960	1955	1950
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	553	551	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	—	3	4	5
B: Refers to the omission of certain normal auditing procedures and the employment of *other* procedures	44	43	52	24
C: Refers to the omission of certain normal auditing procedures, the employment of *other* procedures, and *describes* such procedures (*Co. Nos. 25, 43)	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.

Confirmation of Accounts Receivable— U. S. Government

The Board of Directors and Stockholders,
American Machine & Foundry Company:

We have examined the accompanying consolidated balance sheet of American Machine & Foundry Company and Consolidated Subsidiaries at December 31, 1961 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. 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.

In our opinion, the statements mentioned above present fairly the consolidated financial position of American Machine & Foundry Company and Consolidated Subsidiaries at December 31, 1961 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 27, 1962.*

To the Directors and Stockholders of
Grumman Aircraft Engineering Corporation:

We have examined the consolidated balance sheet of Grumman Aircraft Engineering Corporation and subsidiaries as of December 31, 1961, and the related statements of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that it was impracticable to confirm by direct correspondence amounts due from the United States Government, as to which we satisfied ourselves by other auditing procedures.

In our opinion, the accompanying balance sheet and statements of income and earnings retained for use in the business present fairly the consolidated financial position of Grumman Aircraft Engineering Corporation and subsidiaries at December 31, 1961, 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 2, 1962.*

The Board of Directors and Shareholders,
Universal Match Corporation:

We have examined the accompanying consolidated balance sheet of Universal Match Corporation and consolidated subsidiaries at December 31, 1961 and the related consolidated statements of operations, 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. It was not practicable to confirm accounts due from the U. S. government amounting to $6,450,000, as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Universal Match Corporation and consolidated subsidiaries at December 31, 1961 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.—*March 5, 1962.*

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, 1961 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that

TABLE 4: AUDITING PROCEDURES

Normal Procedure Omitted	1961	1960	1955	1950
Confirmation of Accounts Receivable, with report—				
Stating that other procedures were employed:				
For government accounts (*Co. Nos. 6, 76, 152, 216, 347, 555)	44	44	48	23
For foreign accounts (*Co. No. 249)	1	1	1	3
For other accounts (*Co. Nos. 197, 241, 412)	3	4	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. 43)	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	—	3	1	2
Total	50	54	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	552	548	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	46	50	59	32
Omitting reference to "auditing procedures"	1	1	1	3
Total	600	600	600	600

*Refer to Company Appendix Section.

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, 1962.*

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, 1961, and the related statements of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm receivables from the United States and Canadian Governments but we have satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of General Dynamics Corporation and subsidiaries as of December 31, 1961, 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—March 5, 1962.*

Confirmation of Accounts Receivable—Various Other

To the Shareholders and Board of Directors, Northrop Corporation:

We have examined the statement of consolidated financial position of Northrop Corporation and subsidiaries as of July 30, 1961, and the related statements of consolidated income and shareholders' equity for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to confirm by direct correspondence amounts receivable from the U. S. Government and certain aircraft companies, but we satisfied ourselves as to such amounts by means of other auditing procedures.

In our opinion, the accompanying statement of financial position and statements of income and shareholders' equity present fairly the consolidated financial position of Northrop Corporation and subsidiaries at July 30, 1961, and the consolidated results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—September 13, 1961.*

Board of Directors,
Whirlpool Corporation:

We have examined the financial statements of Whirlpool Corporation for the year ended December 31, 1961. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm certain of the accounts receivable, but we have satisfied ourselves as to such accounts by means of other auditing procedures.

In our opinion, the accompanying balance sheet and statements of operations and earnings retained in the business present fairly the financial position of Whirlpool Corporation at December 31, 1961, 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—February 9, 1962.*

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, 1961 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 $7,306,050 at the beginning of the year and $7,296,419 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 $1,833,880 at the beginning of the year and $2,227,615 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, 1961 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 13, 1962.*

Verification of Investment in Subsidiary

Burrus Mills, Incorporated:

We have examined the consolidated balance sheet of Burrus Mills, Incorporated and subsidiary companies, except the Cuban subsidiaries (see below), as of June 30, 1961 and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As to the Cuban subsidiaries, reference is made to Note 2 to financial statements concerning the confiscation of the Cuban assets and records of those companies on October 25, 1960. Accordingly, these records were not available to us for examination; however, we did make an examination of the Cuban subsidiaries for the year ended June 30, 1960 and were furnished with unaudited financial statements of those subsidiaries, included in the accompanying consolidated financial statements, for the period from July 1, 1960 to October 24, 1960, inclusive.

In our opinion, with the observation of the matters referred to in the preceding paragraph and the disclosure in Note 2, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of the companies at June 30, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's Opinion—August 7, 1961.*

Note 2: The government of Cuba nationalized and took possession on October 25, 1960 of the net assets and records located in Cuba of the Cuban subsidiaries. Accordingly, operations of the Cuban properties for only three months and twenty-four days ended October 24, 1960 (not examined by independent certified public accountants), and subsequent expenses, are included in the accompanying financial statements. Operations for the twenty-four days ended October 24, 1960 have been estimated on basis of claim to be filed against the Cuban government. A one hundred percent reserve for possible loss has been provided by (1) a charge against earned surplus for the amount of such net assets as of June 30, 1960 aggregating $6,291,114.95 and (2) a charge against income for the increase in such net assets since that date aggregating $306,794.26.

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, 1961, 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, 1961, 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 26, 1962.*

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, in effect, 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

In October, 1961, the committee on auditing procedure of the American Institute of Certified Public Accountants issued *Statements on Auditing Procedure No. 31—Consistency* which, among other things, stated (page 44):

> 2. The objective of the consistency standard is:
>   (1) To give assurance that the comparability of financial statements as between periods has not been materially affected by changes in the accounting principles employed or in the method of their application; or
>   (2) If comparability has been materially affected by such changes, to require a statement of the nature of the changes and their effects on the financial statements.

The number of reports revealing exceptions to the consistent application of generally accepted accounting principles as set forth in Table 5 indicates that there were 51 in 1961.

Eleven 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.

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 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,

TABLE 5: STANDARDS OF REPORTING

Auditors' Report:	1961	1960	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	548	551	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. 32, 169, 218, 399, 417, 484)	11	6	—	—
Sets forth certain exceptions to the consistent observation of generally accepted principles of accounting in the current period in relation to the preceding period	40	42	85	92
Omits reference to consistent observation of generally accepted principles of accounting (*Co. No. 79)	1	1	—	1
Total	600	600	600	600
Informative Disclosures				
Contains informative disclosures or explanatory remarks	25	20	25	21
Does not contain informative disclosures or explanatory remarks	575	580	575	579
Total	600	600	600	600
Expression of Opinion				
Contains an unqualified expression of opinion	519	531	503	489
Contains a qualified expression of opinion	81**	69	97	111
Total	600	600	600	600

*Refer to Company Appendix Section.
**Includes one denial of opinion.

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 519 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 80 auditors' reports, there were 87 instances of qualifications, 54 of which related to consistency and 33 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 1961, as in previous years, the principal reasons for consistency qualifications; whereas the main causes for qualifications as to fair presentation were specific contingencies with regard to federal income taxes, matters in litigation, or uncertainty as to the valuation of specific assets.

Two of the qualifications as to fair presentation were presented in a form sometimes referred to as a "piecemeal" opinion (*Co. Nos. 253, 476). One report, as per example below, contained an assertion to the effect that an opinion could not be expressed.

*Refer to Company Appendix Section.

To the Stockholders and Board of Directors of Stahl-Meyer, Inc.:

We have examined the accompanying consolidated balance sheet of Stahl-Meyer, Inc. and its subsidiaries at October 27, 1961 and the related statements of income and deficit for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 13 to the financial statements the company has filed a petition of voluntary bankruptcy under Chapter XI of the Bankruptcy Act and has continued operations while its present financial position is being evaluated by a creditors' committee. At the conclusion of its study the committee will present to a Referee in Bankruptcy its findings and recommendations as to the continuance of the company's operations in the future. Regardless of the committee's recommendations, the financial condition of the company raises a question as to whether or not principles of accounting applicable to a going concern should continue to be followed with respect to carrying values of certain substantial assets.

Based upon the unaudited financial statements at November 30, 1961 of the company's affiliate in Venezuela and its subsidiary, the company's investment in its affiliate was approximately equivalent to its equity in the affiliate's reported net assets. However, since such net assets are represented to a substantial extent by various deferred charges, there is considerable doubt regarding the appropriateness of carrying this investment at cost.

Based upon the unaudited records of the company's Venezuelan affiliate, the amount owed by it to the com-

TABLE 6: AUDITORS' OPINION QUALIFIED

Reason for Qualification*	1961	1960	1955	1950
Changes in Consistent Application of Generally Accepted Principles of Accounting				
A: Lifo inventory method—initial adoption or readoption	2	—	5	47
Lifo inventory method—abandonment or modification	2	5	3	14
B: Other methods of inventory valuation	4	5	7	3
C: Fixed assets	2	1	1	1
D: Other assets	3	1	2	—
E: Liabilities	1	1	—	1
F: Deferred credits or Surplus adjustments	—	5	—	—
Income and Expense:				
G: Deferred income	2	3	1	—
H: Vacation pay deduction	—	2	7	—
I: Depreciation, depletion, amortization	13	9	48	5
J: Other income and cost items	6	11	14	21
K: Arising through consolidation	19	11	10	6
Total	54	54	98	98
Reasons for Qualification as to Fair Presentation:				
L: Federal income taxes	6	7	8	15
M: Contingencies, uncertainty, litigation	23	15		
N: Scope of examination	—	—	1	2
O: Miscellaneous	4	2	2	1
Total	33	24	11	18
Number of Auditors' Reports Containing:				
An unqualified expression of opinion	519	531	503	489
A qualified expression of opinion	81**	69	97	111
Total	600	600	600	600

*Refer to Company Appendix Section.
A: Co. Nos. 106, 370, 445, 579
B: Co. Nos. 3, 218, 502, 550
C: Co. Nos. 223, 367
D: Co. Nos. 223, 343, 419
E: Co. No. 443
G: Co. Nos. 353, 452
I: Co. Nos. 1, 129, 296, 336, 478, 549
J: Co. Nos. 155, 169, 218, 415, 423, 520
K: Co. Nos. 32, 194, 312, 404, 498, 574
L: Co. Nos. 4, 21, 235, 255, 263, 522
M: Co. Nos. 9, 127, 340, 447, 507, 554
O: Co. Nos. 196, 200, 230, 463
**Includes one denial of opinion.

pany at October 27, 1961 is approximately $300,000 less than the $651,907 shown as "accounts receivable from affiliate in Venezuela" in the accompanying financial statements. This difference is largely due to various unaccepted billings which the company and its affiliate have made to each other for losses on product sales, losses on inventories and accounts receivable sold by the company to its affiliate, and interest on advances. At this date no settlement has been made between the two parties regarding this difference.

In addition, at this date it is not possible to determine the value, if any, assigned to construction in progress (see Note 9), the amount of the company's liability, if any, in connection with construction of the new plant and the lease relating to such constructed facilities or the company's liability, if any, for severance pay to employees should operations be terminated.

Because of the materiality of the uncertainties referred to in the four preceding paragraphs, we are unable to express an opinion on the accompanying consolidated financial statements of Stahl-Meyer, Inc. and its subsidiaries as a whole. In other respects we believe that on a going concern basis the statements are presented in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

Opinion of Independent Public Accountants—February 9, 1962.

Auditors' Specific Approval or Disapproval of Accounting Changes

Statements on Auditing Procedure No. 31, issued by the committee on auditing procedure of the American Institute of Certified Public Accountants in October, 1961, recommends that:

> 18. When the client makes a change from the use of one generally accepted accounting principle, practice or method of application to another which is generally accepted, the independent auditor need not indicate whether he approves or accepts the change. Although reference to the change is required in the opinion, the absence of qualification regarding fair presentation in conformity with generally accepted accounting principles is sufficient to indicate that the independent auditor considers the newly adopted accounting principle to be generally accepted. However, if he wishes, the independent auditor may express his approval of the change in his report. . . .

TABLE 7: AUDITORS' SPECIFIC APPROVAL OR DISAPPROVAL of Changes in Consistent Application of Generally Accepted Principles of Accounting

Nature of Change	1961* A	1961* D	1961* N	1960* A	1960* D	1960* N	1955* A	1955* D	1955* N	1950* A	1950* D	1950* N
Lifo inventory method—initial adoption or readoption	2	—	—	—	—	—	5	—	—	41	—	6
Lifo inventory method—abandonment or modification	2	—	—	1	—	4	3	—	—	13	—	1
Other methods of inventory valuation	3	—	1	3	—	2	7	—	—	3	—	—
Fixed assets	1	—	1	—	—	1	1	—	—	1	—	—
Other assets	2	—	1	1	—	—	1	—	1	—	—	—
Liabilities	1	—	—	1	—	—	—	—	—	—	—	1
Deferred credits or Surplus adjustments	—	—	—	5	—	—	—	—	—	—	—	—
Income and Expense:												
Deferred income	1	—	1	2	—	1	1	—	—	—	—	—
Vacation pay deduction	—	—	—	2	—	—	4	—	3	—	—	—
Depreciation, depletion, amortization	8	—	5	8	—	1	37	—	11	4	1	—
Other income and cost items	3	—	3	8	—	3	8	1	5	17	2	2
Nature of Change												
Principles of consolidation	9	—	10	9	—	2	7	—	3	3	—	3
Total	32	—	22	40	—	14	74	1	23	82	3	13

*Summary of Auditors' Approval or Disapproval	1961	1960	1955	1950
A—Approved	32	40	74	82
D—Disapproved	—	—	1	3
N—Neither approved nor disapproved	22	14	23	13
Total	54	54	98	98

*Refer to Table 6 for reference to company numbers.

Table 7 reveals that in 32 instances the auditors expressed their approval of accounting changes made, while in 22 instances the changes were neither approved nor disapproved.

Examples of Qualified Opinions

The examples which follow were selected from the 1961 annual reports and are illustrative of the presentation of the qualified opinions indicated in Table 6.

CONSISTENCY IN APPLICATION OF ACCOUNTING PRINCIPLES

Changes in Inventory Pricing

Board of Directors,
Apex Smelting Co.:

We have examined the consolidated balance sheet of Apex Smelting Co. (an Illinois corporation) and Subsidiaries as of December 31, 1961, and the related statement of consolidated earnings and accumulated earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have made similar annual examinations for the years ended December 31, 1960 and 1959.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and accumulated earnings present fairly the financial position of Apex Smelting Co. and Subsidiaries at December 31, 1961, 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 inventory pricing (which we approve) as explained in Note 2 to the financial statements.—*Auditors' Certificate—February 5, 1962.*

Note 2: Inventories—On January 1, 1961, Apex Smelting Co. discontinued the practice of pricing the recoverable aluminum and zinc contents of inventories and conversion costs thereof on the LIFO basis. Replacement costs at that date approximated the LIFO costs on these inventories; consequently, this change in costing has not had a material effect on 1961 operations or their comparability with prior-years data.

The inventories of the Company and subsidiaries are priced at the lower of cost (determined by the first-in, first-out method) or market.

Board of Directors and Stockholders,
Endicott Johnson Corporation:

We have examined the accompanying consolidated balance sheet of Endicott Johnson Corporation and its subsidiary companies as of December 1, 1961, and the related statements of operations and accumulated retained earnings for the fiscal year (fifty-two weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Endicott Johnson Corporation and its subsidiary companies at December 1, 1961, and the consolidated results of their operations for the fiscal year (fifty-two weeks) then ended, in conformity with generally accepted accounting principles. Such principles, with the explanation in Note 2 in respect of retirement plan costs, have been applied on a basis consistent with that of the preceding fiscal year which has been restated to give effect to the change, which we approve, pertaining to the normal base stock method of inventory as indicated in Note 1.—*Auditors' Report—January 26, 1962.*

Note 1: In the past, the Corporation had consistently employed the normal base stock method of inventory under which hide, leather, and rubber values and conversion costs in inventories were stated on the basis of cost or market, whichever was lower, and a provision was made to reduce the established normal inventory quantities to amounts based on fixed prices substantially below current market values.

As of December 1, 1961, the Corporation discontinued the use of the normal base stock method and, accordingly, for the purpose of comparability, the accompanying financial statements for the fiscal year (53 weeks) ended December 2, 1960, have been restated to give effect to such change. Consequently, the "Provision to give effect to the normal base stock method of inventory" existing at December 2, 1960, in the amount of $20,333,725 has been transferred to "Accumulated retained earnings" and the net loss for the year then ended has been increased by $258,155. Had the normal base stock method not been discontinued, the net loss for the fiscal year ended December 1, 1961, would have been increased by $92,638.

To the Board of Directors and Shareholders of Pittsburgh Steel Company:

In our opinion, the accompanying statements present fairly the consolidated financial position of Pittsburgh Steel Company and subsidiary companies at December 31, 1961 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in the method of valuing certain inventories as described in Note A 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.—*Opinion of Independent Accountants—February 2, 1962.*

Note A: *Inventories—*

	1961	1960
Ores and scrap	$10,540,091	$11,736,451
Other raw materials and supplies	9,353,828	9,525,312
Semifinished products	8,417,065	7,633,042
Finished products	13,162,058	9,490,447
	$41,473,042	$38,385,252

In 1961, the company adopted the last-in, first-out (LIFO) method for valuing inventories of scrap. As a result of this change, the value of inventories at December 31, 1961 was decreased $207,000, estimated taxes on income were reduced $104,000 and the net loss for the year was increased $103,000. At December 31, 1961, inventories other than scrap are valued, as in prior years, at the lower of average cost or market. Market is considered to be quoted prices or replacement market on individual commodities in the case of raw materials and supplies, and the average net selling price of each class of commodity in the case of semi-finished and finished products, without making any allowance for selling and administrative expenses.

To the Stockholders of Veeder-Root Incorporated:

We have examined the consolidated balance sheet of Veeder-Root Incorporated and consolidated subsidiaries as at December 31, 1961, 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 balance sheet and statement of income and retained earnings present fairly the consolidated financial position of Veeder-Root Incorporated and its consolidated subsidiaries at December 31, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (in which we concur) referred to in Note 2 of notes to financial statements, have been applied on a basis consistent with that of the preceding year.—*Opinion of Independent Certified Public Accountants—February 12, 1962.*

Note 2: In the pricing of inventories the parent company adopted in 1961 the last-in, first-out method of determining cost instead of the first-in, first-out method previously used. Such change had the effect of reducing the amount stated for inventories at December 31, 1961 by $46,735 and reduced consolidated net income (after income taxes) for the year by approximately $21,500. Inventories of the consolidated subsidiaries are generally stated at the lower of cost (first-in, first-out) or market.

Board of Directors, Dumas Milner Corporation:

We have examined the consolidated balance sheet of Dumas Milner Corporation and subsidiaries as of December 31, 1961, 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 statement of income and retained earnings present fairly the financial position of Dumas Milner Corporation and subsidiaries at December 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (of which we approve) in the method of valuing inventories described in Note 5 of the Notes to Financial Statements.—*Independent Accountants' Report—March 27, 1962.*

Note 5: *Change in Accounting Method and Basis for Domestic Income Taxes*—During 1961 the Company effected a change in the manner in which direct manufacturing overhead was applied to cost of goods manufactured. The net effect of this change and its resulting effect on inventories served to increase profits in 1961 by $35,234. . . .

Changes in the Accounting for Other Assets and Liabilities

To the Board of Directors and Stockholders, Fairbanks, Morse & Co.:

We have examined the consolidated balance sheet of Fairbanks, Morse & Co. (an Illinois corporation) and subsidiaries as of December 31, 1961, 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 accompanying consolidated balance sheet and consolidated statements of income and earnings retained in the business present fairly the financial position of Fairbanks, Morse & Co. and subsidiaries as of December 31, 1961, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles. Except for the change (see Note 1 to the consolidated financial statements) in the method of recording engineering, pattern and tool costs applicable to new products, which is also an acceptable method, in our opinion, the accounting principles were applied on a basis consistent with that of the preceding year.—*Auditors' Opinion—March 12, 1962.*

Note 1: Effective January 1, 1961, the Company adopted the policy of capitalizing pattern and tool costs (included in machinery and equipment) and deferring engineering costs applicable to new products, and amortizing such costs over a period not to exceed three years from the time the new product is placed in production. In the opinion of management, this policy will provide a more accurate matching of revenues and expenses. Under the previous policy of charging these costs to expense as incurred, the net loss would have been increased by approximately $480,000.

To the Board of Directors,
McGraw-Hill Publishing Company, Inc.:

We have examined the consolidated balance sheet of McGraw-Hill Publishing Company, Inc. and subsidiary companies at December 31, 1961 and the related statement of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related statement of income present fairly the financial position of McGraw-Hill Publishing Company, Inc. and subsidiary companies at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change, of which we approve, in the treatment of furniture and equipment described in Note 4 to the Financial Statements, on a basis consistent with that of the preceding year.—*Accountants' Opinion—February 14, 1962.*

Note 4: Prior to January 1, 1961, it was the consistent policy of the company and its subsidiaries (except for F. W. Dodge Corporation and its subsidiaries) to charge operations with the cost of furniture and equipment in the year acquired and to reflect the net asset on the balance sheet at a nominal value of $1.00. As of January 1, 1961, furniture and equipment purchased in prior years, net of accumulated depreciation, was capitalized. This change resulted in a credit to income retained in the business of $1,747,878 and an increase in net income for 1961 of $13,788.

Land, buildings, furniture, and equipment was composed of the following:

	1961	1960
Land	$ 1,707,878	$ 1,642,402
Buildings and improvements	12,353,810	11,145,617
Furniture and equipment	5,355,683	1,498,847
Leasehold improvements	466,941	325,509
	$19,884,312	$14,612,375
Less: Accumulated depreciation	8,903,363	6,450,829
	$10,980,949	$ 8,161,546

Board of Directors,
The Hoover Company:

We have examined the balance sheet of The Hoover Company as of December 31, 1961, and the related statements of income and income employed in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and income employed in the business present fairly the financial position of The Hoover Company at December 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (with which we concur) referred to in Note E to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 19, 1962.*

Note E: For financial reporting purposes, it has been the consistent practice of the Company to charge operations with tooling costs as incurred, although for federal income tax purposes a portion of such costs was capitalized and amortized over succeeding years. During the current year, the Company adopted the policy of capitalizing major tooling costs; such costs are to be amortized on the basis of estimated production of the related products, but not to exceed a period of thirty-six months. This change had no material effect on the current financial statements.

Board of Directors,
Pacific American Fisheries, Inc.:

We have examined the accompanying consolidated balance sheet of Pacific American Fisheries, Inc. and subsidiaries as of February 28, 1961, and the related statements of net earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Pacific American Fisheries, Inc. and subsidiaries at February 28, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, to carrying its investment in a fifty-percent-owned company at underlying book value.—*Accountants' Report—April 4, 1961.*

Notes to Financial Statements

Investment in Fifty-Percent-Owned Company: The Company changed its accounting policy to carry its investment in Excursion Inlet Packing Co., a fifty-percent-owned company, at underlying book value. As a result of this change, a charge of $120,190 is included in costs and expenses.

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, 1961 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, 1961 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 15, 1961.*

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 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 from reacquired Debentures was made to the Trustee in April 1961. The payment for 1960 was in excess of the minimum as required by the Indenture and an additional payment of at least $88,390 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, 1962.

Under the Indenture for the 5% Debentures, $1,554,212 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 made for bonds reacquired in 1960 and prior years. The effect of the change has been to reflect reacquired bonds in the treasury in the principal amount of $1,423,400 in 1961 and $1,307,200 in 1960 as a deduction from long term debt in the Balance Sheet, and to reflect the excess of principal amount over cost ($39,686 in 1961 and $220,853 in 1960).

Changes in Accounting for Deferred Income

The Board of Directors and Stockholders, Pullman Incorporated:

We have examined the accompanying consolidated balance sheet of Pullman Incorporated and consolidated subsidiaries at December 31, 1961 and the related consolidated statement of income and earned surplus for the year then ended. We have also examined the accompanying balance sheet of Trailmobile Finance Company at December 31, 1961. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly (1) the financial position of Pullman Incorporated and consolidated subsidiaries at December 31, 1961 and the results of their operations for the year then ended, and (2) the financial position of Trailmobile Finance Company at December 31, 1961, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, referred to in Note 2 to the consolidated financial statements.—*February 21, 1962*.

Note 2: *Accounting Change*—During 1961 one of the Corporation's subsidiaries began reporting certain foreign profits as current income whereas in prior years such profits had been deferred and taken into income only when received in the United States. As a result of this change, consolidated net income (after taxes) for 1961 was increased by $357,000.

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, 1961 and the related statements of consolidated income and accumulated earnings retained in the business for the year then ended. Our examination of the financial statements of the Company and its consolidated subsidiaries was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the report of other independent public accountants with respect to their examination of the financial statements of Mack Financial Corporation and its subsidiary.

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, 1961 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 computing interest on customers' instalment obligations as explained in Note 2.—*Report of Certified Public Accountants, February 28, 1962*.

Note 2: In April 1961, concurrent with the sale by the Company to Mack Financial of the entire remaining balance of customers' instalment obligations not theretofore sold, the Company revised its computation of interest earned thereon to conform to the "sum-of-the-digits" method (based on the monthly declining outstanding balances) adopted by Mack Financial at inception in 1960 instead of the straight-line method theretofore used by the Company. If the straight-line method had been continued by the Company and adopted by Mack Financial reported net income would have been approximately $1,150,000 less in 1961 and $450,000 less in 1960.

Changes in the Accounting for Depreciation, Depletion, and Amortization

To the Board of Directors and the Shareholders of ACF Industries, Incorporated:

In our opinion, the statements appearing on pages B through D of this report present fairly the financial position of ACF Industries, Incorporated and its consolidated subsidiaries at April 30, 1961 and the 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 computing depreciation as described in Note 3. 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, June 30, 1961*.

Note 3: *Depreciation*—Up to April 30, 1960 the Company used the declining balance method of computing depreciation for certain assets as permitted by the Internal Revenue Code of 1954. Beginning on May 1, 1960 the Company changed to the straight-line method for financial accounting purposes but will continue to use the declining balance method in computing current federal income tax payments. Provision has been made for the resulting deferred income taxes. As a result of this change, depreciation for the year ended April 30, 1961 was reduced by approximately $1,202,000 and net income was increased by approximately $577,000.

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, 1961 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 in the method of accounting for depreciation by a subsidiary company to an acceptable alternative method which is explained in Note 4 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—February 23, 1962*.

Note 4: Property, plant and equipment includes approximately $10,684,000 relating to the cost of a subsidiary's graving dock which was completed in 1957. For income tax purposes 80% of the cost of this facility, representing the certified portion covered by a Necessity Certificate, was being amortized over a 60-month period and the remaining cost was being depreciated by use of the declining-balance method over the life of the facility (primarily 40 years). The reduction in income taxes resulting from the use of such amortization and depreciation in lieu of depreciation provided in the accounts is reflected in the accompanying statements as a provision for future income taxes. During 1961 the subsidiary elected to discontinue such amortization and depreciation. The unamortized and undepreciated balances less salvage are being depreciated by the straight-line method over the remaining life of the facility.

For financial purposes 60% of the cost of this facility was being depreciated over a 60-month period beginning in 1957. The remaining 40% was to be depreciated by use of the straight-line method over the remaining life of the facility (primarily 40 years). During 1961 the subsidiary started depreciating the remaining book value of the total facility by the straight-line method over the remaining life of the facility. If this change had not been made, depreciation for financial purposes for 1961 would have been increased by $645,000.

To the Stockholders of
Houdaille Industries, Inc.:

We have examined the Consolidated Balance Sheet of Houdaille Industries, Inc. and subsidiary companies as of December 31, 1961 and the related Statements of Consolidated Income, Consolidated Earnings Retained in the Business, and Consolidated Capital in excess of Par Value of Capital Stock for the year then ended (pages 4 to 9). 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, such financial statements present fairly the financial position of the companies at Deecember 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change in depreciation method explained in Note D to the financial statements) on a basis consistent with that of the preceding year.—*Auditors' Report—March 12, 1962.*

Note D: Effective as of January 1, 1961, for financial accounting purposes, the Corporation reverted to the straight-line method of depreciation for the Corporation and its United States subsidiaries. This change in method resulted in an increase of approximately $322,000 in net income for the year ended December 31, 1961.

To the Stockholders and Board of Directors,
Occidental Petroleum Corporation:

We have examined the consolidated balance sheet of Occidental Petroleum Corporation (a California corporation) and subsidiary (Gene Reid Drilling, Inc.) as of December 31, 1961, and the related statements of income and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the report of Haskins and Zick, independent public accountants, with respect to their examination of the consolidated financial statements of Signet Oil and Gas Co. (a consolidated subsidiary) for the year ended December 31, 1961. The balance sheet as of December 31, 1960, and the statement of income for the year then ended were examined by other accountants and are included in the accompanying statements of the company for comparative purposes.

In our opinion, based upon our examination and the report of Haskins and Zick, the financial statements referred to above present fairly the consolidated financial position of Occidental Petroleum Corporation and subsidiaries as of December 31, 1961, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles. Except for the change (which we approve) in the method of providing for depreciation, depletion, and amortization of producing oil and gas properties described in Note 4 to the consolidated financial statements, in our opinion, such accounting principles were applied on a basis consistent with that of the preceding year.—*February 24, 1962.*

Note 4: *Change in Method of Computing Depreciation, Depletion, and Amortization of Investment in Producing Oil and Gas Properties*—In 1960 and prior years, provisions for depletion and amortization of the related investment in producing oil and gas properties were computed at unit-of-production rates, based upon estimated recoverable reserves applicable to individual properties; the provisions for depreciation of lease and well equipment were computed using the straight-line and double declining-balance methods over estimated lives of from five to twenty years. Provisions for depreciation, depletion, and amortization for 1961 have been computed at a unit-of-production rate based upon the aggregate recoverable reserves (a composite rate) in relation to the total unrecovered investment in such properties. If the newly-adopted method had been used in 1960, the net loss (including special item) for that year would have been increased by $150,000.

Board of Directors,
Kuner-Empson Company:

We have examined the accompanying balance sheet of Kuner-Empson Company as of March 31, 1961, and the related statement of net 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 financial statements referred to above present fairly the financial position of Kuner-Empson Company at March 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change, which we approve, in the method of computing depreciation as discussed in Note D to the financial statements, on a basis consistent with that of the preceding year.—*Accountants Report—April 22, 1961.*

Note D: During the year the Company adopted the double declining balance method for calculating depreciation on all new plant and equipment acquired subsequent to March 31, 1960, while continuing the straight-line method for prior additions. This change resulted in a reduction of $6,000.00 in net earnings for the year.

The Board of Directors and Stockholders,
McCall Corporation:

We have examined the accompanying consolidated balance sheet of McCall Corporation and consolidated subsidiary at December 31, 1961 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 statements mentioned above present fairly the consolidated financial position of McCall Corporation and consolidated subsidiary at December 31, 1961 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 method of computing depreciation described in Note 4 to the financial statements.—*Report of Certified Public Accountants—March 13, 1962.*

Note 4: *Depreciation*—As of January 1, 1961 the Company changed its depreciation policy for financial statement purposes so as to amortize net book value at that date of property, plant and equipment, and subsequent additions, over the estimated remaining life of the assets on a straight-line basis. As a result, net income for the year ended December 31, 1961 was $257,000 more than it would have been had the Company continued double-rate declining balance depreciation. For federal income tax purposes the double-rate declining balance method has been continued; deferred federal income taxes have been provided based on the additional depreciation to be deducted in the tax return for 1961.

Other Income and Cost Items

The Board of Directors and Stockholders,
Continental Oil Company:

We have examined the accompanying consolidated balance sheet of Continental Oil Company at December 31, 1961 and December 31, 1960 and the related statement of consolidated income and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the reports of other public accountants with respect to their examinations of the financial statements of certain subsidiaries, whose assets and revenues constitute approximately 18% and 9% of the respective 1961 consolidated totals.

In our opinion, based upon our examination and the reports of other public accountants referred to above, the statements mentioned above present fairly the financial position of Continental Oil Company and consolidated subsidiaries at December 31, 1961 and December 31, 1960 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 changes in accounting for intangible development costs (Note 1) and in consolidation policy (Note 2).—*Report of Certified Public Accountants—February 26, 1962.*

Note 1: Prior to 1961 the Company followed the policy of reserving in full out of income, at the time the expenditures were incurred, for intangible development costs applicable to wells completed as producers. Effective January 1, 1961 the Company adopted the more generally accepted accounting policy of amortizing such costs by charges to income over the period of production based on estimated recoverable reserves. Retroactive effect has been given to the new policy, and the accompanying financial statements for 1960 have been restated accordingly. This change in accounting for intangible development costs of the Company and previously consolidated subsidiaries had the effect of increasing reported net income by $4,301,112 for 1961 and $2,608,946 for 1960 and increasing retained earnings at January 1, 1960 by $149,215,315. No change was made in the Company's policy of charging dry holes to expense.

Note 2: Effective January 1, 1961 the Company has consolidated all majority-owned subsidiaries. In prior years, only the accounts of 100% owned subsidiaries operating in the United States were consolidated, but the accompanying financial statements for 1960 have been restated to conform to the new policy. This change in consolidation policy on a capitalized intangibles basis had no material effect on 1961 reported net income, decreased 1960 reported net income by $3,651,586 and increased capital surplus and retained earnings at January 1, 1960 by $5,323,882 and $2,095,966, respectively.

To the Board of Directors of
Howell Electric Motors Company:

We have examined the consolidated balance sheet of Howell Electric Motors Company and its subsidiaries as at December 31, 1961 and the related consolidated statements of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earnings retained for use in the business present fairly the financial position of Howell Electric Motors Company and its subsidiaries at December 31, 1961 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 as to the changes explained in Note 6, which changes we approve.—*Auditor's Certificate—March 26, 1962.*

Note 6: *Accounting Changes*—In 1961 depreciation rates of certain plant property of one subsidiary were revised to reflect estimated remaining useful lives arising from operating experience. The effect thereof was a reduction in depreciation expense of $34,874 for 1961. In 1961 the provision for pension plan accruals was made on the basis of the minimum required contribution to keep the plans actuarially sound. The effect thereof was a reduction in expense of $70,534 for 1961.

Board of Directors,
Parkersburg-Aetna Corporation:

We have examined the consolidated balance sheet of Parkersburg-Aetna Corporation and subsidiary as of December 31, 1961, and the related statement of consolidated income and consolidated earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earnings retained in the business present fairly the consolidated financial position of Parkersburg-Aetna Corporation and subsidiary at December 31, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis except for the change, which we approve, of providing for federal income taxes potentially payable on undeclared dividends of foreign subsidiary as explained in Note A to the financial statements.—*Accountants' Report—February 14, 1962.*

Note A: The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned foreign subsidiary, Parkersburg Rig & Reel Company de Venezuela C.A. All inter-company accounts and transactions have been eliminated. Provision has been made for federal income taxes ($115,169) which will become payable upon the distribution of the accumulated earnings of such subsidiary; of this amount $52,863 is applicable to 1960 and the financial statements for that year have been restated to give effect thereto.

To the Board of Directors and Stockholders,
Standard Packaging Corporation:

We have examined the consolidated balance sheet of Standard Packaging Corporation and its subsidiary companies as of December 31, 1961 and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the changes in accounting for certain costs and expenses applicable to product lines of subsequent years as explained in Note 2 to the financial statements) on a basis consistent with that of the preceding year.—*Auditors' Report—March 5, 1962.*

Note 2: *Changes in Accounting*—During 1961, the Company adopted certain changes at the Brown & Bigelow division in its accounting for cost of products sold and other expenses. The principal change involved the deferment of certain expenditures made in the current year applicable to product lines to be sold in subsequent years. As a result of the changes, net amounts of $754,487 and $298,141, which under the procedure followed prior to 1961 would have been charged in 1961 to cost of products sold and selling expenses, respectively, were deferred, Federal income taxes were increased by $547,367, and net income increased by $505,261.

The Stockholders and Directors,
Otis Elevator Company:

We have examined the balance sheet of Otis Elevator Company as of December 31, 1961 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Otis Elevator Company at December 31, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles which, except for the appropriate changes referred to in Note 4 to financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 2, 1962.*

Note 4: *Incentive Compensation Reserves*—The Company's policies and accounting for incentive compensation in 1961 differ from the policies and accounting in prior years. Prior to 1961 the estimated Federal income tax deduction expected from future payments of incentive compensation was not taken into account until the year of allocation, hence the Incentive Compensation Reserve was carried on the balance sheet at the full amount of unallocated appropriations without the applicable deferred Federal income tax benefit. The Incentive Compensation Contingent Reserve was carried at an amount determined by adding the aggregate market value of allotted shares of common stock to the dividend accumulations and deducting therefrom the estimated future Federal income tax benefits upon distribution of the shares. The net increases m the contingent reserve due to stock allocations, dividend accumulations, and changes in market value of the stock, less future Federal income tax benefits computed at current tax rates were included in the statement of income as administrative expenses. Beginning in 1961, estimated Federal income tax benefits are taken into account in the year of appropriation of incentive compensation; the treasury stock held by the Company has been earmarked for future distribution of the allotted shares and, accordingly, the equivalent shares in the Incentive Compensation Contingent Reserve are valued at the cost of such treasury shares; the future Federal income tax benefit, carried as a deferred charge, is computed on the basis of the market value of the allotted shares plus dividend credits; and appropriations and changes in the contingent reserve are included in the income statement as administrative expenses while changes in the estimated future Federal income tax benefits are included in the provision for Federal income tax. The accompanying statements of 1960 have been adjusted to reflect appropriate reclassifications so as to be comparable with those of 1961. The net effect of the above stated changes has been to increase net income in 1961 by $1,842,720.

Changes in Basis of Consolidation— Prior Year's Figures Not Restated

To the Stockholders and the Board of Directors, Penn Fruit Co., Inc.:

We have examined the consolidated balance sheet of Penn Fruit Co., Inc. and its wholly-owned subsidiaries as at August 26, 1961, and the related consolidated statements of earnings, paid-in capital in excess of par value of capital stock, and earnings retained and invested in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. For the prior year ended August 27, 1960, the Consolidated Financial Statements are as previously reported and do not include amounts for businesses acquired in the current year.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings, paid-in capital in excess of par value of capital stock, and earnings retained and invested in the business present fairly the financial position of Penn Fruit Co., Inc. and its subsidiaries at August 26, 1961, 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 in all material respects with that of the preceding year, except for the prior-year Financial Statements which are as previously reported and as explained in Note 1.—*October 20, 1961.*

Note 1: *Basis of Consolidation*—The Company also acquired all of the capital stocks and debentures of Leonard Wasserman, Inc. and its eleven affiliated companies, known as "Kiddie City," in exchange for 37,000 shares of its common stock. These transactions have been accounted for as a "Pooling of interests." Accordingly, the statement of Consolidated Earnings includes the accounts of these companies for the entire year. For the prior year ended August 27, 1960, the statement of Consolidated Earnings is as previously reported and does not include amounts for businesses acquired in the current year on a "Pooling of interests" basis. If the results of operations of these businesses had been included for the prior year, the sales would have been $172,942,526 and the net earnings would have been $2,613,067.

Pittsburgh Plate Glass Company, Its Shareholders and Directors:

We have examined the financial statements of Pittsburgh Plate Glass Company and its consolidated subsidiaries, except certain Canadian subsidiaries, for the year ended December 31, 1961. 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 referred to above, we were furnished with reports of other accountants on their examination of the financial statements of those subsidiaries for the year.

In our opinion, which in so far as it relates to the amounts included for certain Canadian subsidiaries is based solely upon the reports of other accountants, the accompanying consolidated balance sheet, summary of consolidated earnings and earnings retained for use in the business, and summary of financial activities present fairly the financial position of Pittsburgh Plate Glass Company and consolidated subsidiaries at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which (except for the inclusion of wholly owned European subsidiaries in the consolidation, as explained in the Notes to Financial Statements) have been applied on a basis consistent with that of the preceding year.—*Accountants' Opinion—February 2, 1962.*

Notes to Financial Statements

Principles of Consolidation: The consolidated financial statements include all domestic subsidiary companies in which ownership is more than 51% and all Canadian and European subsidiaries which are wholly owned. The inclusion of the wholly owned European subsidiaries in consolidation for the first time in 1961 did not have a material effect on the consolidated financial statements. Items in foreign currencies have been converted into United States dollars generally at the current rate of exchange as to current assets and current liabilities and at the average rate of exchange for the year 1961 as to profit and loss accounts. As to property and investments, long-term liabilities, and capital accounts, conversions have been made on the basis of the rates of exchange at the date acquired or incurred.

To the Stockholders and the Board of Directors of Standard Oil Company of California:

In our opinion, the accompanying consolidated balance sheet and the related statements of income and earned surplus, together with the notes thereto, present fairly the consolidated financial position of Standard Oil Company of California and subsidiary companies at December 31, 1961 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 as indicated in the second paragraph of the note to financial statements relating to Standard Oil Company (Kentucky). Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Report of Independent Public Accountants—March 5, 1962.*

Notes to Financial Statements

Standard Oil Company (Kentucky): In accordance with a plan approved by the stockholders in September, 1961, the Company issued 2,603,925 shares of its $3.30 Cumulative Convertible Preferred Stock for all of the assets and business of Standard Oil Company (Kentucky) and the assumption of its liabilities. The transaction has been accounted for as a pooling of interests and, consequently, the accompanying consolidated financial statements for the year 1961 reflect the accounts of the constituent companies for the full year.

The financial statements included herein for the year 1960 are those previously reported by the Company and do not include the accounts of Standard Oil Company (Kentucky) for that year. Total revenues and net income of Standard Oil Company (Kentucky) for 1960 were $413,653,000 and $13,792,000, respectively, and dividends paid on its capital stock during 1960 amounted to $8,466,000.

Changes in Basis of Consolidation—Prior Year's Figures Restated

To the Board of Directors and Stockholders of Ford Motor Company:

We have examined the consolidated balance sheets of Ford Motor Company and Consolidated Subsidiaries as at December 31, 1961 and 1960 and the related consolidated statements of income, capital account in excess of par value of stock and earnings retained for use in the business for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for the year 1960 have been restated to reflect the change, which we approve, in principles of consolidation made in 1961 as described in the notes to the financial statements.

In our opinion, the accompanying balance sheets and statements of income, capital account in excess of par value of stock and earnings retained for use in the business present fairly the consolidated financial position of Ford Motor Company and Consolidated Subsidiaries at December 31, 1961 and 1960 and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*February 12, 1962.*

Notes to Financial Statements

Principles of Consolidation: Effective January 1, 1961, the Company changed its accounting practice to include in the consolidated financial statements the accounts of the Company and all of its subsidiaries, foreign and domestic, except (1) financing and insurance subsidiaries, and (2) domestic dealership subsidiaries. This change had no effect on net income. Prior to this change the consolidated financial statements included the accounts of the Company and wholly owned domestic subsidiaries, except (1) financing and insurance subsidiaries, (2) domestic dealership subsidiaries, and (3) foreign branches. Under the former practice the Company's equities in net income of unconsolidated subsidiaries and foreign branches were included in consolidated net income and the Company's equities in the unremitted income of unconsolidated subsidiaries and foreign branches were included in consolidated earnings retained for use in the business. The consolidated financial statements for the year ended December 31, 1960 have been restated, for comparative purposes, to conform to the above described change in accounting practice. The Company's equities in the earnings of consolidated subsidiaries, including earnings retained in foreign countries, amounted to 17% in 1961 and 17% in 1960 of net income of the Company and consolidated subsidiaries.

Net income has not been reduced for additional taxes that might result from the distribution to the Company of unremitted income of subsidiaries; the major portion of such unremitted income has been reinvested by the subsidiaries in facilities and other operating assets. Had distribution of such income been made, the estimated amounts of additional taxes for the years ended December 31, 1961 and 1960, would have been $6.5 million and $7.4 million, respectively. . . .

To the Directors and Shareholders of The International Silver Company:

In our opinion, the accompanying statements present fairly the consolidated financial position of The International Silver Company and its subsidiary companies at December 31, 1961 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, with respect to the inclusion of the accounts of the Canadian subsidiary in the consolidated financial statements, as described in Note 1 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report—February 26, 1962.*

Note 1: The consolidated financial statements at December 31, 1961 include the accounts of The International Silver Company and its wholly-owned subsidiary companies—two domestic subsidiaries, Eastwood-Nealley Company and Drycor Felt Company, Inc. (acquired October 31, 1960), and a Canadian subsidiary, The International Silver Company of Canada, Limited. In 1961, at the request of the Securities and Exchange Commission, the company consolidated the accounts of this Canadian subsidiary whose financial statements had been presented separately in prior years. The effect of the change has been to increase net earnings in 1961 by $132,800. The consolidated financial statements for 1960 have been restated for this change in consolidation practice.

To the Stockholders and Board of Directors, The American Sugar Refining Company:

We have examined the consolidated balance sheet of The American Sugar Refining Company (a New Jersey Corporation) and subsidiaries as of December 31, 1961, and the related statements of consolidated income and income retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the preceding year.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and income retained in the business present fairly the financial position of The American Sugar Refining Company and subsidiaries as of December 31, 1961, 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 after giving retroactive effect to the inclusion of the accounts of Spreckels Sugar Company as explained in Note 1 to the financial statements—*Auditors' Opinion—February 6, 1962.*

Note 1: *Consolidation*—Consolidated financial statements include the accounts of the Company and all of its subsidiaries including Spreckels Sugar Company, which was not previously consolidated. During 1961 the Company increased its interest in Spreckels Sugar Company from 78 to 91¾ per cent. Consolidated financial statements for 1960 have been restated to include Spreckels Sugar Company and, as a result, consolidated net income, as previously reported for such year, has been increased $363,554.

The Board of Directors, Diana Stores Corporation:

We have examined the consolidated balance sheet of Diana Stores Corporation and subsidiaries as of July 31, 1961 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Diana Stores Corporation and subsidiaries at July 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change, which we approve, explained in Note 1 to the financial statements) with that of the preceding year.—*Accountants' Report—October 4, 1961.*

Note 1: *Subsidiaries Included in Consolidation*—The accompanying financial statements include the accounts of Diana Stores Corporation and all of its subsidiary companies, including Diana Realty Corporation and its subsidiaries. This year for the first time such real estate companies have been included in the consolidation. The financial statements for the year ended July 31, 1960 have been restated for comparative purposes to include the real estate companies in the consolidation; the effect of the change was to increase consolidated net income for 1961 and 1960 by $42,250 and $19,214, respectively.

Board of Directors,
Nautec Corporation:

We have examined the accompanying balance sheet of Nautec Corporation and consolidated subsidiaries as of June 30, 1961, and the related statement of earnings and 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.

In our opinion, the financial statements referred to above present fairly the financial position of Nautec Corporation and consolidated subsidiaries at June 30, 1961, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change explained in Note 3, which we approve, on a basis consistent with that of the preceding year.—*August 25, 1961.*

Note 3: *Principles of Consolidation*—During 1961, the Corporation adopted the policy of consolidating only its wholly-owned subsidiaries. Previously, the 80% owned subsidiary had been included in the consolidation. The statements for 1960 have, for comparative purposes, been appropriately revised. The net investment and advances exceeded the Corporation's equity in the net assets of the subsidiary by approximately $236,000 as shown by the unaudited financial statements of the subsidiary at June 30, 1961, and the Corporation's share of the subsidiary's net loss for the year ended June 30, 1961 was approximately $86,000.

To the Board of Directors and Stockholders,
. . Vanadium Corporation of America:

We have examined the statement of consolidated financial condition of Vanadium Corporation of America and its subsidiary companies as of December 31, 1961 and the related consolidated statement of operations and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the outcome of the litigation referred to in Note 10, the financial statements referred to above present fairly the consolidated financial position of Vanadium Corporation of America and its subsidiary companies at December 31, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles. Such principles, except as to retirement costs as explained in Note 8, to which we take no exception, have been applied on a basis consistent with that of the preceding year, restated as explained in Note 9.—*Accountants' Report—February 13, 1962.*

Note 9: *Federal Income Taxes*—Prior to 1961, the Company reflected in the Statement of Operations on a "net of tax" basis certain estimated items of income and expense which could not be recognized for tax purposes until subsequent periods. Commencing in 1961, such items are included on a "before tax" basis with an offsetting tax charge or credit included in computing the provision for taxes, current or deferred, as appropriate. The amounts shown for 1960 have been restated to conform to this basis. Due to such items and the excess of accelerated depreciation amounts taken for tax purposes over the straight-line amounts used for financial purposes, the Company has claims for tax refunds as indicated in the following analysis of the tax provisions:

	1961	1960
Current:		
Claims for tax refunds arising from carry-back of net operating losses	$359,000*	$1,062,000*
Prior years' adjustments	155,000	139,000*
	$204,000*	$1,201,000*
Deferred:		
Applied to deferred tax liability:		
Current	$ 46,000	$ 363,000
Prior year adjustment	155,000*	—
Applied against other related balance sheet items	535,000	158,000
	$426,000	$ 521,000
Provision for the year	$222,000	$ 680,000*

**Red figure.*

QUALIFICATIONS AS TO FAIR PRESENTATION

(a) Federal Income Taxes

Board of Directors,
Goebel Brewing Company:

We have examined the financial statements of Goebel Brewing Company for the year ended December 31, 1961. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, subject to the outcome of the income-tax controversy referred to in Note H, the accompanying balance sheet and statements of operations and retained earnings present fairly the financial position of Goebel Brewing Company at December 31, 1961, 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—February 21, 1962.*

Note H: *Federal Income Taxes*—The Internal Revenue Service has questioned the proper timing of a certain deduction included in the 1956 income tax return and has proposed the assessment of a deficiency of approximately $183,500, plus interest. The Company disagrees and is contesting the matter in the courts. Accordingly, pending settlement of the controversy, no provision has been made therefor in the financial statements.

Returns for years subsequent to 1956 are subject to examination, but any changes which might be proposed by the Internal Revenue Service with respect to such years would affect only the amount of the operating loss carry-forward which, at December 31, 1961, was estimated at $4,575,000.

As indicated in Note B, bottles and cases in the hands of customers are valued for federal income-tax purposes at $251,261 less than book amounts. Similarly, because of the use of a different method of computing depreciation of equipment for federal income-tax purposes in prior years, tax depreciation charges have exceeded book depreciation charges by approximately $105,000 to December 31, 1961. In addition, property taxes have been deferred on the books although deducted for income-tax purposes. As a consequence, should future taxable income exceed the available loss carry-forward, it may be necessary to recognize in the financial statements the income-tax consequences of these differences.

The Board of Directors and Stockholders,
The Standard Tube Company:

We have examined the accompanying statement of financial position of The Standard Tube Company at December 31, 1961 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to such adjustments, if any, as may result from the final determination of the income tax matters referred to in Note 2 to the financial statements, the statements mentioned above present fairly the financial position of The Standard Tube Company at December 31, 1961 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 16, 1962.*

Note 2: The Federal income tax liability of Standard is settled for the years prior to 1957. Returns filed by Standard for the years 1957, 1958 and 1959 and for Michigan Steel Tube Products Company (merged with Standard January 31, 1958 and now operating as a division) for the year ended September 30, 1957 and the four months ended January 31, 1958 are in process of review by the Internal Revenue Service. Certain adjustments to Standard's taxable income have been proposed, and provision has been made for the resulting additional tax. In addition, the Internal Revenue Service has proposed, among other things (a) to disallow as a deduction from Standard's taxable income, the prior years' tax losses of Michigan, and (b) to substantially reduce the basis for depreciation and gain or loss of the property acquired from Michigan through merger. If the position of the Internal Revenue Service is sustained, it would result in deficiencies aggregating approximately $727,000 (plus interest), which would be applicable to the years 1958, 1959, 1960 and 1961, respectively, in the following approximate amounts $320,000; $355,000; $30,000; and $22,000. No provision has been made for the latter proposed deficiency. Tax counsel for the Company is of the opinion that the position of the Internal Revenue Service is erroneous and that the Company will not be found subject to any substantial additional income tax liability.

(b) Litigation

To the Board of Directors of
Allis-Chalmers Manufacturing Company:

In our opinion, the accompanying statements, with the explanation on page five regarding antitrust litigation, present fairly the financial position of Allis-Chalmers Manufacturing Company and its consolidated subsidiaries at December 31, 1961, and the results of their operations for the year, and the accompanying statement of Allis-Chalmers Credit Corporation presents fairly its financial position at December 31, 1961, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Report of Independent Public Accountants—February 7, 1962.*

Financial Review, page five: During the year many of our customers started suits against us and other members of the industry, seeking treble damages because of alleged excessive prices stemming from conspiracy charges by the Government. It appears that many of these suits were entered to establish position, due to some confusion as to the statute of limitations. We are convinced that no basis for such damage claims exists, and are preparing to defend these suits vigorously.

At the same time, we feel there is a more satisfactory way of resolving these differences than by protracted law suits. Hence we are continuing our customer contacts initiated before the filing of suits, and are optimistic that most of these cases will be resolved rather than tried in the courts. Because of the complexity of the situation, there may be no significant developments in this direction for many months. Meantime, we are of the opinion that the final outcome will not unduly burden the Company. . . .

To the Board of Directors,
Gruen Industries, Inc.:

We have examined the consolidated balance sheets of Gruen Industries, Inc. and Subsidiaries as of March 31, 1961 and 1960 and the related consolidated statements of income and retained earnings (deficit) for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records of the companies and such other auditing procedures as we considered necessary in the circumstances.

Subject to the effect, if any, of the matter referred to in Note 6 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, 1961 and 1960 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—June 14, 1961.*

Note 6: *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. No provision has been made in the accompanying financial statements for this contingency.

To the Shareowners and Board of Directors,
Joslyn Mfg. and Supply Co.:

We have examined the consolidated balance sheet of Joslyn Mfg. and Supply Co. (an Illinois corporation) and subsidiaries as of December 31, 1961, and the related consolidated statement of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the preceding year.

In our opinion, the accompanying consolidated balance sheet, with the explanation regarding antitrust matters, as set forth in the footnote thereon, and consolidated statement of income present fairly the financial position of the companies as of December 31, 1961, 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 9, 1962.*

Notes to Financial Statements

Note: As defendant, the company is contesting a number of legal actions brought by customers seeking damages following acceptance in 1960 by a Philadelphia Federal Court of nolo contendere pleas of the company on four electrical equipment indictments under the antitrust laws. Outside legal counsel advises that no trials or other determinations have been concluded; accordingly the liabilities of the company, if any, for damages, were not determinable as of December 31, 1961.

In 1961 the company pleaded not guilty to pole line hardware indictments under the antitrust laws which are pending trial by a Milwaukee Federal Court; outside legal counsel advises that the liability of the company, if any, in connection therewith, was not determinable as of December 31, 1961.

To the Stockholders,
A. G. Spalding & Bros. Inc.:

We have examined the consolidated balance sheet of A. G. Spalding & Bros. Inc. and subsidiaries as of October 31, 1961 and the related statement of consolidated earnings and earnings retained for use in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have made no examination of the Canadian and British subsidiaries, but have reviewed reports submitted by other independent accountants.

In our opinion, accepting the reports of other accountants with respect to the Canadian and British subsidiaries, and subject to the ultimate disposition of the pending litigation referred to in Note E, the accompanying balance sheet and statement of earnings and earnings retained for use in business present fairly the consolidated financial position of A. G. Spalding & Bros. Inc. and subsidiaries at October 31, 1961, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—December 13, 1961.*

Note E: *Pending Litigation*—The Company and four other companies engaged in the manufacture of products for the sporting goods trade have been named defendants in a civil suit arising from alleged violations of the Sherman Anti-Trust Laws. The plaintiff asserts sustained damages of $5,000,000 and seeks treble damages in this litigation. As it is not presently possible to determine what liability, if any, may result, no provision has been made therefor in the financial statements.

(c) Valuation of Various Assets

To the Board of Directors and Stockholders of J. I. Case Company:

In our opinion, except that we are not in a position to have an opinion as to the inclusion in the consolidated statement of financial condition of "Excess of cost of assets acquired over assigned value thereof," 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, 1961 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.—*Accountants' Report—January 20, 1962.*

Statement of Financial Condition

Other Assets:

Excess of Cost of Assets Acquired Over Assigned Value Thereof (Note 5) $11,046,066

Note 5: *Excess of Cost of Assets Acquired Over Assigned Value Thereof*—"Excess of cost of assets acquired over assigned value thereof" resulted from the merger of American Tractor Corporation into J. I. Case Company in January 1957 and is being amortized over a 20-year period under a plan whereby $500,000 was charged to operations in 1961.

Litigation instituted on November 13, 1956 by a J. I. Case Company stockholder against the Company and several of its then directors seeking to have the merger with American Tractor Corporation declared illegal and void is still pending. The plaintiff has now filed his third amended complaint in the United States District Court for the Eastern District of Wisconsin. Several motions including a motion to dismiss this latest complaint are presently pending. The latest complaint does not substantially change the nature of the action and the Company is still of the opinion that the action is without merit.

The Board of Directors, Gamble-Skogmo, Inc.:

We have examined the consolidated balance sheet of Gamble-Skogmo, Inc. and consolidated subsidiaries as of December 31, 1961 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.

In our opinion, subject to the comments regarding collection of the 2½% notes receivable referred to in Note 3 to the consolidated financial statements, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of Gamble-Skogmo, Inc. and consolidated subsidiaries at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 9, 1962.*

Note 3: The amount shown as receivable from sales of securities includes $8,200,000 representing principally uncollected proceeds from sale of the Walker & Co. common stock, less a $780,500 reserve; the 2½% notes evidencing the debt mature in annual instalments of $1,300,000 in 1963, $1,500,000 in each of the years 1964 through 1967, inclusive and $900,000 in 1968. The collection of the notes is dependent upon the purchaser being able to generate from future cash flow, including proceeds from the sale of certain plants, sufficient funds to liquidate the indebtedness. The gain on the sale, less the reserve provision and $819,000 estimated income taxes, is shown as gain on sale of investment in the accompanying consolidated statement of income; the Company has elected to treat the gain on the instalment basis for income tax purposes and, accordingly, $685,100 of the estimated income taxes will be payable proportionately as instalments are collected. . . .

To the Shareholders and Board of Directors of Alco Products, Incorporated:

We have examined the consolidated statement of financial position of Alco Products, Incorporated and subsidiaries consolidated as of December 31, 1961, and the related consolidated statements of income and net income retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Accounts and notes receivable include a series of five installment notes (including interest thereon) aggregating $1,560,732 due from an agency of a foreign government. One of the notes, due November 22, 1961, in the amount of $306,000 has not as yet been paid. Consequently, we are unable to satisfy ourselves as to the adequacy of the allowance for doubtful accounts of $60,000.

In our opinion, subject to the reservation in the preceding paragraph, the accompanying consolidated statement of financial position and consolidated statements of income and net income retained in the business present fairly the consolidated financial position of Alco Products, Incorporated and subsidiaries consolidated at December 31, 1961, 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.—*Report of Independent Public Accountants—February 9, 1962.*

Notes to Financial Statements

Note 1: Accounts and notes receivable are stated after allowance for doubtful accounts of $60,000 at December 31, 1961 and 1960. They include $1,058,000 at December 31, 1961 due beyond one year representing excess of receivables of $1,119,000 over amounts due to participating suppliers of $61,000. At December 31, 1960 receivables include $1,994,000 due beyond one year representing excess of receivables of $2,732,000 over amounts due to participating suppliers of $738,000.

Accounts and notes receivable at December 31, 1961 include a series of five installment notes (including interest thereon) aggregating $1,560,732 due from a railway agency of a foreign government, payment of which is guaranteed by that government. One of the notes, due November 22, 1961, in the amount of $306,000 has not as yet been paid. The delay in payment was occasioned by a shortage of local currency due to a strike curtailing the operations of the railway. The strike has been settled and it is expected that the available U. S. dollars will be released at an early date to pay the past due note when the agency deposits local currency with the foreign government. Consequently, no reserve for this account was provided in the 1961 financial statements.

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, 1961, 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.—*Report of Certified Public Accountants—March 2, 1962.*

Notes to Financial Statements

Note 2: Inventories of work in process, finished parts and equipment at December 31, 1961, include substantial quantities of components and complete units of earthmoving machines, a field which the company re-entered in 1958. Although this new type of equipment has been marketed on a limited basis, its eventual sales potential is indeterminable at the present time.

National Research Corporation:

We have examined the consolidated balance sheets of National Research Corporation and wholly owned subsidiary as at December 31, 1961 and 1960 and the related consolidated statements of earnings and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the possibility of a loss on the investment in zirconium contracts (see Note A), the accompanying consolidated balance sheets and statements of earnings and retained earnings present fairly the consolidated financial position of National Research Corporation and wholly owned subsidiary at December 31, 1961 and 1960, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*February 1, 1962.*

Balance Sheet

Investments:

Zirconium contracts (Note A) $5,000,000

Note A: Represents cost to National Research Corporation of original investment in Columbia-National Corporation for the production of zirconium sponge under a contract with the Atomic Energy Commission.

National's interest is represented by a contractual agreement with Pittsburgh Plate Glass Company (owner of Columbia-National) which provides for a maximum recovery of $5,000,000 in January, 1965, conditioned upon performance in full of the AEC contract and the profitability of zirconium operations. It is not possible at this time to determine whether the conditions will be met. If the conditions are not met, the amount National will recover is $1,050,000.

(d) Other Contingencies

To the Board of Directors and Stockholders of Royal McBee Corporation:

We have examined the consolidated statement of financial position of Royal McBee Corporation and its Consolidated Subsidiaries as of July 31, 1961 and 1960 and the related consolidated statements of income and earnings retained in the business for the years then ended. We were furnished with financial statements of the Canadian subsidiaries for fiscal 1961 and of all foreign subsidiaries for fiscal 1960, 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 considered necessary in the circumstances.

We are unable to evaluate the propriety of the amount at which the investment in affiliate is carried (see Note 3 to the financial statements). Otherwise, in our opinion, based upon our examination and upon the reports of other accountants, the accompanying consolidated statement of financial position and consolidated statements of income and earnings retained in the business present fairly the financial position of Royal McBee Corporation and its consolidated subsidiaries at July 31, 1961 and 1960 and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*September 19, 1961.*

Note 3: Investment in affiliate at July 31, 1961 relates to Royal Precision Corporation, a 50 percent owned company. The financial statements of that corporation were audited for the year ended December 31, 1960. The Company's equity in the net assets of Royal Precision Corporation, based upon unaudited figures at July 31, 1961, was $3,055,000, of which approximately $2,645,000 was represented by deferred costs of product development, the ultimate benefits from which are not presently determinable.

Board of Directors, The Boeing Company:

We have examined the accompanying balance sheet of The Boeing Company as of December 31, 1961 and the related statements of net earnings and stockholders' 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. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the uncertainties as to required renegotiation refunds (see note), the financial statements referred to above present fairly the financial position of The Boeing Company at December 31, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on February 23, 1962, in setting aside the sum of $4,000,000 for the year 1961 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.—*Accountants' Report—February 23, 1962.*

Notes to Financial Statements

Renegotiation: The Renegotiation Board has unilaterally determined that the company realized excessive profits for the years 1952 through 1955 and has issued clearances for the years 1956 and 1957. Appeals have been taken to the Tax Court of the United States for the years 1952 through 1955. In January, 1962, a judge of the Tax Court announced findings that for the year 1952 the company's profits were excessive in the amount of $13,000,000 which would require a refund after taxes of $900,000 more than was required under the determination of the Renegotiation Board for that year. Although all refunds determined to be payable by the Renegotiation Board have been paid or provided for in the accounts, this policy was not extended to include the additional amount determined to be payable for 1952, pending the outcome of the motion for revision of the judge's findings. (See page 8.)

The company cannot predict the effect of the judge's decision on the appeals for the years 1953 through 1955, nor what the Board's action will be for the years 1958 through 1961. In view of these uncertainties and the belief of the company that no excessive profits were realized, no provision has been made for renegotiation refunds other than those presently determined by the Board.

To the Board of Directors of General Plywood Corporation:

We have examined the consolidated balance sheet of General Plywood Corporation and subsidiaries as of October 31, 1961 and 1960, and the related consolidated statements of income, capital surplus, and deficit for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial position of General Plywood Corporation and subsidiaries at October 31, 1961 cannot be fairly presented until the matters with respect to the pending acquisition of a major subsidiary, referred to in Note 1 to the financial statements, are resolved. In all other material respects, in our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of General Plywood Corporation and its subsidiaries at October 31, 1961 and 1960, and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*January 12, 1962.*

Note 1: Prior to October 31, 1961, the Company paid $300,000 for an option to purchase all of the outstanding capital stock of Kochton Plywood & Veneer Company, Inc. for $5,200,000 cash (including the option price of $300,000) and 100,000 shares of the Company's common capital stock. The amount paid for the option, and expenses of $42,159 incurred in connection with the pending purchase, are carried in the balance sheet at October 31, 1961, as deferred items.

The option agreement provides that the option is exercisable between the dates of January 3 and January 20, 1962. The Company has obtained a commitment, subject to certain conditions as to Kochton's assets, for a loan of the funds with which to complete the transaction. If the transaction is completed, the cost of the option and a portion of the deferred expenses will be charged to the investment account, and the balance of the deferred expenses will be charged to the capital surplus account. If the Company does not elect to exercise the option, or does exercise the option but through no fault of the selling stockholders of Kochton is unable to fulfill the provisions of the related sale agreement within the option period, in the opinion of counsel for the Company the $300,000 paid for the option will be retained by the stockholders of Kochton in full settlement of all claims which the selling stockholders of Kochton might have. In this event, the total of the deferred items, $342,159, will be charged off. However, if the option is exercised by the Company and the purchase is not completed because of the fault of the stockholders of Kochton, the $300,000 paid for the option is to be refunded to the Company, and it is the opinion of counsel for the Company that a claim would then exist against the stockholders of Kochton for all sums expended by the Company pursuant to the pending purchase, plus whatever damages the Company may have sustained.

Unaudited financial statements at October 31, 1961 of Kochton reflect current assets of $8,045,858; total assets of $8,242,863, none of which are encumbered; current and total liabilities of $3,229,543; and stockholders' equity of $5,013,320.

A stockholder of VRT Manufacturing Corporation (hereinafter referred to as VRT) has asserted a claim against Kochton for destruction of business and breach of contract, in an amount in excess of $1,000,000. In the opinion of counsel for the Company, (a) no claim for a sum certain has been asserted, (b) the claim as to destruction of business is not valid, and (c) if any claim does exist as to the alleged breach of contract, it is not valid for an amount in excess of $10,000. In any event, an agreement has been executed whereby the principal stockholders of Kochton have agreed to indemnify the Company against any claim or loss arising out of the VRT controversy. This indemnity is in addition to all other indemnities and guarantees in connection with the option agreement.

The aforesaid stockholder of VRT acquired five shares of the common stock of General Plywood Corporation on October 2, 1961, and, subsequently, on December 23, 1961, has caused an action to be instituted against the Company and others in the United States Court for the Western District of Kentucky. Counsel for the Company has advised that the action asks for a declaration of rights as to whether the proxies for the special meeting of the Company's stockholders held on October 27, 1961, at which meeting the acquisition of Kochton was approved, were properly solicited inasmuch as the aforesaid claim against Kochton was not disclosed. Counsel has further stated that the relief sought is, essentially, an injunction to prevent the acquisition of the Kochton stock by the Company. In counsel's opinion, the complaint as filed does not state a meritorious cause of action.

A claim has been made against the Company for a finder's fee in connection with the pending acquisition of Kochton. It is asserted that the fee has been earned whether or not the purchase is made. However, in the opinion of counsel for the Company, no liability for a fee exists unless and until the acquisition occurs, and, further, if the alleged finder is due any fee, it cannot be established for an amount in excess of $25,000. No liability has been provided in the balance sheet at October 31, 1961 with respect to this matter.

To the Stockholders of
Plymouth Oil Company:

We have examined the consolidated balance sheet of Plymouth Oil Company as of December 31, 1961 and the related consolidated statement 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.

Subject to final determination of the rate matters referred to in Note 8 to financial statements, in our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earnings retained in the business present fairly the financial position of Plymouth Oil Company and its subsidiaries at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 8, 1962.*

Note 8: *Gas Sales*—Gas sales, a part of gross operating income, include price increases subject to undertakings by the Company to refund to the purchasers any amount of such increase ultimately found by the Federal Power Commission to be unreasonable or excessive, plus interest on the disallowed portion. The amount of such increases included in gross operating income was approximately $1,035,000 of which $502,000 and $393,000 were reflected in 1961 and 1960, respectively, and $140,000 was reflected in prior years.

INFORMATIVE DISCLOSURES

The standards of reporting referred to earlier in this section call for "the inclusion of all informative disclosures not made in the financial statements which are regarded as necessary." (See *Codification of Statements on Auditing Procedure,* issued by the committee on auditing procedure of the American Institute of Certified Public Accountants in 1951—page 15.)

Specifically, the standard of reporting referred to above, and previously quoted states: "Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report."

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 25 of the auditors' reports of the 600 survey companies (*Co. Nos. 54, 100, 142, 450, 559, 562).

Examples of the additional information provided in some of the auditors' reports for 1961 follow:

To the Shareholders and Board of Directors,
Green Giant Company:

We have examined the statement of financial position of Green Giant Company and subsidiaries as of March 31, 1961, and the related statement of consolidated earnings and surplus for the year then ended. Amounts submitted for comparative purposes for the preceding year do not include certain subsidiaries which are included in the current year (see Note 1 to Financial Statements). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the consolidated financial position of Green Giant Company and subsidiaries at March 31, 1961, 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. —*April 28, 1961.*

*Refer to Company Appendix Section.

Note 1: Principles of Consolidation—An additional 49.45% of the outstanding capital stock of Green Giant of Canada Limited was purchased for cash during the current year, resulting in 99.45% ownership at year-end. Michigan Mushroom Company was merged with Green Giant Company on October 31, 1960, the holders of Michigan Mushroom Company stock receiving 3,000 shares of preferred stock and 35,200 shares of Common Stock of Green Giant Company. Immediately after the merger the net assets acquired from Michigan Mushroom Company were transferred to Dawn Fresh Company (a newly-formed Minnesota corporation) in exchange for capital stock of that corporation. The consolidated financial position at March 31, 1961 includes Green Giant Company, Green Giant of Canada Limited, Dawn Fresh Company and subsidiaries, and Producers Container Company. The consolidated earnings include the same companies, with the operations of Dawn Fresh Company and subsidiaries covering only the five months period from November 1, 1960 to March 31, 1961. All material inter-company items have been eliminated in the consolidation. The consolidated financial position at March 31, 1960 and the consolidated earnings for the year then ended include only Green Giant Company and Producers Container Company.

To the Board of Directors,
United Park City Mines Company:

We have examined the Balance Sheet of United Park City Mines Company as of December 31, 1961 and the related Statements of Profit and Loss and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 industries engaged in the mining of copper, zinc, lead, silver and gold and is in agreement with long established and consistently maintained accounting practices and procedures of the Company and its predecessors and others similarly situated.

In our opinion, the accompanying Balance Sheet and Statements of Profit and Loss and Surplus, together with the explanatory notes, present fairly the financial position of United Park City Mines Company at December 31, 1961, 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 Accountants—February 23, 1962.*

To the Board of Directors and Shareholders,
Victor Comptometer Corporation:

We have examined the consolidated balance sheet of Victor Comptometer Corporation and Subsidiaries as of December 31, 1961, and the 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.

Victor Adding Machine Co. and Subsidiaries and Comptometer Corporation and Subsidiaries were merged on October 27, 1961, at which time Victor Adding Machine Co., the surviving corporation, changed its name to Victor Comptometer Corporation. The statements of income and surplus contained herein are stated on the basis of combining the results of operations of both companies for the entire year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus present fairly the financial position of Victor Comptometer Corporation and Subsidiaries at December 31, 1961, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditor's Report—April 2, 1962.*

To the Board of Directors of
Helena Rubinstein, Inc.:

We have examined the Consolidated Balance Sheet of Helena Rubinstein, Inc., and Consolidated Subsidiaries at June 30, 1961, and the related Consolidated Statements of Income and Surplus for the year then ended. Our examination of the companies other than the foreign subsidiaries referred to below was made in accordance with generally 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 Canadian, Brazilian and Venezuelan subsidiaries were examined by other independent public accountants and have been included in the consolidated statements at amounts set forth in the reports of such accountants, foreign currencies having been converted into United States dollars on the bases set forth in "Notes to Financial Statements."

In our opinion, based upon our examination and upon the reports of the other independent public accountants with respect to the foreign subsidiaries, the accompanying Consolidated Balance Sheet and Consolidated Statements of Income and Surplus present fairly the consolidated financial position of Helena Rubinstein, Inc., and Consolidated Subsidiaries at June 30, 1961, 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—September 5, 1961.*

Notes to Financial Statements

Total net assets (except certain Venezuelan items**), other than fixed assets, have been converted at the free exchange rate prevailing at the close of the year; fixed assets have been converted at the approximate exchange rate prevailing at the time of acquisition.

Items included in net income (except certain Venezuelan items**), other than depreciation, have been converted at the average of monthly exchange rates prevailing during the year; depreciation has been computed on the dollar values of the fixed assets.

**On November 8, 1960, the Venezuelan Government imposed controls on foreign exchange. Under present regulations a substantial amount of imported materials can be paid for in dollars at a preferential control rate. The net assets and income items affected by these regulations have been converted at the preferential rate.

To the Stockholders of
Ingersoll-Rand Company:

We have examined the balance sheet of Ingersoll-Rand Company at December 31, 1961 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 1961 of foreign subsidiary companies not consolidated, as shown by their books, converted at rates of exchange in effect at December 31, 1961 was substantially in excess of the dividends received from those companies and credited to other income in 1961. 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, 1961 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.—*March 6, 1962.*

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, 1961, 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 as of June 30, 1961, 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 21, 1961.*

Balance Sheet—Stockholders' Equity	
"Capital maintained by recognition of price-level depreciation (see note on statement of income)	$2,587,315."
Statement of Income	
Net Income	3,055,388
Provision for price-level depreciation (see note)	208,924
Net Income, after deducting provision for price-level depreciation	$2,846,464

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.

RELIANCE UPON OTHERS

Table 8 discloses that 72 auditors' reports contained 80 references to the reliance upon others in connection with the examination of the accounts. As in prior years, the reliance upon or reference to other auditors

TABLE 8: RELIANCE UPON OTHERS

Reliance*	Scope Paragraph				Opinion, or Scope and Opinion Paragraph			
	1961	1960	1955	1950	1961	1960	1955	1950
Upon Other Auditors for Examination of:								
A: Consolidated domestic subsidiary	1	1	1	6	17	19	16	13
B: Consolidated foreign subsidiary	5	5	6	10	29	33	21	17
C: Consolidated domestic and foreign and/or unspecified subsidiaries	1	1	2	—	2	3	4	—
D: Unconsolidated foreign subsidiary and/or affiliated company	2	—	2	3	5	7	4	5
E: Unconsolidated domestic and foreign subsidiaries and/or affiliated company	—	—	—	1	8	4	1	1
F: Domestic branch or division	—	—	—	—	2	3	3	—
G: Foreign branch or division	1	1	1	1	1	1	2	2
H: Subsidiaries merged or liquidated	—	—	—	—	2	1	—	—
Miscellaneous	1	—	—	1	1	—	1	2
	11	8	12	22	67	71	52	40
I: Upon Client	1	1	3	7	—	—	2	1
J: Upon Independent Appraiser	1	1	2	2	—	—	—	—
Total	13	10	17	31	67	71	54	41

Number of Reports expressing:	1961	1960	1955	1950
Reliance upon other auditors	70	73	58	51
Reliance upon other auditors and client	1	—	4	9
Reliance upon client	—	1	1	3
Reliance upon independent appraiser	1	1	2	2
Not expressing reliance upon others	528	525	535	535
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 67, 184, 199, 327, 357, 450
B: Co. Nos. 6, 177, 230, 316, 401, 574
C: Co. Nos. 310, 527, 548
D: Co. Nos. 292, 349, 469, 471, 514, 595
E: Co. Nos. 71, 256, 353, 399, 463, 572
F: Co. Nos. 372, 496
G: Co. Nos. 33, 485
H: Co. Nos. 142, 233
I: Co. No. 574
J: Co. No. 43

occurred most frequently in connection with the examination of the accounts of consolidated subsidiary companies. The survey shows that 13 reports indicated reliance upon other auditors in the scope paragraph only. Of the remaining 59 reports, reference to other auditors was made in both the scope and opinion paragraphs by those using the recommended short-form, while those using the modified short-form were confined to the opinion paragraph.

Of the 13 reports mentioned above, 8 reports (*Co. Nos. 41, 96, 317, 401, 548, 574) contained a statement that the report of the other auditors had been reviewed and/or accepted; of the remaining 59 reports referring to other auditors in the opinion paragraph, only 5 reports (*Co. Nos. 325, 405, 434, 507, 597) included a similar statement.

Three reports (*Co. Nos. 184, 444, 474) stated either that the reports of the other auditors had *not* been reviewed, or that their opinion in certain respects was based *solely* upon the reports of other auditors.

The following examples illustrate the manner in which the auditors' reports disclose reliance upon or refer to other auditors, the client, or an independent appraiser:

Reliance Upon or Reference to Other Auditors

Domestic Subsidiaries—Consolidated

To the Stockholders and Board of Directors,
Maremont Corporation:

We have examined the consolidated statement of financial condition of Maremont Corporation (an Illinois corporation; formerly Maremont Automotive Products, Inc.) and Subsidiaries as of December 31, 1961, and the related consolidated statements of income and capital stock and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended December 31, 1960, except that we did not examine the financial statements of Saco-Lowell Shops included in the 1960 consolidated financial statements (see Note 1 to the financial statements), but we were furnished with the report of other independent public accountants thereon.

In our opinion, the accompanying consolidated statement of financial condition and consolidated statements of income and capital stock and surplus present fairly the financial position of Maremont Corporation and Subsidiaries as of December 31, 1961, 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.—*Auditor's Report—February 27, 1962.*

Note 1: Investment in Saco-Lowell Shops—At December 31, 1961, Maremont owned 91.7% of the outstanding common stock of Saco-Lowell Shops, compared with 51.7% at December 31, 1960. The increase in 1961 was accomplished by purchasing 5,405 shares for cash, and by exchanging 222,050 shares of Maremont common stock and 22,205 shares of 6% preferred stock for 222,050 common shares of Saco-Lowell. This subsidiary is included in the consolidated financial statements based on its fiscal year ended November 30. Maremont's share of the earnings of Saco-Lowell Shops included in consolidated net income for 1961 and 1960 has been computed from the dates when shares were acquired. . . .

To the Board of Directors and Stockholders,
Neptune Meter Company:

We have examined the consolidated statement of financial position of Neptune Meter Company and subsidiaries as of December 31, 1961 and the related statement of income and accumulated earnings for the year then ended. As to companies other than one subsidiary, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. With respect to the one subsidiary we have reviewed the report of other independent accountants. The total assets of this subsidiary represent approximately 7% of the consolidated total assets.

In our opinion, based on our examination and on the report of other accountants, the accompanying consolidated statement of financial position and consolidated statement of income and accumulated earnings present fairly the financial position of Neptune Meter Company and subsidiaries at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Auditors—February 20, 1962.*

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, 1961, 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 financial 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, 1961 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, 1962.*

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, 1961, 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 Accountants—March 15, 1962.*

*Refer to Company Appendix Section.

To the Shareholders of
H. H. Robertson Company:

We have examined the financial statements of H. H. Robertson Company and its subsidiaries except the foreign subsidiaries as of December 31, 1961. Our examination was made in accordance with generally accepted 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 Company's foreign subsidiaries, we were furnished with reports of other accountants on their examination of the financial statements of those subsidiaries for the year.

In our opinion, which in so far as it relates to the amounts included for the foreign subsidiaries is based solely upon the reports of other accountants referred to above, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings present fairly the financial position of H. H. Robertson Company and its subsidiaries at December 31, 1961 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—March 2, 1962.*

Domestic and Foreign Subsidiaries—Consolidated

To the Stockholders and Board of Directors of
Stokely-Van Camp, Inc.:

We have examined the consolidated balance sheet of Stokely-Van Camp, Inc. and subsidiaries as of May 31, 1961 and 1960, and the related statements of earnings, capital paid-in in excess of par values of capital stock, and earnings retained for use in the business for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records (other than those of the subsidiaries named below) and such other auditing procedures as we considered necessary in the circumstances. We were furnished with reports of other public accountants upon their examination of the financial statements of Stokely-Van Camp of Canada, Ltd., Hawaiian Fruit Packers, Ltd., Kuner-Empson Company, and The Capital City Products Company and its subsidiary.

In our opinion, based upon our examination and upon the above-mentioned reports of other public accountants, the said financial statements present fairly the consolidated financial position of Stokely-Van Camp, Inc. and subsidiaries at May 31, 1961 and 1960, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountant's Opinion—July 24, 1961.*

Domestic and/or Foreign Subsidiaries—Unconsolidated

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, 1961 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 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 8, 1962.*

Board of Directors,
Reynolds Metals Company:

We have examined the consolidated balance sheet of Reynolds Metals Company and consolidated subsidiaries as of December 31, 1961, and the related statement of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In respect of the equity in the undistributed net income and special credit of the principal associated companies (see Note A), we were furnished financial statements of those companies for their fiscal years ended in 1961, and reports thereon by their auditors.

In our opinion, based upon our examination and the aforementioned reports of other auditors, the accompanying balance sheet and statement of income and retained earnings present fairly the consolidated financial position of Reynolds Metals Company and consolidated subsidiaries at December 31, 1961, 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 Accountants—February 15, 1962.*

Subsidiaries Merged or Liquidated

To the Board of Directors and Stockholders,
The Flintkote Company:

We have examined the balance sheets of The Flintkote Company and Consolidated Subsidiaries as of December 31, 1961 and 1960 and the related statements of income and earned surplus for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received reports from other public accountants upon the financial statements of the companies listed in Note 1 to the financial statements (except for those of M. J. Grove Lime Company of Frederick County, examined by ourselves) covering the periods prior to the respective dates of merger or acquisition.

In our opinion, based on our examinations and the reports of other public accountants, the accompanying balance sheets and statements of income and earned surplus present fairly the financial position of The Flintkote Company and Consolidated Subsidiaries at December 31, 1961 and 1960, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. —*Auditors' Report—February 2, 1962.*

Note 1: During 1960, the following companies were acquired for capital stock of the Company as shown below:

Date of Merger or Acquisition	Company Merged or Acquired	Consideration in Shares of Capital Stock of the Company
May 4, 1960	Harry T. Campbell Sons' Corporation	375,000 shares common
August 31, 1960	The Diamond Portland Cement Company	300,000 shares $2.25 Series B Convertible second preferred
August 31, 1960	M. J. Grove Lime Company of Frederick County	100,800 shares $2.25 Series B Convertible second preferred

For accounting purposes, these transactions have been treated as "poolings of interest," and accordingly, the financial statements include the financial position and results of operations of the above-listed companies, as if such poolings of interest had taken place as of January 1, 1960.

Branches or Divisions

To the Board of Directors and Stockholders,
American Home Products Corporation:

We have examined the consolidated balance sheet of American Home Products Corporation and Subsidiaries as of December 31, 1961 and the related consolidated statements of income, 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 domestic companies and such other auditing procedures as we considered necessary in the circumstances. We were furnished with financial statements of foreign subsidiaries and of foreign branches of domestic subsidiaries together with reports thereon of foreign public accountants. We made a similar examination for the year 1960.

In our opinion, based upon our examination and upon the reports of other accountants, the financial statements (pages 18 to 22) present fairly the consolidated financial position of American Home Products Corporation and Subsidiaries at December 31, 1961 and 1960 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Independent Auditors' Report—February 9, 1962.*

Board of Directors and Stockholders,
Scovill Manufacturing Company:

We have examined the consolidated balance sheet of Scovill Manufacturing Company and consolidated subsidiaries as of December 31, 1961, 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.

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, Impey, Cudworth & Co., chartered accountants in England.

In our opinion, the balance sheet and statement of earnings and earnings retained in the business appearing on pages 6 to 9 herein present fairly the consolidated financial position of Scovill Manufacturing Company and consolidated subsidiaries at December 31, 1961, 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, 1962.*

Beginning-of-the-year Inventory

To the Stockholders and Board of Directors,
General Aniline & Film Corporation:

We have examined the statement of consolidated financial condition of General Aniline & Film Corporation and subsidiary companies as at December 31, 1961 and the related statement of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Since this was our initial examination, we were not in attendance to observe procedures followed in determining physical quantities or values of inventories at the beginning of the year. However, based upon the report of the independent accountants who examined the previous year's financial statements, we have no reason to believe that the opening inventories were not fairly stated.

In our opinion, based on our examination and on the report of other independent accountants, as explained in the preceding paragraph, the accompanying financial statements present fairly the financial position of General Aniline & Film Corporation and subsidiary companies as at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles consistently applied.—*Auditor's Opinion—March 1, 1962.*

Reliance Upon Client

To the Directors of
Universal Leaf Tobacco Co., Inc.:

We have made an examination of the Balance Sheet of the Universal Leaf Tobacco Co., Inc., and its consolidated subsidiaries as of June 30, 1961, and of the Consolidated Statement of Income and Surplus for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such other auditing procedures as we considered necessary in the circumstances.

We have not audited the Affiliated Companies (not consolidated herein) and equities as stated in the Notes herewith are as analyzed from the financial statements furnished us. We have accepted audited financial statements certified by other independent accountants for the Canadian Companies included herein.

In our opinion, the Balance Sheet and Statement of Income and Earned Surplus of Universal Leaf Tobacco Co., Inc., and consolidated subsidiaries present fairly the financial condition as at June 30, 1961, and the results of operation for the year ended that date. They conform to generally accepted accounting principles and, except as to companies consolidated as set forth in Note 1 herewith, are applied on a basis consistent with the preceding year. —*Auditors' Certificate—August 16, 1961.*

Reliance Upon Independent Appraiser

American Seating Company, Grand Rapids, Michigan:

We have examined the consolidated balance sheet of American Seating Company (a New Jersey corporation) and its subsidiaries as of December 31, 1961 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 \$7,306,050 at the beginning of the year and \$7,296,419 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 \$1,833,880 at the beginning of the year and \$2,227,615 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, 1961 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 13, 1962.*

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 1961 included in this survey, that is, 518 reports listed the titles of the statements examined. However, 82 reports used group references only, such as "the accompanying financial statements," etc., possibly implying in many cases that all of the comparative statements, miscellaneous schedules and summaries included in the company's report were examined by the auditors.

Table 9 discloses that 41 auditors referred in their reports to additional statements examined; several others, however, instead of such reference in their regular report, expressed an opinion on additional statements in a separately presented auditor's report (*Co. Nos. 1, 93, 126, 128, 191, 477). One auditor's report (*Co. No. 424) identified as examined, a statement which was omitted in the presentation.

Of the total of 118 reports referring to the accompanying footnote or footnotes, 66 reports included references to specific footnotes rather than to the footnotes in general (*Co. Nos. 196, 263, 445).

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 1961 reports.

*Refer to Company Appendix Section.

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

Statements Identified in Auditors' Reports* by:	1961	1960	1955	1950
A: Title listing of customary statements	386	397	478	469
B: Title listing of customary statements and specific mention of accompanying footnote(s)	96	95	44	66
Title listing of customary statements and specific mention of accompanying footnote(s) with:				
C: Title listing of additional statements	3	3	1	—
D: Group reference to additional statements	6	3	—	1
Title listing of customary statements with:				
E: Title listing of additional statements	23	17	9	12
F: Group reference to additional statements	4	4	6	7
	518	519	538	555
G: Group reference to customary statements	64	65	48	35
H: Group reference to customary statements and specific mention of accompanying footnote(s)	13	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	3	1	6
	82	81	62	45
Total	600	600	600	600
Number of Reports Referring to:				
Additional statements	41	32	18	27
Accompanying footnote(s)	118	112	57	70

*Refer to Company Appendix Section—
A: Co. Nos. 7, 146, 270, 293, 455, 531
B: Co. Nos. 159, 179, 218, 369, 448, 547
C: Co. Nos. 219, 444, 452
D: Co. Nos. 89, 233, 353, 357, 399, 572
E: Co. Nos. 143, 228, 308, 385, 565, 588
F: Co. Nos. 105, 310, 321, 349
G: Co. Nos. 83, 109, 268, 331, 432, 537
H: Co. Nos. 97, 107, 115, 177, 312, 484
I: Co. Nos. 16, 307
J: Co. Nos. 127, 128, 317

TABLE 10: NAME OF COMPANY

	Reference by Use of*	1961	1960	1955	1950
	Corporate Name of Company supplemented with—				
A:	Names of consolidated subsidiaries	13	11	14	29
B:	Names of consolidated and unconsolidated subsidiaries	—	—	—	1
C:	Consolidated subsidiaries not named	490	473	423	387
	Consolidated subsidiaries not named, and reference to—				
D:	Unconsolidated subsidiaries named	10	14	2	5
E:	Unconsolidated subsidiaries not named	3	3	8	12
F:	Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	1	1	—	1
G:	Affiliates, branches, etc.	5	4	2	3
H:	"Corporation"**	—	—	1	1
		522	506	450	439
I:	Corporate name of company	76	91	145	155
	Corporate Name of Company, and reference to—				
J:	Unconsolidated subsidiaries named	1	2	2	2
K:	Unconsolidated subsidiaries not named	1	1	3	3
L:	"Company"**	—	—	—	1
		78	94	150	161
	Total	600	600	600	600
	Number of Reports				
	**Omitting corporate name of company	—	—	1	2
	Referring to unconsolidated subsidiaries	16	21	15	24
	Referring to affiliates, branches, or divisions, etc.	6	5	2	4
	Referring to consolidated subsidiaries	522	506	450	439

*Refer to Company Appendix Section—
A: Co. Nos. 89, 187, 327, 436, 527, 580
C: Co. Nos. 13, 177, 290, 301, 459, 582
D: Co. Nos. 16, 127, 256, 353, 385, 452
E: Co. Nos. 10, 321, 399
F: Co. No. 372
G: Co. Nos. 33, 71, 485, 496, 574
I: Co. Nos. 12, 130, 269, 341, 426, 577
J: Co. No. 228
K: Co. No. 69

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, two additional examples from the 1961 reports pertaining particularly to Table 10 are given below.

To the Board of Directors and Shareholders of
The General Tire & Rubber Company:

We have examined the November 30, 1961 consolidated financial statements of The General Tire & Rubber Company and consolidated 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 but it did not cover the financial statements of RKO General, Inc. and consolidated subsidiaries which were reported on by other accountants.

Based on our examination and on the report of other accountants mentioned above, it is our opinion that the accompanying balance sheet, statement of income and statements of surplus present fairly the consolidated financial position of The General Tire & Rubber Company and consolidated subsidiaries at November 30, 1961 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.—*Opinion of Independent Public Accountants—January 31, 1962.*

To the Stockholders of
National Presto Industries, Inc.:

We have examined the balance sheets of National Presto Industries, Inc. and of its wholly-owned subsidiaries, Century Metalcraft Corporation, Presto Manufacturing Company, Johnson Printing, Inc., and Midwestern Company as at September 30, 1961, 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 consolidated financial position of National Presto Industries, Inc. and its wholly-owned subsidiaries at September 30, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Certificate—December 5, 1961.*

PERIOD OF EXAMINATION

The period of examination, when it covers two or more years, may necessitate slight changes in the wording of the auditor's report as will be noted from the following excerpt taken from *Statements on Auditing Procedure No. 31—Consistency*, issued in October, 1961 and previously referred to in this section, under the caption "Period to Which the Consistency Standard Relates." It states:

> 14. The consistency standard is aimed at comparability of the financial statements of the current year with those of the preceding year (whether presented or not) and at comparability of all financial statements presented in comparative form. When the independent auditor's opinion covers the statements of two or more years, there is generally no need to disclose an inconsistency with a year prior to the years for which statements are being presented. Accordingly, the phrase "on a basis consistent with that of the preceding year" is ordinarily inapplicable whenever the opinion covers two or more years. Instead, language similar to "consistently applied during the period" or "applied on a consistent basis" should be used.

Table 11 discloses that in the great majority of cases the auditors using the recommended short-form report 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 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 in recommended short-form report (*Co. Nos. 48, 272)	48
Two years or more in modified short-form report (*Co. Nos. 178, 517)	8
Period of less than one year, because of the change of fiscal period (*Co. Nos. 257, 431)	2
Period of less than one year for a company organized during the year (*Co. No. 58)	1
Total	600

The following examples illustrate the references in auditors' reports to periods of examination covering two years or more:

*Refer to Company Appendix Section.

TABLE 11: PERIOD OF EXAMINATION

Auditors Refer to:	1961	1960	1955	1950
One year in *scope and opinion* paragraphs	383	387	411	443
One year in *scope and opinion* paragraphs, with reference to examination of prior year contained in *scope* paragraph	46	46	43	31
One year in *opinion* paragraph—				
No period mentioned in *scope* paragraph	2	1	4	4
Modified short-form of report	87	86	79	60
Modified short-form of report, with additional comment referring to examination of prior year	—	—	2	2
One year, with reference to *examination of prior year* in *scope* paragraph; two years in *opinion* paragraph	8	5	11	14
Two or three years in *scope and opinion* paragraphs	38	37	20	22
Two or three years in *opinion* paragraph only; in modified short-form of report	6	7	5	3
Four or more years in *opinion* paragraph	2	2	—	1
Period of 52 or 53 weeks in *scope and opinion* paragraphs	16	18	13	12
Period of 52 or 53 weeks in *opinion* paragraph (modified short-form of report)	4	5	3	3
Period of 52 or 53 weeks with two periods referred to in *scope and opinion* paragraph	2	3	—	1
Period of days stated simply as "period from October 3, 19xx to October 1, 19xx" in *scope and opinion* paragraph	4	—	1	—
Changes in Fiscal Years:				
Periods of more than one year in *scope and opinion* paragraphs	—	—	8	4
Periods of less than one year in *scope and opinion* paragraphs	2	3		
Total	600	600	600	600

To the Stockholders and Board of Directors,
American Metal Climax, Inc.:

We have examined the consolidated statement of financial position of American Metal Climax, Inc. and its consolidated subsidiary companies as of December 31, 1961 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. We previously made a similar examination for the 1960 year.

In our opinion, the accompanying consolidated financial statements (pages 27 to 33) present fairly the consolidated financial position of American Metal Climax, Inc. and its consolidated subsidiary companies at December 31, 1961 and 1960 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—March 15, 1962.*

To the Board of Directors and Stockholders of
Inland Steel Company:

In our opinion, the accompanying statements present fairly the consolidated financial position of Inland Steel Company and its subsidiary companies at December 31, 1961 and December 31, 1960 and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the two years. 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 Accountants—February 21, 1962.*

To the Stockholders of
International Business Machines Corporation:

In our opinion, the accompanying statements present fairly the consolidated financial position of International Business Machines Corporation and its domestic operating subsidiary at December 31, 1961 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 previous year, and the comparative statement of operations for the past ten years presents fairly the financial information included therein. 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.—*Auditor's Certificate—January 23, 1962.*

To the Board of Directors of
The Ruberoid Co.:

In our opinion, the accompanying statements present fairly the financial position of The Ruberoid Co. at December 31, 1961 and December 31, 1960, and the results of operations for the two years, in conformity with generally accepted accounting principles applied each year 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.—*January 29, 1962.*

*Refer to Company Appendix Section.

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 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 most frequently in the notes to financial statements (refer to Section 2, Table 48, 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 17 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, 512)

Referring in the report to a specific footnote or president's letter where the event was described—2 reports (*Co. Nos. 253, 571)

Referring in the report to the notes to financial statements in general, where one of these notes described the subsequent event—9 reports (*Co. Nos. 36, 88, 283, 310, 468, 561)

Expressing an opinion on pro-forma financial statements presented to give effect to the event—4 reports (*Co. Nos. 142, 219, 382, 572)—see succeeding topic, "Pro-Forma Statements."

Board of Directors,
The Boeing Company:

We have examined the accompanying balance sheet of The Boeing Company as of December 31, 1961 and the related statements of net earnings and stockholders' 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. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the uncertainties as to required renegotiation refunds (see note), the financial statements referred to above present fairly the financial position of The Boeing Company at December 31, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on February 23, 1962, in setting aside the sum of $4,000,000 for the year 1961 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.—*Accountants' Report —February 23, 1962.*

Notes to Financial Statements

Renegotiation: The Renegotiation Board has unilaterally determined that the company realized excessive profits for the years 1952 through 1955 and has issued clearances for the years 1956 and 1957. Appeals have been taken to the Tax Court of the United States for the years 1952 through 1955. In January, 1962, a judge of the Tax Court announced findings that for the year 1952 the company's profits were excessive in the amount of $13,000,000 which would require a refund after taxes of $900,000 more than was required under the determination of the Renegotiation Board for that year. Although all refunds determined to be payable by the Renegotiation Board have been paid or provided for in the accounts, this policy was not extended to include the additional amount determined to be payable for 1952, pending the outcome of the motion for revision of the judge's findings. (See page 8.)

The company cannot predict the effect of the judge's decision on the appeals for the years 1953 through 1955, nor what the Board's action will be for the years 1958 through 1961. In view of these uncertainties and the belief of the company that no excessive profits were realized, no provision has been made for renegotiation refunds other than those presently determined by the Board.

To the Board of Directors of
General Plywood Corporation:

We have examined the consolidated balance sheet of General Plywood Corporation and subsidiaries as of October 31, 1961 and 1960, and the related consolidated statements of income, capital surplus, and deficit for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial position of General Plywood Corporation and subsidiaries at October 31, 1961 cannot be fairly presented until the matters with respect to the pending acquisition of a major subsidiary, referred to in Note 1 to the financial statements, are resolved. In all other material respects, in our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of General Plywood Corporation and its subsidiaries at October 31, 1961 and 1960, and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. *—January 12, 1962.*

Note 1: Prior to October 31, 1961, the Company paid $300,000 for an option to purchase all of the outstanding capital stock of Kochton Plywood & Veneer Company, Inc. for $5,200,000 cash (including the option price of $300,000) and 100,000 shares of the Company's common capital stock. The amount paid for the option, and expenses of $42,159 carried in the balance sheet at October 31, 1961, as deferred items.

The option agreement provides that the option is exercisable between the dates of January 3 and January 20, 1962. The Company has obtained a commitment, subject to certain conditions as to Kochton's assets, for a loan of the funds with which to complete the transaction. If the transaction is completed, the cost of the option and a portion of the deferred expenses will be charged to the investment account, and the balance of the deferred expenses will be charged to the capital surplus account. If the Company does not elect to exercise the option, or does exercise the option but through no fault of the selling stockholders of Kochton is unable to fulfill the provisions of the related sale agreement within the option period, in the opinion of counsel for the Company the $300,000 paid for the option will be retained by the stockholders of Kochton in full settlement of all claims which the selling stockholders of Kochton might have. In this event, the total of the deferred items, $342,159, will be charged off. However, if the option is exercised by the Company and the purchase is not completed because of the fault of the stockholders of Kochton, the $300,000 paid for the option is to be refunded to the Company, and it is the opinion of counsel for the Company that a claim would then exist against the stockholders of Kochton for all sums expended by the Company pursuant to the pending purchase, plus whatever damages the Company may have sustained.

Unaudited financial statements at October 31, 1961 of Kochton reflect current assets of $8,045,858; total assets of $8,242,863, none of which are encumbered; current and total liabilities of $3,229,543; and stockholders' equity of $5,013,320.

A stockholder of VRT Manufacturing Corporation (hereinafter referred to as VRT) has asserted a claim against Kochton for destruction of business and breach of contract, in an amount in excess of $1,000,000. In the opinion of counsel for the Company, (a) no claim for a sum certain has been asserted, (b) the claim as to destruction of business is not valid, and (c) if any claim does exist as to the alleged breach of contract, it is not valid for an amount in excess of $10,000. In any event, an agreement has been executed whereby the principal stockholders of Kochton have agreed to indemnify the Company against any claim or loss arising out of the VRT controversy. This indemnity is in addition to all other indemnities and guarantees in connection with the option agreement.

The aforesaid stockholder of VRT acquired five shares of the common stock of General Plywood Corporation on October 2, 1961, and, subsequently, on December 23, 1961, has caused an action to be instituted against the Company and others in the United States Court for the Western District of Kentucky. Counsel for the Company has advised that the action asks for a declaration of rights as to whether the proxies for the special meeting of the Company's stockholders held on October 27, 1961, at which meeting the acquisition of Kochton was approved, were properly solicited inasmuch as the aforesaid claim against Kochton was not disclosed. Counsel has further stated that the relief sought is, essentially, an injunction to prevent the acquisition of the Kochton stock by the Company. In counsel's opinion, the complaint as filed does not state a meritorious cause of action. . . .

The Board of Directors and Shareholders of
Pittsburgh Coke & Chemical Company:

In our opinion, the statements appearing on pages 5 through 7 of this report present fairly the consolidated financial position of Pittsburgh Coke & Chemical Company and subsidiaries at December 31, 1961 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.—*Opinion of Independent Accountants—February 28, 1962.*

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Note 8: *Subsequent Event*—Under the terms of an Agreement and Plan of Transfer, dated January 25, 1962 and subject to approval by the shareholders and compliance with other conditions, the Company will transfer to a newly-formed 50% owned company, Shenango Incorporated, substantially all of its assets related to the manufacture and sale of merchant pig iron, coke and coke by-products together with $2,000,000 in cash and the capital stock of Pittsburgh and Ohio Valley Railway Company, a wholly owned subsidiary. The net book value of such assets included in the balance sheet at December 31, 1961, is approximately $19,186,000 and in exchange therefor, the Company will receive from Shenango Incorporated 200,000 shares of common stock of a par value of $10 per share, and $8,000,000 of 6% Sinking Fund Debentures, due 1982. To comply with certain provisions of the Agreement, the Company proposes to call for redemption its 3½% First Mortgage Bonds due November 1, 1964. Funds for this and other corporate purposes will be obtained through additional borrowings under an amended Bank Loan Agreement. Management is of the opinion, based on pro forma calculations of earnings of Shenango Incorporated for 1961, and taking into consideration the Company's 50% equity in such earnings, that the Company's net income in future years will not be adversely affected by the contemplated transfer.

To the Stockholders,
United Whelan Corporation:

We have examined the consolidated balance sheet of United Whelan Corporation and consolidated subsidiary companies as at December 31, 1961, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of United Whelan Corporation and consolidated subsidiary companies at December 31, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 19, 1962, except as to Note A, which is as of March 27, 1962.*

Note A: *Proposed Merger with Consolidated Sun Ray, Inc.*—On March 27, 1962, the Corporation's Board of Directors authorized in principle, subject to the approval of stockholders, a plan of merger with Consolidated Sun Ray, Inc., on the basis of one share of the Corporation's common stock for fifteen shares of common stock of Consolidated Sun Ray, Inc.

PRO-FORMA STATEMENTS

In 1923 the American Institute of Certified Public Accountants adopted four rules relating to the certification of pro-forma financial statements (these rules were subsequently cited in the *Journal of Accountancy*—May, 1957, page 73), of which Rule I is quoted below:

I. The accountant may certify a statement of a company giving effect as at the date thereof to transactions entered into subsequently only under the following conditions, viz.:

a. If the subsequent transactions are the subject of a definite (preferably written) contract or agreement between the company and bankers (or parties) who the accountant is satisfied are responsible and able to carry out their engagement;
b. If the interval between the date of the statement and the date of the subsequent transactions is reasonably short—not to exceed, say, four months;
c. If the accountant, after due inquiry, or, preferably after actual investigation, has no reason to suppose that other transactions or developments have in the interval materially affected adversely the position of the company; and
d. If the character of the transaction to which effect is given is clearly disclosed, i.e., either at the heading of the statement or somewhere in the statement there shall be stated clearly the purpose for which the statement is issued.

Examples

Board of Directors,
Erie Forge & Steel Corporation:

We have examined the balance sheet of Erie Forge & Steel Corporation as of April 30, 1961, 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 Erie Forge & Steel Corporation at April 30, 1961, 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.

The accompanying pro forma consolidated balance sheet sets forth the balance sheet of Erie Forge & Steel Corporation at April 30, 1961, after giving effect to the transactions indicated in the note to the pro forma consolidated balance sheet as if such transactions had been completed at that date, but without giving effect to any other transactions since that date. In our opinion, proper effect has been given to the transactions indicated in the note.—*June 30, 1961.*

Note to Pro-Forma Balance Sheet

Note: The foregoing pro forma consolidated balance sheet gives effect as of April 30, 1961, to (1) the exchange of 496,238 common shares of Erie Forge & Steel Corporation for all of the outstanding shares of Continental Rubber Works (the acquisition is considered a "pooling of interests" for accounting purposes and accordingly the earned surplus of both companies have been combined); (2) the proposed receipt of proceeds from the surrender of life insurance policies; and (3) the purchase of United States Navy facilities for $2,451,000.00. Reference is made to the audited financial statements of Erie Forge & Steel Corporation included herein.

Notes to Financial Statements

Note G: *Events Subsequent to April 30, 1961*—On May 2, 1961, facilities utilizing approximately 50% of the floor space occupied by the Corporation and formerly leased from the United States Navy were purchased for the total sum of $2,451,000.00, secured by a purchase money mortgage on such facilities and a subordinated mortgage on the Corporation's land, payable $500,000.00 in cash and the balance in ten equal annual installments of $195,100.00 together with interest at an annual rate of 5¾%. The facilities are subject to a 10 to 20 year national security clause.

On June 30, 1961, the Corporation issued 496,238 shares of its Common Stock in exchange for all of the outstanding shares of Continental Rubber Works as approved by the shareholders on May 24, 1961.

The Shareowners,
Mohasco Industries, Inc.:

We have examined the consolidated balance sheet of Mohasco Industries, Inc. and consolidated subsidiaries at December 31, 1961 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.

On January 31, 1962 The Firth Carpet Company was merged into Mohasco Industries, Inc. The pro forma balance sheet set forth in Note 10 to consolidated financial statements gives effect to the merger as of December 31, 1961.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of Mohasco Industries, Inc. and consolidated subsidiaries at December 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Public Accountants —February 9, 1962.*

Note 10: Pro Forma Balance Sheet—The following pro forma balance sheet is based on the audited balance sheets of Mohasco Industries, Inc. and The Firth Carpet Company at December 31, 1961 and gives effect as of that date to the merger of The Firth Carpet Company into Mohasco Industries, Inc. on January 31, 1962.

In effecting the merger and consolidation for accounting purposes, the 375,716 shares of Mohasco common stock issued in exchange for the Firth shares have been assigned a price of $11.50 per share, approximately the price at which such shares traded upon the New York Stock Exchange at the time the merger was agreed upon in principle. The book value of Firth's net assets over the amount so assigned to the Mohasco shares, less $1,500,000 applied to property, plant and equipment as a provision for integration of the businesses, is included in the pro forma balance sheet as a deferred credit to be amortized ratably, net of other estimated costs and expenses related to the merger, over the estimated useful lives of certain depreciable assets.

(Pro-forma balance sheet not reproduced.)

To the Stockholders and Directors of Universal American Corporation:

We have examined the consolidated balance sheet of Universal American Corporation and subsidiaries as of December 31, 1961 and the related consolidated statements of income and 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.

Joint ventures with gross profit of $835,740 are managed by other companies. We were supplied with reports on examination by other public accountants covering those ventures. All figures in the accompanying statements in respect to those ventures are based on those reports.

In our opinion, based on our examination and the reports of other public accountants in respect of joint ventures managed by other companies, the accompanying balance sheet, statements of income and capital, together with the notes to such statements, present fairly the consolidated financial position of Universal American Corporation and subsidiaries at December 31, 1961 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have reviewed the accompanying pro forma financial statements that combine the consolidated figures of Universal American Corporation and subsidiaries and Van Norman Industries, Inc. and subsidiary, giving December 31, 1961 retroactive effect to the transactions set forth in "Notes To Pro Forma Financial Statements." In our opinion, the compilation of the pro forma statements has been properly made on the bases described—*March 1, 1962.*

Notes to Financial Statements

Note 10: Post Balance Sheets Events—

(a) Van Norman Industries, Inc. was merged into the Company on January 31, 1962.

(b) The Company has agreed to prepay by June 30, 1962 $3,000,000 of the $5,700,000 loan of Van Norman Industries, Inc.

(c) On February 1, 1962 the Company entered into a new loan agreement in the amount of $5,650,000 covering $3,100,000 owing by it on December 31, 1961 and $2,550,000 borrowed in January 1962, to pay another obligation of approximately the same amount. Under the terms of this agreement $1,700,000 is payable on June 1, 1962 and the balance of $3,950,000 on April 30, 1963.

The loan agreements provide restrictions with respect to cash dividends (payable only out of a portion of current earnings), working capital, certain stock acquisitions, loans, mergers, etc.

NATURAL BUSINESS YEAR

The natural business year is the period of 12 consecutive months which ends when a business's activities have reached the lowest point in its annual cycle. New businesses generally recognize the advantages of the natural business year and have adopted it in large numbers.

For years, the accounting and legal professions, printers, the SEC and others interested in various aspects of the year-end bottleneck have been advocating the use of the natural business year.

A total of 411 of the survey companies had fiscal year endings in December (or the week-end nearest to the end of the calendar year). Due to 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. Although it is recognized that the natural business year for many companies coincides with the calendar 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, two companies changed their fiscal years during 1961.

November—19 companies
October—37 companies
September—32 companies
August—15 companies
July—13 companies
June—25 companies
May—6 companies
April—6 companies
March—12 companies
February—8 companies
January—16 companies

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 1961 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 1961, as compared with 213 in 1950. Against this it may be noted that the use of the word "certificate" has declined to 51 in 1961 from 119 in 1950.

The word "opinion" was used in 121 instances in 1961 compared with 15 in 1950. In this connection the following quotation from *Accounting Terminology Bul-*

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Auditors' Report	1961	1960	1955	1950
Accountant's (or accountants') report (*Co. Nos. 2, 37, 112, 201, 234, 312)	179	178	134	114
Accountant's (or accountants') certificate (*Co. Nos. 145, 161, 232, 322, 400)	5	8	59	64
Accountant's (or accountants') opinion (*Co. Nos. 79, 113, 191, 226, 329, 444)	45	46	7	3
Auditor's (or auditors') report (*Co. Nos. 27, 69, 85, 230, 327, 485)	73	78	72	49
Auditor's (or auditors') certificate (*Co. Nos. 20, 56, 168, 211, 326, 439)	38	46	45	43
Report of independent public accountants (*Co. Nos. 9, 66, 313, 382, 496, 516)	18	16	21	12
Opinion of independent public accountants (*Co. Nos. 22, 63, 75, 172, 184, 244)	20	18	15	7
Certificate of independent public accountants (*Co. Nos. 204, 457)	2	1	7	12
Report of independent certified public accountants (*Co. Nos. 48, 117, 129, 187, 319, 373)	9	10	13	10
Opinion of independent certified public accountants (*Co. Nos. 177, 437, 579)	3	5	5	4
Report of certified public accountants (*Co. Nos. 34, 89, 131, 169, 417, 438)	20	21	6	5
Independent auditor's (or auditors') report (*Co. Nos. 33, 128, 154, 188, 250, 468)	9	9	10	7
Report of independent auditors (*Co. Nos. 451, 570, 597)	3	4	4	3
Report of auditors (*Co. Nos. 26, 76, 156, 405)	5	6	6	8
Report of independent accountants (*Co. Nos. 4, 90, 114, 209, 390, 459)	18	15	6	5
Opinion of independent accountants (*Co. Nos. 59, 82, 97, 266, 305, 420)	21	3	3	1
Various other (*Co. Nos. 182, 186, 287, 308, 368, 599)	48	41	33	29
	516	505	446	376
No title shown	84	95	154	224
Total	600	600	600	600

1961 Reference to Auditor's(s')	Report	Certificate	Opinion	Other Terms	1961 Total
	1961 Reference to Report				
Accountant's(s')	182	5	45	—	232
Auditor's(s')	78	38	23	2	141
Certified public accountant's(s')	20	—	5	—	25
Independent certified public accountant's(s')	9	2	3	—	14
Independent public accountant's(s')	18	2	20	—	40
Independent accountant's(s')	18	—	21	—	39
Independent auditor's(s')	12	1	4	—	17
Various other	1	3	—	—	4
Total	338	51	121	2	512
No title shown					88
Total					600

*Refer to Company Appendix Section.

letins, 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 account-

ants 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 terminology used for 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. This chapter is concerned with the terminology used to designate the auditor, either by himself or by the client, irrespective of whether it is part of the title of the auditors' report. 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 1961.

Terminology Used	No. of Companies
Certified Public Accountants (*Co. Nos. 350, 368, 399, 429, 505, 547)	250
Auditors (*Co. Nos. 75, 230, 250, 305, 318, 546)	149
Accountants (*Co. Nos. 257, 275, 300, 540, 554, 571)	104
Independent Public Accountants (*Co. Nos. 93, 143, 147, 204, 339, 463)	32
Accountants and Auditors (*Co. Nos. 21, 66, 181, 247, 288, 426)	29
Other (*Co. Nos. 33, 82, 128, 214, 325, 468)	22
No designation (*Co. Nos. 35, 61, 165, 171, 304, 555)	14
Total	600

Location of Reference in Annual Report	No. of Companies
Auditor's letterhead or with signature (*Co. Nos. 7, 8, 10, 13, 28, 176)	240
Title of auditors' report (*Co. Nos. 4, 11, 115, 231, 407, 519)	213
With officers, directors, registrars, etc. (*Co. Nos. 16, 214, 268, 372, 480, 487)	119
President's letter or financial review. (*Co Nos. 24, 51, 180, 248, 266, 293)	14
No reference (*Co. Nos. 125, 165, 282, 346, 416, 564)	14
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." This year only one report (*Co. No. 363) was addressed to the President and Board of Directors, and another (*Co. No. 39), (included with "Directors" in Table below) continued to use "The Board of Trustees" as addressee.

TABLE 13: ADDRESSEE OF AUDITORS' REPORT

Combined Addressee	1961	1960	1955	1950
The Company and Its:				
Directors	204	222	283	309
Directors and President	1	2	7	10
Directors and Shareholders	62	57	28	10
Directors and Stockholders	177	162	111	87
Directors and Shareowners	18	18	8	—
Stockholders	63	67	67	85
Shareholders	33	34	34	22
Shareowners	6	4	4	1
Single Addressee				
The Company	33	33	56	72
No Addressee	3	1	2	4
Total	600	600	600	600
Frequency of Reference to:				
Company—with other addressees	564	566	542	524
Company—with no other addressee	33	33	56	72
Directors	462	461	437	416
President	1	2	7	10
Stockholders	240	229	178	172
Shareholders	95	91	62	32
Shareowners	24	22	12	1

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.

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. The four companies that used both the printed form and the hand-written facsimile in 1961 were *Company Numbers 250, 259, 469 and 538.

TABLE 14: AUDITORS' SIGNATURE ON REPORT

Form of Signature	1961	1960	1955	1950
Firm name—printed or typed	338	362	387	452
Firm name—handwritten facsimile	257	232	206	145
Firm name—printed and handwritten facsimile	4	5	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 56 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 1961 and is accounted for by the elimination of four firms and the addition of three.

It was noted that 7 companies had made a change of auditors during the year (*Co. Nos. 243, 392, 404, 409, 419, 428, 542). Such changes were referred to in the auditors' reports of the first two companies enumerated above; the others made no such reference. However, it may be mentioned that a change of auditors does not necessarily mean a change in the number of accounting firms represented.

*Refer to Company Appendix Section.

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 Maize-Products Company	12
36.	American Metal Climax, Inc.	12
37.	American Metal Products Company	12
38.	American Motors Corporation	9
39.	American Optical Company	12
40.	American Potash & Chemical Corporation	12
41.	American Radiator & Standard Sanitary Corporation	12
42.	American-Saint Gobain Corporation	12
43.	American Seating Company	12
44.	The American Ship Building Company	6
45.	American Smelting and Refining Company	12
46.	American Stores Company	3
47.	The American Sugar Refining Company	12
48.	The American Tobacco Company	12
49.	American Viscose Corporation	12
50.	American Writing Paper Corporation	12
51.	American Zinc, Lead and Smelting Company	12
52.	Ametek, Inc.	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.	Apco Oil Corporation	12
59.	Anheuser-Busch, Incorporated	12
60.	Archer-Daniels-Midland Company	6
61.	Arden Farms Co.	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 Chemical Industries, Inc.	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 Company	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 & Decker Manufacturing Company	9
97.	Blaw-Knox Company	12
98.	Bliss & Laughlin, Incorporated	12
99.	Blue Bell, Inc.	11
100.	The Boeing 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.	Briggs Manufacturing Company	12
108.	Briggs & Stratton Corporation	12
109.	Bristol-Myers Company	12
110.	Brockway Glass Company, Inc.	9
111.	Brown & Sharpe Manufacturing Company	12
112.	Brown Shoe Company, Inc.	10
113.	Brunswick Corporation	12
114.	Bucyrus-Erie Company	12
115.	The Budd Company	12
116.	The Bullard Company	12
117.	Burlington Industries, Inc.	9
118.	Burndy Corporation	12
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.	Capitol Records, Inc.	6
125.	Carnation Company	12
126.	Carrier Corporation	10
127.	J. I. Case Company	10
128.	Caterpillar Tractor Co.	12
129.	Celanese Corporation of America	12
130.	The Celotex Corporation	10
131.	Central Soya Company, Inc.	8
132.	Century Electric Company	12
133.	Certain-Teed Products Corporation	12
134.	The Cessna Aircraft Company	9
135.	Chain Belt Company	10
136.	Champion Papers, Inc.	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
146.	Cleveland-Cliffs Iron Company	12
147.	Clevite Corporation	12
148.	Cluett, Peabody & Co., Inc.	12
149.	The Coca-Cola Company	12
150.	Colgate-Palmolive Company	12
151.	Collins & Aikman Corporation	2
152.	Collins Radio Company	7
153.	Colonial Stores Incorporated	12
154.	The Colorado Fuel and Iron Corporation	12
155.	The Colorado Milling & Elevator Company	5
156.	Columbia Broadcasting System, Inc.	12
157.	Combustion Engineering, Inc.	12
158.	Commercial Solvents Corporation	12
159.	Congoleum-Nairn Inc.	12
160.	Consolidated Cigar Corporation	12
161.	Consolidated Foods Corporation	6

Co. No.		*Month in which fiscal year ends
162.	Consolidated Laundries Corporation	12
163.	Consolidated Paper Company	12
164.	Consolidation Coal Company	12
165.	Container Corporation of America	12
166.	Continental Baking Company	12
167.	Continental Can Company, Inc.	12
168.	Continental Motors Corporation	10
169.	Continental Oil Company	12
170.	Continental Steel Corporation	12
171.	Cook Paint and Varnish Company	11
172.	Copperweld Steel Company	12
173.	Corn Products Company	12
174.	Craddock-Terry Shoe Corporation	11
175.	Crane Co.	12
176.	Crown Central Petroleum Corporation	12
177.	Crown Cork & Seal Company, Inc.	12
178.	Crown Zellerbach Corporation	12
179.	Crucible Steel Company of America	12
180.	The Cuban-American Sugar Company	9
181.	The Cudahy Packing Company	10
182.	Cummins Engine Company, Inc.	12
183.	The Cuneo Press, Inc.	1
184.	The Curtis Publishing Company	12
185.	Curtiss-Wright Corporation	12
186.	Cutler-Hammer, Inc.	12
187.	Dan River Mills, Incorporated	12
188.	Dayco Corporation	10
189.	Daystrom, Incorporated	3
190.	Decca Records Inc.	12
191.	Deere & Company	10
192.	Dennison Manufacturing Company	12
193.	Diamond National Corporation	12
194.	Diana Stores Corporation	7
195.	Dictaphone Corporation	12
196.	Walt Disney Productions	9
197.	Douglas Aircraft Company, Inc.	11
198.	The Dow Chemical Company	5
199.	The Drackett Company	9
200.	Dravo Corporation	12
201.	Dresser Industries, Inc.	10
202.	Drexel Enterprises, Inc.	11
203.	The Duplan Corporation	9
204.	E. I. du Pont de Nemours & Company	12
205.	Dura Corporation	7
206.	The Eagle-Picher Company	11
207.	The Eastern Company	12
208.	Eastern Stainless Steel Corporation	12
209.	Eastman Kodak Company	12
210.	Eaton Manufacturing Company	12
211.	Elastic Stop Nut Corporation of America	11
212.	The Electric Autolite Company	12
213.	The Electric Storage Battery Company	12
214.	Electrolux Corporation	12
215.	Elgin National Watch Company	2
216.	The Emerson Electric Manufacturing Company	9
217.	Emerson Radio & Phonograph Corporation	10
218.	Endicott Johnson Corporation	11
219.	Erie Forge & Steel Corporation	4
220.	Evans Products Company	12
221.	Eversharp, Inc.	12
222.	Ex-Cell-O Corporation	11
223.	Fairbanks Whitney & Co.	12
224.	Fairchild Camera and Instrument Corporation	12
225.	Fairchild Stratos Corporation	12

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
226. Falstaff Brewing Corporation	12
227. Fansteel Metallurgical Corporation	12
228. Fedders Corporation	8
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. FMC 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 Inc.	7
258. Gerber Products Company	3
259. Giddings & Lewis Machine Tool Company	12
260. The Gillette Company	12
261. Gimbel Brothers, Inc.	1
262. The Glidden Company	8
263. Goebel Brewing Company	12
264. Goldblatt Bros., Inc.	1
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 Griess-Pfleger Tanning Co.	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. (now Xerox Corporation)	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 Powder Company	12
287. Hershey Chocolate Corporation	12
288. Heyden Newport Chemical Corporation	12
289. Heywood-Wakefield Company	12
290. The Hobart Manufacturing Company	12
291. Hoffman Electronics Corporation	12

Co. No.	*Month in which fiscal year ends
292. Holland Furnace Company	12
293. Holly Sugar Corporation	3
294. Hooker Chemical Corporation	11
295. Geo. A. Hormel & Company	10
296. Houdaille Industries, Inc.	12
297. Howe Sound Company	12
298. Hudson Pulp & Paper Corp.	8
299. Hunt Foods and Industries, Inc.	6
300. Hupp Corporation	12
301. Hygrade Food Products Corporation	10
302. Indian Head Mills, Inc.	11
303. Industrial Rayon Corporation (now Midland-Ross 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. Keytone 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. Langendorf United Bakeries, Inc.	6
336. Lear, Incorporated	12
337. Lehigh Portland Cement Company	12
338. Lerner Stores Corporation	1
339. Leslie Salt Co.	12
340. R. G. LeTourneau, Inc.	12
341. Libbey-Owens-Ford Glass Company	12
342. Libby, McNeill & Libby	6
343. Liggett & Myers Tobacco Company	12
344. Eli Lilly and Company	12
345. Lily-Tulip Cup Corporation	12
346. Link-Belt Company	12
347. Lockheed Aircraft Corporation	12
348. Loft Candy Corporation	6
349. Lone Star Cement Corporation	12
350. P. Lorillard Company	12
351. Lukens Steel Company	12
352. Macke Vending Company	9
353. Mack Trucks, Inc.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
354.	R. H. Macy & Co., Inc.	7
355.	P. R. Mallory & Co. Inc.	12
356.	Manning, Maxwell & Moore, Incorporated	12
357.	Maremont Corporation	12
358.	Marshall Field & Company	1
359.	Martin Marietta Corporation	12
360.	Masonite Corporation	8
361.	Maxson Electronics Corporation	10
362.	The May Department Stores Company	1
363.	Oscar Mayer & Co. Inc.	10
364.	The Maytag Company	12
365.	McCall Corporation	12
366.	McCormick & Company, Incorporated	11
367.	McGraw-Hill Publishing Company, Inc.	12
368.	The McKay Machine Company	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
376.	Metro-Goldwyn-Mayer Inc.	8
	Midland-Ross Corporation (see Industrial Rayon Corporation)	
377.	Midwest Rubber Reclaiming Company	10
378.	Miller Manufacturing Co.	9
379.	Minneapolis-Honeywell Regulator Company	12
380.	Minnesota Mining and Manufacturing Company	12
381.	Mirro Aluminum Company	12
382.	Mohasco Industries, Inc.	12
383.	The Mohawk Rubber Company	12
384.	Monsanto Chemical Company	12
385.	Montgomery Ward & Co., Incorporated	1
386.	Moore Drop Forging Company	6
387.	John Morrell & Co.	10
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.	Nautec Corporation	6
405.	Neptune Meter Company	12
406.	The New Britain Machine Company	12
407.	The New York Air Brake Company	12
408.	J. J. Newberry Co.	12
409.	Newport News Shipbuilding and Dry Dock Company	12
410.	Nopco Chemical Company	12
411.	North American Aviation, Inc.	9
412.	Northrop Corporation	7
413.	The Ohio Oil Company	12
414.	O'Sullivan Rubber Corporation	12
415.	Otis Elevator Company	12

Co. No.		*Month in which fiscal year ends
416.	Outboard Marine Corporation	9
417.	Owens-Illinois Glass Company	12
418.	Oxford Paper Company	12
419.	Pacific American Corporation	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.	Pet Milk Company	3
432.	Pfaudler Permutit Inc.	12
433.	Pfeifer Brewing Company	12
434.	Chas. Pfizer & Co., Inc.	12
435.	Phelps Dodge Corporation	12
436.	Philadelphia and Reading Corporation	12
437.	Phillip 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.	Royal McBee Corporation	7
477.	The Ruberoid Co.	12
478.	Jacob Ruppert	12

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
479. The Ryan Aeronautical Co.	10
480. Safeway Stores, Incorporated	12
481. St. Croix Paper Company	12
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. Sperry Rand Corporation	3
509. Spiegel, Inc.	12
510. Sprague Electric Company	12
511. Square D Company	12
512. Stahl-Meyer, Inc.	10
513. A. E. Staley Manufacturing Company	9
514. Standard Brands Incorporated	12
515. Standard Kollsman Industries Inc.	12
516. Standard Oil Company of California	12
517. Standard Oil Company (Indiana)	12
518. Standard Oil Company (New Jersey)	12
519. The Standard Oil Company (Ohio)	12
520. Standard Packaging Corporation	12
521. Standard Pressed Steel Co.	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. Triangle Conduit & Cable Co., Inc.	12
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 American Corporation	12
573. Universal-Cyclops Steel Corporation	12
574. Universal Leaf Tobacco Co., Inc.	6
575. Universal Match Corporation	12
576. Utah-Idaho Sugar Company	2
577. Vanadium-Alloys Steel Company	6
578. Vanderbilt Tire & Rubber Corporation (now VTR, Incorporated)	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. Warner-Lambert Pharmaceutical Company	12
587. West Virginia Pulp and Paper Company	10
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
Xerox Corporation (see Haloid Xerox Inc.)	
598. The Yale & Towne Manufacturing Company	12
599. The Youngstown Sheet and Tube Company	12
600. Zenith Radio Corporation	12

*Months numbered in sequence, January through December.

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