1963

Accounting trends and techniques, 17th annual survey, 1963 edition

American Institute of Certified Public Accountants

1963

ACCOUNTING TRENDS & TECHNIQUES

AICPA

1963

ACCOUNTING TRENDS & TECHNIQUES

SEVENTEENTH EDITION

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1963

ACCOUNTING TRENDS & TECHNIQUES

Seventeenth 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 1962.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

666 Fifth Avenue, New York, N.Y. 10019

Library of Congress Catalog Card Number: 48-2517

$18 per copy

PREFACE

Accounting Trends and Techniques in Published Annual Reports — 1963 is the Seventeenth 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 edition has been prepared under the direction of 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 1962 reports. *These illustrations are not presented as recommended methods for handling specific items but are of an informative and objective nature.* About 500 additional reports were informally scanned and are referred to, wherever appropriate, throughout the study.

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

Special acknowledgment is due to Stanley S. Borowik, C.P.A.; Ronald S. Davis, C.P.A.; Sidney J. Fenton, C.P.A.; Charles A. Gibson, C.P.A.; William H. Hird, C.P.A.; Joseph H. Riley, C.P.A.; Earl E. Thoren, C.P.A.; and Bernard S. Weintraub, C.P.A., for their assistance in the analysis of the financial reports.

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

TABLE OF CONTENTS

Section 1: Financial Statements

Section 2: Balance Sheet

Section 3: Income Statement

Section 4: Retained Earnings and Capital Surplus

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 1962.

Of the 600 survey companies, 599 presented two or more of the customary statements. The remaining company (*Co. No. 423) 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 1962 reports and the table shows in comparative form the various combinations for the years 1962, 1961, 1960, 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 respect to notes with direct reference shown within

*Refer to Company Appendix Section.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Manner of Presentation*	1962	1960	1955
A. Notes with direct reference shown within related statements	459	459	372
B. Notes included by general reference on accompanying statements	96	78	95
C. Notes included by placement within or at the foot of statements	19	35	59
D. No notes as such, but supplementary information provided at foot of statements	3	5	11
E. No reference to notes; however they are provided separately	3	3	4
F. No notes presented	20	20	59
	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 68, 144, 227, 365, 414, 565; B: Co. Nos. 16, 109, 251, 373, 459, 553; C: Co. Nos. 14, 74, 245, 321, 563, 569; D: Co. Nos. 411, 487, 532; E: Co. Nos. 43, 138, 571; F: Co. Nos. 19, 108, 269, 295, 448, 587.

TABLE 1: CUSTOMARY FINANCIAL STATEMENTS

Combination of Statements*	1962	1961	1960	1955	1950	1946
A: Balance Sheet and Combined Income & Retained Earnings Statements	248	240	236	202	168	141
B: Balance Sheet, Income, and Retained Earnings Statements	151	157	154	169	191	157
C: Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	127	140	146	149	149	198
D: Balance Sheet, Income and Combined Retained Earnings & Capital Surplus Statements	4	2	2	4	15	30
E: Balance Sheet, Income, and Stockholders' Equity Statements	29	23	23	19	15	6
F: Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	25	23	24	22	20	22
G: Balance Sheet and Income Statements	8	7	7	19	21	20
H: Balance Sheet, Income, and Surplus (unclassified) Statements	1	2	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	6	5	6	4	5	9
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 3, 120, 274, 350, 464, 579; B: Co. Nos. 39, 153, 209, 364, 440, 501; C: Co. Nos. 10, 126, 251, 310, 472, 597; D: Co. Nos. 173, 560; E: Co. Nos. 79, 195, 211, 376, 478, 571; F: Co. Nos. 5, 151, 231, 259, 432, 507; G: Co. Nos. 65, 108, 355, 359, 450, 568; H: Co. No. 433; I: Co. No. 317; J: Co. Nos. 127, 163, 299, 423, 525, 528.

TABLE 2: INCOME PRESENTATION IN REPORTS

Manner of Presentation*	1962	1961	1960	1955	1950	1946
A: As a separate statement of income	320	330	332	368	407	427
B: As a combined statement of income and retained earnings	278	268	264	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	1	—	—
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 20, 103, 223, 384, 429, 545; B: Co. Nos. 49, 127, 221, 345, 451, 519; C: Co. No. 317; F: Co. No. 423.

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 1962 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 10 companies. Details of the income presentation in the reports are presented in Table 2.

RETAINED EARNINGS PRESENTATION IN REPORTS

Table 3 sets forth the various methods of presentation of retained earnings in the 1962 annual reports. The increased use of the combined statement of retained earnings and income referred to above continued in the current year, with 278 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*	1962	1961	1960	1955	1950	1946
A: As a separate statement of retained earnings	278	296	300	320	341	356
B: As a combined statement of retained earnings and income	278	268	264	224	187	164
C: As a combined statement of retained earnings and capital surplus	4	2	2	4	17	30
D: As a section within the statement of stockholders' equity (see Table 15)	29	23	23	19	14	5
E: As a section within the balance sheet	6	6	7	12	19	22
F: As an item within the balance sheet	2	1	1	7	6	4
G: As a combined statement of income, retained earnings and stockholders' equity	1	1	1	2	1	1
Total Retained Earnings	598	597	598	588	585	582
H: Surplus not classified	2	3	2	12	15	18
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 39, 115, 254, 323, 470, 525; B: Co. Nos. 3, 144, 205, 311, 477, 521; C: Co. Nos. 53, 173, 203, 560; D: Co. Nos. 61, 195, 273, 371, 483, 543; E: Co. Nos. 65, 108, 319, 355, 420, 568; F: Co. Nos. 359, 423; G: Co. No. 530; H: Co. Nos. 317, 433.

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 490 of the 600 survey companies. Separate statements of capital surplus either alone or in combination with retained earnings were presented by 157 companies. Capital surplus was shown as an item within the balance sheet by 307 companies, of which 89 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 1962 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 still predominates. However, the term "earnings" is gaining in acceptance, while the use of the term "profit and loss" originally high on the list, continues to decline.

Changes During 1962

Changes made by the survey companies in the terminology used for their income statements for the year 1962 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 17 companies in 1962. Ten of the companies changing the key word in the title of their income statements for the year 1962 are *Company Numbers 3, 21, 58, 59, 97, 115, 402, 424, 474, 479.

*Refer to Company Appendix Section.

TABLE 4: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation*	1962	1961	1960	1955	1950	1946
A: As a separate statement of capital surplus	153	162	169	183	170	224
B: As a combined statement of capital surplus and retained earnings	4	2	2	4	16	31
Total	157	164	171	187	186	255
C: As a section within the statement of stockholders' equity (see Table 14)	26	21	20	17	17	7
As an item within the balance sheet and changes set forth:						
D: Under balance sheet caption	25	23	24	17	28	12
E: In notes to financial statements	158	151	148	81	17	12
F: In other statements or schedules covered by auditors' reports	3	1	2	4	1	1
G: In letter to stockholders	3	1	2	2	2	—
H: Not set forth in report	29	33	31	32	6	1
As an item within the balance sheet:						
I: Stated to be "Not changed during the year"	12	15	12	36	54	54
J: With identical dollar balances for the current and prior year but no reference to such unchanged status	77	79	80	85	119	88
Total	307	303	299	257	227	168
Number of Companies						
Presenting capital surplus	490	488	490	461	430	430
Not presenting capital surplus	108	109	107	127	156	156
Not classifying surplus (*Co. Nos. 317, 433)	2	3	3	12	14	14
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 93, 126, 229, 301, 532, 600
B: Co. Nos. 53, 173, 203, 560
C: Co. Nos. 79, 163, 227, 376,412, 542
D: Co. Nos. 8, 119, 277, 377, 420, 533
E: Co. Nos. 46, 161, 209, 329, 418, 590.
F: Co. Nos. 363, 525, 528
G: Co. Nos. 3, 537, 555
H: Co. Nos. 66, 121, 207, 348, 437, 551
I: Co. Nos. 75, 167, 238, 323, 350, 564
J: Co. Nos. 28, 123, 289, 320, 447, 570.

TABLE 5: INCOME STATEMENT TITLE

Terminology Used	1962	1961	1960	1955	1950	1946
Income	388	385	382	361	329	317
Earnings	154	151	152	135	92	10
Profit and Loss	17	22	24	56	127	236
Operations	35	35	35	30	30	10
Income and Expense	2	3	2	5	8	5
Income and Profit and Loss	—	—	—	2	2	10
Income, Costs	—	—	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 1962 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—(388 Companies):
- Comparative Consolidated Statement of Income (*Co. No. 524)
- Consolidated Income (*Co. No. 79)
- Consolidated Income Account (*Co. No. 149)
- Consolidated Income and *Earned Surplus* (*Co. No. 104)
- Consolidated Income Statement (*Co. Nos. 60, 371)
- Consolidated Statement of Income (*Co. Nos. 2, 130, 440, 533, 543, 544, 560, 590, 594, 595)
- Consolidated Statement of Income and *Retained Earnings* (*Co. Nos. 48, 76, 119, 121, 271)
- Consolidated Statement of Income and *United States Earned Surplus* (*Co. No. 259)
- Consolidated Statements of Income and *Earnings Employed in the Business* (*Co. No. 111)
- Statements of Consolidated Income (*Co. Nos. 61, 122, 175, 248, 296, 384, 412)
- Statements of Consolidated Income and *Earnings Retained in the Business* (*Co. Nos. 163, 341)
- Statements of Consolidated Income and *Income Retained* (*Co. No. 58)
- Statement of Consolidated Income and *Retained Earnings* (*Co. No. 240)
- Statement of Income and *Retained Earnings* (*Co. Nos. 414, 493, 539)
- Summary of Consolidated Income and *Earned Surplus* (*Co. Nos. 75, 477)

Earnings—(154 Companies):
- Consolidated Earnings (*Co. Nos. 346, 426)
- Consolidated Statement(s) of Earnings (*Co. Nos. 120, 214, 312, 526)
- Consolidated Statement of Earnings and *Retained Earnings* (*Co. Nos. 15, 74, 137)
- Earnings (*Co. Nos. 153, 374, 446)
- Statement of Comparative Consolidated Earnings (*Co. No. 413)
- Statement of Consolidated Earnings (*Co. Nos. 85, 166, 224, 342, 415, 480, 505, 519)
- Statement of Earnings (*Co. Nos. 295, 336, 403, 438)
- Statement of Net Earnings (*Co. Nos. 215, 340)

Profit and Loss—(17 Companies):
- Comparative Statement of Profit and Loss (*Co. No. 561)
- Comparative Statement of Consolidated Profit and Loss and *Earned Surplus* (*Co. No. 567)
- Consolidated Profit and Loss and *Surplus Accounts* (*Co. No. 26)
- Consolidated Statement of Profit and Loss (*Co. Nos. 148, 187, 246, 508)
- Consolidated Statements of Profit and Loss, *Retained Earnings, and Capital Surplus* (*Co. No. 181)
- Consolidated Surplus and Profit and Loss Account (*Co. No. 574)
- Statement of Consolidated Profit and Loss (*Co. Nos. 527, 565)
- Statements of Consolidated Profit and Loss (*Co. No. 396)
- Statements of Consolidated Profit and Loss and *Retained Earnings* (*Co. No. 205)
- Statements of Profit and Loss (*Co. No. 333)
- Statements of Profit and Loss and *Earned Surplus* (*Co. No. 409)
- Statement of Profit and Loss and *Retained Earnings* (*Co. No. 462)

Operations—(35 Companies)
- Comparative Consolidated Statement of Operations (*Co. No. 217)
- Consolidated Results of Operations (*Co. Nos. 127, 146)
- Consolidated Statement of Operations (*Co. Nos. 12, 37, 133, 191, 238, 257, 339, 388, 593)

*Refer to Company Appendix Section.

Consolidated Statement of Operations and *Income Reinvested in Business* (*Co. No. 588)
Consolidated Statement of Operations and *Retained Earnings* (*Co. Nos. 162, 347)
Results of Operations (*Co. Nos. 250, 394)
Statement(s) of Operations (*Co. Nos. 27, 66, 262, 574)
Statement of Operations and *Retained Earnings* (*Co. No. 431)

Various Other—(5 Companies)
Comparative Consolidated Profit Statement (*Co. No. 260)
Comparative Statement of Income and Expense (*Co. No. 441)
Consolidated Statements of Income and Expense and *Earnings Retained* (*Co. No. 42)
Consolidated Statement of Profit and of *Retained Earnings* (*Co. No. 213)
Statement of Loss and *Retained Earnings* (*Co. No. 292)

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 1962 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 1962

The survey, this year, reveals a net increase of four companies using the single-step form of the income statement. Seven companies *adopted* the single-step form (*Co. Nos. 10, 115, 388, 424, 437, 475, 567) and three companies changed to the multi-step form (*Co. Nos. 6, 16, 28).

*Refer to Company Appendix Section.

TABLE 6: INCOME STATEMENT FORM

Form of Statement	1962	1961	1960	1955	1950	1946
Multiple-step form	195	190	210	258	302	263
Multiple-step form with a separate last section presenting:						
Nonrecurring tax items	14	12	8	24	41	63
Nonrecurring tax and nontax items	17	23	20	23	11	57
Nonrecurring nontax items	31	36	28	25	31	85
Total	257	261	266	330	385	468
Single-step form	290	288	276	218	177	76
Single-step form with a separate last section presenting:						
Nonrecurring tax items	6	6	13	22	13	13
Nonrecurring tax and nontax items	16	22	26	9	7	20
Nonrecurring nontax items†	30	22	18	19	15	16
Total	342	338	333	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	157	155	155	141	159	100
Presented in separate last section	399	414	414	437	423	450
Total	556	569	569	578	582	550
Current estimate not required	43	30	30	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 459 of the 600 survey companies, as indicated in Table 7. The use of the titles "financial position" and "financial condition," while increasing from 99 companies in 1950 to 136 companies in 1962, 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 decrease 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 1962 reports of the 600 survey companies:

Balance Sheet—(Customary form: 459 Companies)
- Balance Sheet (*Co. Nos. 30, 129, 215, 340, 425, 507)
- Balance Sheets (*Co. Nos. 12, 68, 177, 236, 299, 334)
- Balance Sheet (Consolidated) (*Co. No. 115)
- Comparative Balance Sheet(s) (*Co. Nos. 144, 243, 254, 350, 441, 561)
- Comparative Consolidated Balance Sheet(s) (*Co. Nos. 260, 283, 344, 400, 509, 567)
- Consolidated Balance Sheet (*Co. Nos. 58, 123, 205, 338, 416, 590)
- Consolidated Balance Sheets (*Co. Nos. 138, 151, 219, 325, 459, 592)
- Consolidated Comparative Balance Sheet (*Co. Nos. 368, 445)

Financial Position—(Customary form: 45 Companies)
- Comparative Statement of Financial Position (*Co. No. 569)
- Condensed Consolidated Statement of Financial Position (*Co. No. 55)
- Consolidated Comparative Statement of Financial Position (*Co. No. 202)
- Consolidated Financial Position (*Co. Nos. 73, 456, 508)
- Consolidated Statement of Financial Position (*Co. Nos. 27, 109, 249, 339, 405, 525)
- Financial Position (*Co. Nos. 374, 394, 469)

*Refer to Company Appendix Section.

TABLE 7: BALANCE SHEET TITLE

Terminology Applied	1962	1961	1960	1955	1950	1946
Balance Sheet, used with						
Customary form (*Co. Nos. 58, 123, 205, 325, 416, 534)	459	454	456	467	492	578
Financial position form	—	—	—	—	—	—
	459	454	456	467	492	578
Financial Position, used with:						
Customary form (*Co. Nos. 55, 133, 257, 384, 437, 508)	45	45	43	33	13	3
Financial position form (*Co. Nos. 81, 127, 226, 363, 467, 533)	56	59	60	59	52	9
	101	104	103	92	65	12
Financial Condition, used with:						
Customary form (*Co. Nos. 66, 126, 242, 364, 453, 531)	23	23	23	19	15	1
Financial position form (*Co. Nos. 76, 225, 357, 464, 539)	12	13	12	16	19	5
	35	36	35	35	34	6
Other Captions:						
Customary form (*Co. Nos. 105, 179)	2	3	4	4	5	2
Financial position form (*Co. Nos. 190, 315, 446)	3	3	2	2	4	2
	5	6	6	6	9	4
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.

Statement of Consolidated Financial Position (*Co. Nos. 112, 152, 240, 311, 356, 437)
Statement of Financial Position (*Co. Nos. 27, 88, 171, 201, 336, 431)

Financial Position—(Financial position form: 56 Companies)
Consolidated Financial Position (*Co. Nos. 49, 82, 127, 277, 483, 536)
Consolidated Statement(s) of Financial Position (*Co. Nos. 36, 176, 220, 326, 475, 533)
Financial Position (*Co. Nos. 153, 250, 393, 476, 585)
Statement of Consolidated Financial Position (*Co. Nos. 147, 185, 239, 314, 415, 596)
Statement of Financial Position (*Co. Nos. 15, 52, 295, 313, 327, 403)

Financial Condition—(Customary form: 23 Companies)
Comparative Statement of Financial Condition (*Co. No. 317)
Consolidated Financial Condition (*Co. No. 242)
Consolidated Statement of Financial Condition (*Co. Nos. 3, 74, 286, 353)
Consolidated Statements of Financial Condition (*Co. Nos. 66, 181, 531)
Statement(s) of Consolidated Financial Condition (*Co. Nos. 61, 192, 279, 308, 372, 453)
Statement of Financial Condition (*Co. Nos. 126, 143, 331, 364, 370, 493)

Financial Condition—(Financial position form: 12 Companies)
Consolidated Statement of Financial Condition (*Co. Nos. 76, 357, 464, 510, 593, 595)
Statement of Consolidated Financial Condition (*Co. No. 225)
Statement of Financial Condition (*Co. Nos. 31, 208, 539, 562, 586)

Other Captions—(Customary form: 2 Companies)
Statement of Assets and Liabilities (*Co. No. 105)
Statement of Consolidated Assets and Liabilities (*Co. No. 179)

Other Captions—(Financial position form: 3 Companies)
Assets, Liabilities and Stockholders' Equity (*Co. No. 190)
Financial Statement (*Co. No. 446)
Investment (*Co. No. 315)

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*	1962	1961	1960	1955	1950	1946
A: Assets *equal* liabilities plus stockholders' equity	523	520	521	517	523	584
B: Assets less liabilities *equal* stockholders' equity	6	5	5	5	3	—
Total	529	525	526	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	46	47	47	51	32	7
D: Current assets less current liabilities, plus other assets less other liabilities *equal* long-term indebtedness plus stockholders' equity	8	7	7	8	6	—
E: Current assets less current liabilities plus other assets less other liabilities, *equal* stockholders' equity (long-term indebtedness not shown)	17	21	20	17	34	9
F: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	—	—	—	2	2	—
Total	71	75	74	78	74	16
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 87, 123, 205, 338, 401, 534; B: Co. Nos. 61, 249, 336, 356, 516, 588; C: Co. Nos. 15, 127, 213, 305, 432, 533; D: Co. Nos. 8, 62, 226, 363, 483, 522; E: Co. Nos. 49, 190, 220, 430, 476, 596.

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 six instances in the 1962 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 1962 reports, 529 of the survey companies presented the customary form of the balance sheet.

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

Changes During 1962

There was a net increase of four in the number of companies presenting the customary form of balance sheet in the 1962 annual reports of the 600 survey companies, as will be noted in Table 8 (*Co. Nos. 2, 97, 343, 479). 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 such 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, however, are still used by more than one quarter, or 160 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 1962 annual reports of the survey companies:

Capital (*Co. Nos. 33, 194, 206, 334, 419, 563)
Capital and accumulated earnings (*Co. Nos. 106, 596)
Capital and retained earnings (*Co. Nos. 7, 107, 324, 338, 450, 469)
Capital and surplus (*Co. Nos. 60, 348)
Capital (common) stock and earned surplus (*Co. Nos. 189, 360)
Capital stock and earnings employed in the business (*Co. No. 111)
Capital stock and retained earnings (*Co. Nos. 4, 182, 274, 454, 487, 592)
Capital stock and surplus (*Co. Nos. 14, 108, 203, 337, 428, 540)
Derived from (*Co. Nos. 357, 536, 557)
Equity of Common Stockholders (*Co. No. 293)
Equity capital (*Co. No. 308)
Owners' Investment (*Co. No. 19)
Ownership (*Co. Nos. 127, 143)
Ownership evidenced by (*Co. Nos. 249, 326, 568)
Ownership interest (*Co. No. 273)
Ownership of net assets (*Co. Nos. 16, 208, 446)
Provided by (*Co. No. 483)
Represented by (*Co. Nos. 76, 82, 220, 327, 393, 595)
Shareholders' equity (*Co. Nos. 3, 115, 214, 352, 472, 519)
Shareholders' interest (*Co. Nos. 464, 589)
Shareholders' investment (*Co. Nos. 1, 114, 228, 323, 426, 525)
Shareholders' ownership (*Co. Nos. 9, 515)
Shareowners' equity (*Co. Nos. 91, 225, 257, 364, 429, 598)
Shareowners' investment (*Co. Nos. 71, 118)
Sources from which capital was obtained (*Co. Nos. 120, 522)
Sources from which net assets were obtained (*Co. No. 403)
Stockholders' equity (*Co. Nos. 23, 128, 216, 302, 435, 584)
Stockholders' interest (*Co. Nos. 197, 296, 517, 586)
Stockholders' investment (*Co. Nos. 38, 100, 238, 341, 466, 505)
Stockholders' ownership (*Co. Nos. 134, 239, 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 1962 only 224 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

*Refer to Company Appendix Section.

TABLE 9: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1962	1961	1955	1951
Capital stock and surplus	79	85	143	164
Capital (common) stock and earned surplus	2	1	1	4
Capital stock and retained earnings	11	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	3	2
Capital shares and surplus	—	—	—	2
Capital and surplus	2	2	8	12
Capital and retained earnings	11	11	14	9
Equity, capital (and retained earnings)	1	1	2	2
Capital and (accumulated earnings, profit retained and employed)	2	2	—	2
Capital	49	52	66	72
Capitalization	—	—	1	1
Capital (accounts, invested, investment, structure)	—	—	5	7
Derived from	3	3	3	3
Investment represented by	1	1	1	1
Investors' equities	—	—	1	2
Net worth	—	—	1	10
Ownership	2	2	1	2
Ownership evidenced by	3	3	3	3
Ownership (equities, interest, etc.)	1	1	2	2
Ownership of net assets	3	3	3	—
Provided by	1	1	1	1
Represented by	8	9	16	13
Sources from which capital was obtained	2	3	3	6
Sources from which net assets were obtained	1	1	1	6
Stockholders' equity	218	208	123	85
Stockholders' investment	34	37	44	51
Stockholders' ownership	4	4	7	10
Stockholders' interest	4	4	2	3
Stockholders' capital	—	—	1	1
Shareholders' equity	98	95	55	19
Shareholders' investment	17	15	10	6
Shareholders' ownership	2	2	1	2
Shareholders' interest	2	2	3	4
Shareowners' equity	19	21	7	1
Shareowners' investment	2	2	6	2
Miscellaneous	2	2	1	1
	587	587	552	526
No title set forth	13	13	48	74
Total	600	600	600	600

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 1962 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"—(224 Companies)

Source Indicated

Capital surplus (from redemption of preferred stock) (*Co. No. 477)

*Refer to Company Appendix Section.

Capital surplus (excess of consideration received for common stock over the stated value of $13 per share) (*Co. No. 409)
Capital surplus (arising from capital stock transactions) (*Co. No. 93)
Capital surplus (sale of stock through rights) (*Co. No. 159)
Capital surplus—primarily transfers from earnings retained in the business in connection with stock dividends (*Co. No. 181)
Capital surplus (principally arising from stock dividends) (*Co. No. 57)
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. 76)
Initial surplus (*Co. No. 14)
Paid-in surplus (*Co. Nos. 55, 118, 231, 384, 447, 589)
Surplus arising through capital transactions (*Co. No. 53)

Source Not Indicated

Capital and paid-in surplus (*Co. Nos. 62, 245)
Capital surplus (*Co. Nos. 54, 147, 266, 320, 435, 567)
Paid-in and other capital surplus (*Co. Nos. 379, 490)

*Refer to Company Appendix Section.

TABLE 10: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1962	1961	1960	1955	1950	1948
Including term "surplus"—						
Capital surplus (Note A)	168	171	178	198	224	257
Paid-in surplus	44	47	52	52	72	92
Capital surplus—paid-in	8	9	9	9	4	4
Surplus (classified) (Note B)	2	2	2	2	4	5
Surplus (unclassified) (Note C)	2	2	2	10	15	17
Surplus reinvested (unclassified)	—	—	—	1	—	—
Total retaining term "surplus"	224	231	243	272	319	375
Total replacing term "surplus"**	268	261	252	201	126	70
Total presenting accounts	492	492	495	473	445	445
Not presenting accounts	108	108	105	127	155	155
Total	600	600	600	600	600	600
Percentage of Companies						
Retaining term "surplus"	46	47	49	58	71	84
Replacing term "surplus"	54	53	51	42	29	16
	100%	100%	100%	100%	100%	100%

Note A—Includes two reports which show "Capital surplus" and "Paid-in surplus" with separate dollar amounts for each (*Co. Nos. 160, 218)
Note B—Includes the use of "initial surplus" (*Co. No. 14)
Note C—(*Co. Nos. 317, 433)
*Refer to Company Appendix Section.

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

	1962	1960	1955
Additional paid-in capital	84	72	48
Additional capital	17	14	7
Capital paid-in or Paid-in Capital	4	5	5
Other paid-in capital	4	5	5
Other capital	16	16	14
Other contributed capital	3	3	1
Capital contributed by owners	—	—	1
Sundry capital credits	—	—	1
Capital in excess of par or stated values	99	93	65
Amount in excess of par value	5	5	2
Investment in excess of (par, stated) value	2	3	6
Capital (contributed, received) in excess of (par, stated, par or stated) values	6	8	11
Capital paid-in in excess of par value	9	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	2	2	1
(Paid-in, premium received) in excess of par value	—	—	1
Capital arising from (conversion, retirement, stock dividends)	—	1	—
(Paid-in) capital arising from reduction in par-value shares	—	—	1
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
Earnings of subsidiary at acquisition	—	—	1
Retained earnings transferred to capital	2	—	1
Excess of value assigned to properties acquired over par value of capital stock issued therefor	—	—	1
Miscellaneous	3	—	3
Total	268	252	201

Captions Replacing "Surplus"—(268 Companies)

Source Indicated

Additional capital as a result of—stock dividends (*Co. No. 404)
Additional capital arising from exercise of employee stock options (*Co. No. 88)
Additional contributed capital (*Co. No. 462)
Additional paid-in capital (*Co. Nos. 42, 138, 224, 313, 455, 503)
Additional retained earnings transferred to capital (*Co. No. 208)
Amount in excess of common stock stated value (*Co. No. 493)
Capital contributed or assigned in excess of stated or par value (*Co. No. 422)
Capital contributed in excess of par or stated value of capital stock (*Co. Nos. 3, 137, 458, 564)
Capital contributed and earnings capitalized in excess of stated value of common stock (*Co. No. 491)
Capital in excess of par or stated value (*Co. Nos. 10, 182, 233, 318, 437, 555)
Capital in excess of par value of common stock issued as dividends (*Co. No. 474)
Capital in excess of redemption price and par value of outstanding shares (*Co. No. 63)
Capital resulting from issue of capital stock by a consolidated subsidiary (*Co. No. 587)
Conversion, retirements, merger and consolidation, premium on stock issues, and earnings capitalized for stock dividends (*Co. No. 210)
Credits in excess of par value of shares issued (*Co. No. 553)
Earnings capitalized and other additions to capital (*Co. No. 316)
Excess of amount paid in over par value of common stock (*Co. No. 236)
Excess of proceeds received from sale of treasury shares over the cost thereof (*Co. No. 330)
Excess of stated value over cost of preferred capital stock reacquired (*Co. No. 508)
Excess of stockholders' investment over par value of common stock (*Co. No. 239)
Other capital (transferred from retained earnings in connection with stock dividends) (*Co. No. 124)
Other capital contributed upon issuance of shares (*Co. No. 485)
Other capital paid-in (principally amount paid in excess of par value) (*Co. No. 572)
Other capital—principally excess of net assets of subsidiaries at dates of acquisition over cost of investments (*Co. No. 326)
Other capital—representing principally excess of amount of stock dividends over par value of capital stock (*Co. No. 480)
Paid by Share Owners (*Co. No. 446)
Paid-in capital (*Co. Nos. 68, 110, 400)
Proceeds in excess of par value received for stock sold or from appropriations from earnings for stock dividends (*Co. No. 66)
Shareholders' investment in excess of par value (*Co. No. 164)

*Refer to Company Appendix Section.

Source Not Indicated

Additional capital (*Co. Nos. 18, 119, 229, 335, 486, 527)
Other capital (*Co. Nos. 97, 199, 204, 322, 417, 536)

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.

Two reports included in the total of 273 companies enumerated in Table 11 also presented "Capital surplus" with separate amounts, in addition to the source item "Paid-in surplus" (*Co. Nos. 160, 218)

TABLE 11: SOURCE OF CAPITAL SURPLUS

Source Set Forth in Caption	1962	1960	1955
Excess (received, paid-in, contributed) over par value	273	179	100
Excess (received) over par or stated value	9	8	11
Excess received over stated value (stated amounts, value shown)	6	6	10
Earnings capitalized	5	3	7
Revision in capital structure	—	—	3
Retirement of capital stock	1	1	2
Conversion of preferred stock	1	1	3
Sale of treasury stock	1	1	4
Revaluation of capital assets	1	1	1
Subsidiary acquisition or merger	—	—	7
Miscellaneous	3	2	2
Total	300	202	150
Number of Companies			
Referring to source of capital surplus	300	202	150
Not referring to source of capital surplus	192	293	323
Not referring to capital or unclassified surplus	108	105	127
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 1962 there were only 150 survey companies that continued to use such terminology.

This table also shows that the 450 survey companies which by 1962 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 12: TERMS REPLACING "EARNED SURPLUS"

Earned Surplus Replaced:	1962	1961	1960	1955	1950	1948
With "source" words—						
Earnings	395	384	371	301	204	69
Income	53	51	51	43	35	21
Profit	1	2	3	6	8	8
Deficit	1	2	1	1	1	1
Total	450	439	426	351	248	99
Combined with "status" words—						
Retained	358	345	327	250	154	60
Accumulated	27	26	30	37	37	5
Reinvested	34	36	35	26	24	14
Employed	20	21	21	20	17	9
Invested	8	8	10	11	10	6
Undistributed	—	—	—	2	2	2
Undivided	—	—	—	1	2	2
Operations	1	—	1	2	—	—
Other	2	3	2	2	2	1
	450	439	426	351	248	99
Earned Surplus Retained as:						
Earned Surplus	138	148	162	213		
Earned Surplus *combined with—*						
Earnings retained	1	2	4	10		
Earnings reinvested	—	—	—	3		
Earnings employed	—	—	—	1		
Earnings accumulated	—	—	1	1		
Income retained	2	3	2	5	335	481
Income reinvested	—	—	—	1		
Accumulated	—	—	—	1		
Deficit	3	1	—	2		
Surplus*	4	3	2	10	17	20
Surplus, operating	—	—	1	1	—	—
Deficit	2	4	2	1	—	—
	150	161	174	249	352	501
Total	600	600	600	600	600	600
Number of Companies						
Replacing "earned surplus"	450	439	426	351	248	99
Retaining "earned surplus"	150	161	174	249	352	501
Total	600	600	600	600	600	600

*Surplus not classified

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 1962 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—(395 Companies):
- Accumulated earnings (*Co. Nos. 332, 405, 443, 572)
- Accumulated earnings used in the business (*Co. Nos. 131, 224, 363)
- Accumulated earnings retained (*Co. No. 69)
- Accumulated retained earnings (*Co. Nos. 217, 446)
- Earnings employed in the business (*Co. Nos. 1, 45, 62, 230, 436, 471)
- Earnings invested in the business (*Co. Nos. 430, 457, 485, 508, 533, 545)
- Earnings reinvested (*Co. Nos. 25, 59, 136, 190, 194, 315)
- Earnings reinvested in the business (*Co. Nos. 13, 115)
- Earnings retained for use in the business (*Co. Nos. 84, 120, 209, 269, 298, 532)
- Earnings retained in the business (*Co. Nos. 20, 435)
- Earnings used in the business (*Co. No. 569)
- Retained earnings (*Co. Nos. 151, 212, 381)
- Retained earnings reinvested (*Co. No. 543)
- Retained earnings (deficit) (*Co. Nos. 262, 271, 395)

Income—(53 Companies):
- Accumulated income retained for use in the business (*Co. No. 31)
- Accumulated net income retained for use in the business (*Co. No. 378)
- Income employed in the business (Co. Nos. 279, 595)
- Income from operations and other earnings (*Co. No. 53)
- Income invested in the business (*Co. No. 229)
- Income reinvested (*Co. No. 80)
- Income reinvested in the business (*Co. Nos. 350, 417, 483, 586, 588, 599)
- Income retained for use in the business (*Co. Nos. 44, 70, 145, 330, 440, 461)
- Income retained in the business (*Co. Nos. 9, 47, 61, 135, 264, 367)
- Income retained and invested in the business (*Co. Nos. 387, 465)
- Net income invested in the business (*Co. No. 286)
- Net income employed in the business (*Co. No. 517)
- Retained income (*Co. Nos. 39, 338, 542)

Profit—(1 Company):
- Profit employed in the business (*Co. No. 127)

Earned Surplus—(141 Companies):
- Earned surplus (*Co. Nos. 5, 57, 78, 156, 507, 573)
- Earned surplus (income retained in the business) (*Co. No. 589)

TABLE 13: RETAINED EARNINGS TERMINOLOGY IN 1962

	"Source" Words			
"Status" Words:	Earnings	Income	Profit	Total
Retained	201	8	—	209
Retained in the business	51	13	—	64
Retained — Employed in the business	3	1	—	4
Retained — Reinvested	1	—	—	1
Retained — Invested in the business	4	2	—	6
Retained — For requirements in the business	2	—	—	2
Retained — Used in the business	56	12	—	68
Retained exclusive of amounts capitalized	1	—	—	1
Retained — deficit	3	—	—	3
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	2	—	3
Accumulated — Retained in the business	4	—	—	4
Accumulated — Reinvested in the business	2	—	—	2
Accumulated — Used in business	3	—	—	3
Accumulated deficit	1	—	—	1
Reinvested	9	1	—	10
Reinvested in the business	14	8	—	22
Reinvested in the company	1	—	—	1
Reinvested — Employed in the business	1	—	—	1
Employed in the business	16	3	1	20
Invested in the business	6	2	—	8
Used in the business	1	—	—	1
Operations	—	1	—	1
	396	53	1	450
"Surplus" Words:				
Earned Surplus	—	—	—	138
Earned Surplus used with:				
Retained	1	—	—	1
Retained—Used in the business	—	2	—	2
Deficit	—	—	—	3
Surplus:				
Surplus not classified	—	—	—	4
Deficit	—	—	—	2
				150
Total				600

*Refer to Company Appendix Section.

TABLE 14: STOCKHOLDERS' EQUITY STATEMENTS

Including details of:	1962	1961	1960	1955	1950	1946
Capital stock, capital surplus, and retained earnings (*Co. Nos. 79, 211, 267, 357, 412, 503)	23	20	18	16	15	5
Capital stock, capital surplus, retained earnings, and appropriated surplus reserves	—	—	—	1	1	1
Capital stock and capital surplus (*Co. No. 163)	1	1	1	—	1	1
Capital stock and retained earnings (*Co. Nos. 100, 195, 371, 471, 483, 581)	6	5	6	1	1	1
Capital stock, retained earnings and income (*Co. No. 530)	1	1	1	1	1	1
Capital stock with retained earnings and/or capital surplus amounts shown in total only (*Co. Nos. 36, 127, 299)	3	3	2	—	—	2
	34	30	28	19	19	11
Statement not presented	566	570	572	581	581	589
Total	600	600	600	600	600	600

*Refer to Company Appendix Section

Earned surplus (retained earnings) (*Co. No. 85)
Income retained for use in the business (earned surplus) (*Co. No. 306)
Net income retained for use in the business (earned surplus) (*Co. No. 251)

Surplus—(4 Companies):
Surplus (*Co. Nos. 203, 317, 433, 562)

Deficit—(6 Companies):
Accumulated deficit (*Co. No. 126)
Deficit (*Co. No. 252)
Deficit from operations (*Co. No. 561)
Earned surplus (deficit) (*Co. Nos. 187, 222, 248)

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 14 summarizes the types of data found in stockholders' equity statements for the years 1962, 1961, and 1960, 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 34 survey companies presented stockholders' equity statements in 1962, there has been a slowly increasing trend in the number of companies presenting these statements.

*Refer to Company Appendix Section.

Examples

The exact title of each of the 34 stockholders' equity statements presented in the 1962 annual reports is provided below:

Changes in Common Stockholders' Equity (*Co. No. 267)
Changes in Stockholders' Equity (*Co. No. 471)
Common Stock Equity (*Co. No. 163)
Comparative Statement of Shareowners' Equity (*Co. No. 581)
Consolidated Statement of Capital (*Co. No. 571)
Consolidated Statement of Capital Stock and Surplus (*Co. No. 357)
Consolidated Statement of Income, Earnings Employed in the Business, and Stockholders' Equity (*Co. No. 530)
Consolidated Statement of Shareholders' Equity (*Co. Nos. 491, 508, 516)
Consolidated Statement of Shareholders' Ownership (*Co. No. 515)
Consolidated Statement of Ownership Interest (*Co. No. 273)
Share Owners' Equity (*Co. Nos. 488, 553)
Shareholders' Equity—Consolidated (*Co. No. 79)
Shareholders' Investment (*Co. Nos. 211, 483)
Shareholders' Investment and Changes Therein (*Co. No. 228)
Stockholders' Equity (*Co. Nos. 195, 503)
Stockholders' Equity Evidenced by (*Co. No. 588)

TABLE 15: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1962	1961	1960	1955	1950	1946
Stockholders' equity	10	9	10	4	6	—
Stockholders' interest	—	—	—	1	1	1
Stockholders' ownership	—	—	—	1	—	—
Stockholders' capital	—	—	—	1	2	—
Stockholders' investment	2	2	2	—	—	—
Shareholders' equity	9	6	5	4	1	1
Shareholders' capital	—	—	—	—	1	—
Shareholders' investment	4	4	4	3	1	—
Shareholders' ownership	1	1	1	—	1	—
Shareowners' equity	4	4	3	1	—	—
Shareowners' investment	—	—	—	—	1	—
Capital	1	1	—	2	2	2
Capital stock and surplus	1	1	1	—	2	5
Ownership interest (net worth)	1	1	1	1	—	1
Ownership or ownership equities	1	1	1	1	1	1
	34	30	28	19	19	11
Statement not presented	566	570	572	581	581	589
Total	600	600	600	600	600	600

Statement of Consolidated Shareholders' Investment (*Co. No. 542)
Statement of Consolidated Shareholders' Equity (*Co. No. 376)
Statement of Shareholders' Equity (*Co. Nos. 61, 412, 543, 574)
Statement of Shareowners' Equity (*Co. No. 371)
Statement of Stockholders' Equity (*Co. Nos. 227, 299, 478)
Statement of Stockholders' Investment (*Co. Nos. 100, 295)
Ownership (*Co. No. 127)

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:

> 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 540 of the 600 survey companies in their 1962 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.

In Great Britain, the Companies Act, 1948, requires that the financial statements be prepared on a comparative basis.

CENTS OMITTED OR PRESENTED

Only 11 of the 600 survey companies included cents in the statements presented in their 1962 annual reports. This is the same number as was reported for the 1961 reports, and was a decrease of 8 companies from 1960 when 19 of the survey companies included cents in their statements. Prior to this there had 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 1962 the ratio increased to 98 per cent of the total.

*Refer to Company Appendix Section.

TABLE 16: COMPARATIVE CUSTOMARY STATEMENTS COVERED BY AUDITORS' REPORTS

Combination of Comparative Statements	1962	1960	1955	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statement	229	205	154	97	51
Balance Sheet, Income, and Retained Earnings Statements	115	115	114	96	53
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	81	82	70	53	43
Balance Sheet and Income Statement	74	72	81	73	53
Balance Sheet, Income, and Combined Retained Earnings & Capital Surplus	1	1	2	2	—
Balance Sheet in combination with various other statements	1	3	5	4	—
Balance Sheet, Income, and Stockholders' Equity Statements	8	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	4	5	4	4	7
Income Statement in combination with various other statements	2	2	4	8	12
Combined Income & Retained Earnings Statement	1	1	2	6	4
Income Statement	2	4	5	13	24
Total	540	520	468	383	256
Number of Companies Presenting:					
All statements in comparative form	460	437	379	290	164
Some statements in comparative form	80	83	89	93	92
No statements in comparative form	60	80	132	217	344
Total	600	600	600	600	600

HUNDREDS OMITTED—DOLLARS IN THOUSANDS

Of the 600 companies covered in this survey for 1962, 39 presented their customary statements with figures stated to the nearest thousand dollars. Thirty-one of these companies rounded off to the nearest thousand dollars showing the three zeros; the remaining 8 companies set forth the nearest thousand dollars by omitting the three zeros but stating the figures under a caption signifying "thousands of dollars." The ten additions to the list this year were *Co. Nos. 128, 164, 356, 411, 442, 467, 475, 491, 504, 582.

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

Number of Companies*	1962	1961	1960	1959	1958
A: Presenting "000"	31	23	20	15	9
B: Presenting the caption "Thousands of Dollars"	8	6	5	1	1
Total	39	29	25	16	10

*Refer to Company Appendix Section—A: Co. Nos. 2, 71, 100, 259, 315; B: Co. Nos. 27, 178, 384.

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 1962 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.

*Refer to Company Appendix Section.

TABLE 17: ADDITIONAL STATEMENTS COVERED BY AUDITORS' REPORTS

Statements Applicable to:	1962	1960	1955	1950
A: Reporting Company				
Statement of working capital, source and application of funds (*Co. Nos. 48, 142, 189, 261, 308, 569)	50	31	21	13
Capital surplus statement (*Co. Nos. 11, 58, 80, 137, 275, 276, 328)	17	23	2	—
Balance sheet (*Co. Nos. 109, 127, 213, 593)	4	5	9	7
Income statement (*Co. Nos. 109, 127, 576, 593)	4	5	9	4
Stockholders' equity statement (*Co. Nos. 132, 176, 250, 370, 424, 488)	7	9	2	1
Financial operating data (*Co. 71, 131, 221, 224, 365, 569)	11	11	11	6
Pro forma statement (*Co. No. 434)	1	4	—	—
Employee bonus—retirement or welfare funds (*Co. Nos. 93, 94, 203, 353, 463, 586)	7	5	4	8
Geographical statement (*Co. Nos. 33, 172, 259, 375, 516, 584)	6	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. 2, 125, 227, 292, 385, 598)	36	28	12	13
Combined income and retained earnings (*Co. Nos. 15, 126, 227, 255, 351, 362)	12	11	5	4
Income statement (*Co. Nos. 72, 488, 598)	3	3	2	6
Retained earnings	—	2	—	3
Financial data (*Co. No. 307)	1	1	—	—
Shareholders' investment	—	—	1	—
D: Foreign Subsidiary				
Balance sheet (*Co. Nos. 104, 316, 348, 472, 480, 512)	13	11	9	10
Assets and liabilities (*Co. Nos. 1, 119, 251, 454, 507)	5	6	1	2
Combined income and retained earnings (*Co. No. 592)	1	2	4	3
Income statement (*Co. Nos. 52, 104, 316, 348, 480, 512)	10	7	4	6
Retained earnings statement (*Co. Nos. 259, 472)	2	3	—	1
Financial data	—	4	1	3
Minority interests (*Co. No. 265)	1	1	—	1
Long-term indebtedness (*Co. No. 265)	1	1	1	1
E: Affiliated Company				
Balance sheet (*Co. No. 462)	1	—	—	1
Income statement	—	1	—	—
Total	193	185	115	110

	Number of Companies Presenting Additional Statements					Number of Companies with:		
Year	Type A	Type B	Type C	Type D	Type E	Additional statements	No additional statements	Total
1962:	90	—	29	19	1	139	461	600
1960:	86	1	23	18	1	129	471	600
1955:	51	2	11	13	—	71	529	600
1950:	38	3	13	14	1	64	536	600

	Comparative Presentation of Additional Statements									
Year	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.	6-7 Yrs.	8-9 Yrs.	10+ Yrs.	Total	Not comparative	Grand Total
1962:	109	—	3	3	1	—	13	129	64	193
1960:	92	—	3	—	2	—	16	113	72	185
1955:	58	1	4	—	2	—	12	77	38	115
1950:	45	1	1	2	—	2	6	57	53	110

*Refer to Company Appendix Section

ADDITIONAL STATEMENTS

The additional statements covered by auditors' reports contained in the 1962 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 1962 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 1962, 1960, 1955, and 1950. There were 139 companies that included 193 such additional statements, examples of which are described below.

Reporting Company Statements

One hundred and seven "additional statements" applicable to the reporting company were presented by 90 of the 600 survey companies in their 1962 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.

Bethlehem Steel Corporation included in its annual report the financial statements of the Pension Trust Fund of Bethlehem Steel Corporation and subsidiary companies. These statements which were presented in comparative form, comprise a Statement of Assets and a Statement of Changes in Fund; they are covered by a separate auditors' report which refers to a note stating, among other things, that the Pension Trust Fund is not the property of Bethlehem Steel Corporation and is therefore not included in the consolidated financial statements.

Falstaff Brewing Corporation supplemented the customary financial statements with a statement of Changes in Working Capital together with a companion statement of Source and Use of Funds, both statements resulting in the same "Remainder—Increase in Working Capital."

Penn Fruit Co., Inc. gave in the Notes to Financial Statements (note 4) a comparative statement of Shareholders' Equity for the fiscal years 1962 and 1961, subdivided as to common and preferred stock and showing the common shareholders' net equity both in total amount and per common share.

Standard Oil Company (New Jersey) presented a statement of the approximate geographical distribution of the total capital employed at December 31, 1962 (in condensed balance sheet form) and the source of net income for the year ended on that date. The geographical distribution covers United States, other Western Hemisphere, and Eastern Hemisphere countries.

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. Neither in 1961 nor in 1962 have any of the reports surveyed included separate financial statements of the parent company.

Domestic Subsidiary Statements

The reports for 1962 covered by this survey contained 52 additional statements applicable to the domestic subsidiaries of 29 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 their operations are not homogeneous with those of the parent company, or any of the other subsidiaries, are not included in the consolidation.

Allied Stores Corporation included in its annual report the Balance Sheet and Combined Statement of Earnings and Retained Earnings of its unconsolidated realty subsidiaries, in comparative form.

Automatic Canteen Company of America presented the usual customary financial statements of its two unconsolidated finance subsidiaries in columnar form, together with the combined figures on a two-year comparative basis. One of these companies is wholly-owned and the other majority-owned.

Carrier Corporation submitted the Balance Sheet of its unconsolidated wholly owned finance subsidiary—Distribution Credit Corporation, relative to its equity therein.

Sears, Roebuck and Co. gave the Balance Sheet, Statement of Income and Statement of Capital of its wholly owned—Allstate Insurance Company, also the Balance Sheet of Sears Roebuck Acceptance Corp., all in comparative form.

Foreign Subsidiary Statements

Thirty-three additional statements applicable to foreign subsidiaries were presented by nineteen survey companies in their 1962 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 (exchange restrictions) or other factors, such as percentage of ownership (voting control), lack of activity, or nonhomogeneous operations.

Ampco Metal, Inc. presented in comparative form the Combined Balance Sheets and the Combined Statements of Earnings and Accumulated Earnings of its European subsidiaries, not consolidated.

St. Joseph Lead Company supplemented its annual report with the Balance Sheet, Statement of Earnings, and Statement of Unappropriated Retained Earnings of its nonconsolidated foreign subsidiary in terms of Argentine paper pesos—all in comparative form.

Universal American Corporation included in its Notes to Financial Statements a summary of the consolidated financial position of its principal subsidiary.

Wilson & Co., Inc. included a comparative statement of Net Assets and a Statement of Income and Undistributed Earnings of foreign subsidiaries.

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 284 survey companies that presented 514 supplementary financial schedules in their 1962 annual reports. These figures show a considerable increase since they were first introduced as a result of the analysis of the corporate reports for the year 1950. The schedules most frequently given were concerned with long-term indebtedness, the classification and depreciation of fixed assets, the composition of inventories, etc., and for the most part are taken from the notes to financial statements. Examples are given below:

American Smelting and Refining Company revealed in detail its holdings of listed securities in addition to presenting details of its investments in subsidiaries not consolidated.

Beech Aircraft Corporation showed a two-year comparative summary of installment receivables in addition to a schedule of inventory composition; also in two-year comparative form.

Bethlehem Steel Corporation gave two-year comparative schedules of property, plant and equipment, also inventories, in addition to details of long-term debt and capital stock.

TABLE 18: SUPPLEMENTARY SCHEDULES COVERED BY AUDITORS' REPORTS

Nature of Schedule*	1962	1960	1955	1950
A: Long-term indebtedness	149	120	66	30
B: Fixed assets, depreciation	80	74	72	61
C: Inventory composition	101	84	62	47
D: Capital stock	36	34	28	21
E: Various balance sheet items	24	28	12	31
F: Various income and operating items	24	22	10	5
G: Accounts, notes receivable	22	16	15	17
H: Investments—securities, subsidiaries, affiliates	20	17	9	5
I: Investments—subsidiaries	11	7	14	21
J: Special funds, reserves, appropriations	7	10	10	17
K: Foreign investments	11	9	22	24
L: Taxes	14	24	5	4
M: Sales, earnings	1	8	2	5
N: Investments—securities	5	3	4	10
O: Capital	6	1	5	8
P: Minority stockholders' interest in subsidiary	—	—	2	—
Q: Dividends	3	2	3	3
R: Employment costs	—	1	—	2
Total	514	460	341	311

Comparative Presentation of Schedules

Years	2 Yrs.	3-9 Yrs.	10 and over Yrs.	Total	Not Comparative	Grand Total
1962:	308	1	11	320	194	514
1960:	275	11	11	297	163	460
1955:	204	8	7	219	122	341
1950:	194	2	5	201	110	311

Number of Companies Presenting:	1962	1960	1955	1950
Supplementary schedules	204	187	148	118
Supplementary schedules and additional statements	80	61	31	25
Additional statements	60	68	40	39
	344	316	219	182
No additional presentations	256	284	381	418
Total	600	600	600	600

*Refer to Company Appendix Section
A: Co. Nos. 11, 64, 71, 125, 168, 574
B: Co. Nos. 178, 208, 273, 363, 453, 550
C: Co. Nos. 94, 136, 203, 397, 464, 584
D: Co. Nos. 40, 85, 137, 372, 475, 580
E: Co. Nos. 21, 62, 68, 172, 366, 401
F: Co. Nos. 26, 195, 210, 266, 365, 457
G: Co. Nos. 143, 183, 249, 250, 353, 536
H: Co. Nos. 45, 61, 92, 480, 538, 571
I: Co. Nos. 38, 251, 314, 399, 432
J: Co. Nos. 36, 143, 254, 456
K: Co. Nos. 109, 254, 341, 343, 421, 596
L: Co. Nos. 18, 70, 356, 452, 457, 504
M: Co. Nos. 476
N: Co. Nos. 13, 36, 183, 310, 416
O: Co. Nos. 30, 98, 270, 395, 590, 595
Q: Co. Nos. 183, 255, 516.

Bristol-Myers Company presented an informative schedule of net assets in subsidiaries and licensees operating outside the United States, both consolidated and unconsolidated.

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

Type of Presentation*	1962	1960	1955	1950
A: Summary—Financial and operating data	406	365	243	140
Summary—Balance sheet data	6	7	63	29
Summary—Operating data	35	40	102	76
B: Highlights	355	331	320	200
Year in review—Results in brief	83	91	35	30
Operations at a glance	20	24	14	13
C: Statement of working capital; changes in working capital and/or source and application of funds	178	177	103	103
D: Condensed balance sheet	37	42	71	61
Condensed income statement	40	50	69	65
Various other condensed statements	6	8	16	6
E: Simplified balance sheet	8	8	14	26
Simplified income statement	15	18	21	40
F: Employee bonus or retirement funds	4	7	5	2
G: Subsidiary balance sheet	8	11	11	6
Subsidiary income statement	4	9	3	3
H: Cash receipts and disbursements	—	—	2	6
I: Detailed balance sheet	4	2	5	6
Detailed income statement	4	2	3	6
Various other detailed statements	4	2	—	4
Total	1217	1194	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
1962:	410	444	169	49	17	4	8	10	542	58	600
1960:	401	434	171	81	23	4	15	5	523	77	600
1955:	213	366	103	82	26	5	12	8	495	105	600
1950:	205	249	95	82	51	2	6	16	404	196	600

	Comparative Presentation of Statements, Summaries, Highlights										
Year	2 Yrs.	3-4 Yrs.	5 Yrs.	6-9 Yrs.	10 Yrs.	11-15 Yrs.	16-20 Yrs.	21-30 Yrs.	30 Yrs.	Total	Not Comparative	Grand Total
1962:	498	38	80	23	388	16	9	23	7	1082	135	1217
1960:	475	47	99	23	331	22	13	21	8	1039	155	1194
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. 20, 72, 239, 254, 313, 403, 498, 537, 552, 560
B: Co. Nos. 14, 126, 194, 200, 319, 350, 443, 457, 524, 564
C: Co. Nos. 9, 56, 145, 166, 205, 207, 249, 369, 387, 557
D: Co. Nos. 69, 85, 99, 105, 164, 251, 459, 469, 537, 564
E: Co. Nos. 33, 93, 203, 288, 393, 420, 426, 523, 579, 598
F: Co. Nos. 76, 310, 366, 416
G: Co. Nos. 41, 164, 396, 588
I: Co. Nos. 36, 268, 447, 475.

Certain-Teed Products Corporation included schedules of receivables (both current and noncurrent), inventory composition and property, plant and equipment in the notes to the financial statements.

General Motors Corporation provided in comparative form, an analysis of investments and miscellaneous assets. Also, a detailed schedule of shares under option, showing option price, number of shares granted, exercised and terminated during year, together with a summary of investments outside the United States and Canada.

S. S. Kresge Company presented data on its commitments for long-term leases, giving annual rentals and dates of expiration.

McCall Corporation revealed the details of its other income (net) in a comparative schedule which included interest income and expense and other gains and losses.

Sears, Roebuck and Co. included comparative schedules of: net income by quarters, receivables, property, plant and equipment, in addition to schedules showing equity in unconsolidated subsidiaries and affiliates, equity in Latin American subsidiaries, and sales and net income of Latin American subsidiaries.

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORTS

In the annual reports for 1962, there were 1,217 statements, summaries, and highlights, not covered by auditors' reports, presented by 542 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 1962, 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, and are located near the back of the report.

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 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 statement 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, 194 presented 276 such supplementary schedules in their 1962 reports, as compared with presentation of 281 schedules by 200 companies in 1960.

The types of supplementary schedules most frequently used in the 1962 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 276 schedules presented in the 1962 reports, 157 were not comparative, 70 were comparative for 2 years, 4 showed a 5-year range, 20 evidenced a 10-year range, and the remaining 25 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. 32, 57, 164, 169, 350, 438, 492)
Distribution of income dollar (*Co. Nos. 61, 93, 166, 191, 455, 509)
Distribution of sales or income dollar (charts) (*Co. Nos. 208, 272, 481, 518, 552, 599)
Earnings and dividends (*Co. Nos. 88, 144, 206, 414, 433, 504)
Effect of price level changes (*Co. No. 286)
Employment costs (*Co. Nos. 8, 191, 251, 319, 416, 517)
Fixed assets and/or depreciation (*Co. Nos. 42, 51, 76, 313, 455, 492, 599)
Foreign operations (*Co. Nos. 5, 36, 208, 563)
Sales (*Co. Nos. 93, 167, 233, 384, 468, 495)
Stock ownership (*Co. Nos. 32, 122, 140, 225, 483)
Taxes (*Co. Nos. 57, 63, 246, 377)

*Refer to Company Appendix Section.

CASH

The balance sheets of the 1962 survey companies show a change in the trend of presenting the cash accounts simply as "cash" in the current asset section. In the 1960 reports 549 companies reported their cash in this manner which was the culmination of the trend that had been moving in that direction. In the current year, however, the number has dropped to 528, and a trend towards the disclosure of a portion of the cash as having been segregated into interest-bearing time deposits or short-term notes or securities is indicated. Thus, as may be noted in Table 1, more companies are describing their liquid current assets as "Cash including time (and/or certificates of) deposits" or are showing separately both cash and time (or certificates of) deposits or such other descriptions as will indicate that they are taking advantage of the current higher interest rates being paid by the banks.

The description formerly predominant "cash in banks and on hand" or some variation of the phrase seems to be falling into disuse. Table 1, which goes back only to 1951, shows that it was used by 158 companies in that year while in 1962 the number had dropped to 25.

TABLE 1: CASH—CURRENT ASSETS

Balance Sheet Description*	1962	1961	1955	1951
A. Cash	528	541	505	435
B. Cash in banks and on hand	16	17	58	103
C. Cash on hand and demand deposits	2	2	14	26
D. Demand deposits in banks and cash on hand	1	2	8	19
E. Cash and demand deposits	3	3	2	1
F. Cash including time and/or certificates of deposit	14	11	1	1
G. Cash including certificates of deposit and accrued interest	2	1	1	1
H. Cash and time or certificate of deposit shown separately	15	4	—	—
I. Cash and marketable securities	6	3	—	1
J. Cash and short-term notes or securities	6	6	—	—
K. Cash on deposit (or in banks), in transit, and on hand	1	2	3	3
L. Cash on hand and on deposit	1	2	1	4
M. Bank balances and cash funds	1	1	2	2
N. Cash and U.S. Government securities	3	3	—	—
O. Various other	1	2	5	4
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 25, 163, 201, 352, 492, 521; B: Co. Nos. 60, 159, 246, 317, 409, 573; C: Co. Nos. 240, 441; D. Co. No. 33; E: Co. Nos. 38, 460, 526; F: Co. Nos. 102, 254, 322, 342, 471, 534; G: Nos. 423, 449; H: Co. Nos. 21, 171, 239, 380, 478, 551; I: Co. Nos. 125, 266, 375, 467, 475, 512; J: Co. Nos. 7, 27, 166, 285, 320, 448; K: Co. No. 495; L: Co. No. 66; M: Co. No. 255; N: Co. Nos. 160, 267, 488; O: Co. No. 280.

SEGREGATIONS OF CASH AND/OR SECURITIES

Accounting Research and Terminology Bulletins—Final Edition issued in 1961 included the 1953 revisions and restatements of earlier bulletins, with all subsequent bulletins issued by the committees on accounting procedure and accounting terminology of the American Institute of Certified Public Accountants. This volume in its discussion of Working Capital (Chapter 3, Section A) treats of the nature of current assets 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

TABLE 2: SEGREGATION OF CASH AND/OR SECURITIES

Purpose and Balance Sheet Presentation	Current Asset	Noncurrent Asset	1962 Total
Plant expansion, improvement, or replacement funds (*Co. Nos. 79, 125, 164, 310, 336, 340, 557, 568, 600)	—	9	9
Insurance, workmen's compensation, or pension funds (*Co. Nos. 44, 47, 173, 249, 348, 480)	—	6	6
Debentures or preferred stock retirement or redemption (*Co. Nos. 416, 447)	—	2	2
Restricted to performance under contracts (*Co. Nos. 236, 265)	—	2	2
Foreign currency deposits (*Co. Nos. 251, 556)	—	2	2
Security under leases (*Co. Nos. 339, 374)	1	2	3
Customers' funds (*Co. Nos. 130, 444)	1	1	2
Working or other funds (*Co. No. 163)	—	1	1
Total	2	25	27

Number of Companies with:	1962	1960	1955
Cash segregated in noncurrent assets	10	22	39
Cash segregated in current assets	2	7	9
Cash excluded from the balance sheet (*Co. Nos. 88, 272, 281, 390, 441)	5	3	6
Cash offsetting a liability account	—	1	4
Securities segregated in current and noncurrent assets (*Co. Nos. 44, 236, 336, 374, 568, 600)	6	8	6
Both cash and/or securities segregated in current and noncurrent assets (*Co. Nos. 43, 79, 164, 339, 348, 480)	8	3	—
Total	31	44	64
No reference to cash segregation or exclusion	569	556	536
Total	600	600	600

*Refer to Company Appendix Section.

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 1962 annual reports.

Plant Expansion, Etc.

CONTAINER CORPORATION OF AMERICA

Noncurrent Assets:

Cash and Securities Set Aside for Plant Additions and Improvements	$23,939,000

LIBBEY-OWENS-FORD GLASS COMPANY

Noncurrent Assets:

Plant Improvement and Replacement Fund	
Cash	$ 64,872.85
U.S. Government securities, at cost and accrued interest (quoted market $56,868,400.00)	55,468,591.83
Other marketable securities, at cost and accrued interest (quoted market $2,196,450.00)	2,211,080.00

UNITED ENGINEERING AND FOUNDRY COMPANY

Noncurrent Assets:

Cash Allocated for Construction Program	$2,768,355

UNITED STATES STEEL CORPORATION

Noncurrent Assets:

United States Government securities set aside for property additions and replacements	$300,000,000

Insurance Funds, Etc.

THE AMERICAN SUGAR REFINING COMPANY

Noncurrent Assets:

Pension Fund—Note 3	
Cash	$ 27,161
U.S. Government, state and muncipal bonds, at lower of cost or market	4,098,099
	$4,125,260

Note 3: It is intended that the assets of $4,125,260 segregated for the pension fund of the Company, and the pension fund reserves of $4,638,657 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.

CRADDOCK-TERRY SHOE CORPORATION

Noncurrent Assets:

Other Assets:		
Customers' notes—deferred maturities		$ 2,164.77
Corporate stock, notes, real estate investments and sundry assets		57,449.50
Cash value of life insurance policies (maturity value $1,175,000.00)		114,817.00
Pension Fund: (Note 3)		
Cash	$ 16,690.28	
U.S. and Virginia Bonds	49,590.55	
Corporate securities and real estate mortgages	300,640.60	366,921.43
		$541,352.70

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.

LONE STAR CEMENT CORPORATION

Noncurrent Assets:

Special Funds and Other Investments:	
Self-insurance funds—cash and investments	$3,109,812
Other investments	6,429,900
	$9,539,712

ST. JOSEPH LEAD COMPANY
Noncurrent Assets:

Other Assets:	
Securities on deposit with Governmental agencies	$ 964,575
Cash and marketable securities—Fire Insurance Fund (see contra)	329,550
	$1,294,125

Debentures or Preferred Stock Redemption

OWENS-ILLINOIS GLASS COMPANY
Financial Review

The Company is obligated to set aside on May 1 of each year the sum of $2 million which is to be used in the following 12 months for the purchase of preferred shares on the open market at not to exceed $100 a share, plus costs of acquisition. If any portion of a purchase fund installment is not so expended during the 12 months following the date set aside, the balance shall be available for general corporate purposes. Of the $2 million set aside on May 1, 1962, $924,383 was expended in the purchase of 9,200 preferred shares, and $1,075,617 is included in "Other investments, deposits and receivables" in the consolidated balance sheet.

POOR & COMPANY
Current Assets:

Cash	$ 2,201,736
Marketable securities at cost which approximate market plus accrued interest on United States Government securities	2,005,114
Trade receivables less provision for doubtful receivables	1,478,768
Inventories at lower of cost (first-in, first-out method) or market:	
Raw materials and supplies	1,671,020
Work in process	1,074,211
Finished goods	2,343,654
Other current assets	52,389
Cash on deposit with debenture sinking fund trustee	227,355
Total	$11,054,247

Various Purposes

CONSOLIDATION COAL COMPANY
Noncurrent Assets:

Investments and Other Assets:	
Investments in and receivables from:	
Unconsolidated subsidiary and associated companies—at cost—Note B	$26,336,155
Other companies—at cost (approximate market value 1962, $54,066,737; 1961, $36,061,358)	40,738,537
	$67,074,692
Cash and securities in miscellaneous funds	6,684,355
Miscellaneous receivables	1,344,918
Total Investments and Other Assets	$75,103,965

FREEPORT SULPHUR COMPANY

Noncurrent Assets:	
Investments—principally marketable securities segregated from current assets—equivalent to unliquidated balance of forward sales of proceeds from future sulphur production	$21,256,000
Noncurrent Liabilities:	
Deferred credit arising from forward sales of proceeds from future sulphur production which will be reflected in income as production is marketed (Note 5)	$21,256,000

MEREDITH PUBLISHING COMPANY
Noncurrent Assets:

Real estate and investments	$1,106,884
Segregated marketable securities	500,000
Deferred circulation expenses	4,146,872
Other assets	1,399,141

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	$2,396,307
Noncurrent Liabilities:	
Amounts Payable to Banks under Special Agreements and Liability for Change Funds Advanced by Customers—contra	$2,396,307

UNITED ELASTIC CORPORATION
Noncurrent Assets:

Other Assets:	
Minority interest in Belgian corporation at cost	$ 608,000
Cash in Belgian bank	410,867
Life insurance, cash surrender value	315,112
Miscellaneous	138,232
	$26,505,532

CASH ADVANCES

Of the 600 survey companies, 63 disclosed cash advances in their 1962 reports. The captions used in the presentation of cash advances and their related placement in the balance sheet are reflected in Table 3. Advances to subsidiaries and affiliates are not included in this tabulation; for this information see Table 21, this section.

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

Current Assets

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.
Current Assets:

Cash	$ 26,602,530
United States Government securities, at cost (approximate market), and certificates of deposit	16,805,969
Accounts and notes receivable, less reserves:	
Trade accounts receivable	37,393,703
Other notes and accounts receivable	2,760,423
Broadcasting program rights, film costs and production advances, less amortization	17,741,155
Inventory of merchandise and supplies, at cost or less	2,435,214
Prepaid expenses	1,801,653
Total current assets	$105,540,647

TABLE 3: CASH ADVANCES

Balance Sheet Description*	Current Asset	Noncurrent Asset	1962 Total
A: Advances to outside growers, packers, planters, producers	8	1	9
B: Advances to suppliers and subcontractors	4	3	7
C: Advances on purchase commitments for raw materials	2	—	2
D: Advances on purchase contracts	4	2	6
E: Advances on construction or purchase of fixed assets	—	1	1
F: Advances for leasehold improvements	—	1	1
G: Advances to employees for selling, travel, and other expenses	—	1	1
H: Advances — loans to employees	—	1	1
I: Advances to sales agents or vendors	2	2	4
J: Advances to joint venture or logging operations	4	—	4
K: "Advances" — other or not identified	6	27	33
Total	30	39	69

Number of Companies showing:	
Advances in current assets	28
Advances in current and noncurrent assets	2
Advances in noncurrent assets	33
Total	63
No reference to advances	537
Total	600

*Refer to Company Appendix Section.
A: Co. Nos. 19, 26, 160, 299, 417, 526
B: Co. Nos. 251, 284, 346, 359, 360, 539
C: Co. Nos. 154, 457
D: Co. Nos. 196, 438, 481, 486, 524, 539
E: Co. No. 413
F: Co. No. 102
G: Co. No. 93
H: Co. No. 249
I: Co. Nos. 10, 249, 365, 566
J: Co. Nos. 65, 199, 219, 460
K: Co. Nos. 183, 242, 317, 378, 447, 517

CENTRAL SOYA COMPANY, INC.
Current Assets:

Other current assets—	
Margin deposits on commodity futures contracts	$ 1,125,500
Prepaid expenses and sundry advances	956,103
Total other current assets	$ 2,081,603

DECCA RECORDS, INC.
Current Assets:

Cash	$ 6,845,344
Accounts and notes receivable, less provided for losses	12,546,734
Advances, other accounts and notes receivable	1,202,808
Inventories (note 2)	40,158,402
Prepaid expenses	526,814
Total current assets	$61,280,102

DOUGLAS AIRCRAFT COMPANY, INC.
Current Assets:

Cash	$ 17,538,134
Accounts receivable from U.S. Government	28,295,482
Trade with other receivables	15,552,662
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts, less allowance (1962—$450,518; 1961—$547,207) for adjustments	71,759,805
Inventories of fixed-price contracts in process, materials, etc., less advance and progress payments received—Note B	128,684,407
Taxes, insurance, and other prepaid expenses	8,540,140
Total Current Assets	$270,370,630

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	$129,647,717
Materials, spare parts, etc.	40,922,247
Advances under material purchase agreements	2,747,673
	$173,317,637
Less advance and progress payments received	44,633,230
	$128,684,407

McCALL CORPORATION
Current Assets:

Cash		$ 5,269,179
Marketable securities, at cost (market value —$29,046,000 in 1962, $14,799,000 in 1961)		29,123,224
Accounts receivable (less allowance for possible losses — $357,356 in 1962, $255,500 in 1961)		10,102,588
Inventories (Note 2):		
Finished goods and work in process	3,063,886	
Raw materials and supplies	4,445,423	
Publication rights	939,115	
		8,448,424
Deposits and prepaid expenses		913,774
Advances on presses to be leased (Note 3)		2,862,851
Total current assets		$56,720,040

THE PILLSBURY COMPANY
Current Assets:

Cash	$ 10,250,498
Receivables (Note 2)	39,660,396
Inventories (Note 3)	61,092,609
Advances on purchases	6,939,157
Prepaid expenses	1,789,427
Total current assets	$119,732,087

RALSTON PURINA COMPANY
Current Assets:

Cash	$ 6,206,704
Accounts receivable, less allowance for doubtful accounts	75,216,468
Advances on purchases of materials	1,029,425
Inventories (at cost not in excess of market):	
Raw materials and packing supplies	40,854,523
Finished products	14,888,435
Prepaid expenses	2,755,486
Total Current Assets	$140,951,041

DRAVO CORPORATION

Current Assets:

Cash, including certificates of deposit	$12,709,859
U.S. Government securities, at cost	198,584
Accounts and notes receivable:	
Trade, less allowance for doubtful accounts	21,156,150
Other, including advances to joint venture	684,254
Inventories:	
Materials and supplies	4,801,057
Work in process, including contracts in progress	45,537,586
Finished goods	5,550,879
Prepaid expenses	421,548
Billings on contracts in progress (deduct)	(47,255,595)
Total Current Assets	$43,804,322

Noncurrent Assets

ALUMINUM COMPANY OF AMERICA

Other Assets and Deferred Charges:

Indemnity and surety deposits	$ 1,289,238
Receivables and advances—noncurrent	25,964,611
Deferred exploration and mining expenses	4,440,813
Other deferred charges	9,331,809
Total Other Assets and Deferred Charges	$41,026,471

AMERICAN OPTICAL COMPANY

Investments and advances, at cost:

Nonconsolidated subsidiaries (note 1)	$5,143,907
Other, less allowance for possible losses	1,061,497
Total investments and advances	$6,205,404

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—1962, $2,185,324; 1961, $2,454,526	2,726,880
Other foreign subsidiary and associated companies (including loans—1962, $1,441,994; 1961, $984,677)	8,489,872
Real estate not used in the business—at depreciated cost (less reserve, $75,000)	580,016
Sundry investments and receivables	1,328,061
Officers' and employees' receivables (principally travel advances)	700,483
Total Investments and Miscellaneous Assets	$14,131,312

CALIFORNIA PACKING CORPORATION

Other Assets:

Capital stock of California Packing Corporation, 27,818 shares, owned by a subsidiary company, at cost, less than market quotations	$ 165,668
Advances to producers	815,925
Intangible assets carried on books of Canadian subsidiary	3,329,082
Other miscellaneous receivables, deferred charges, etc.	1,748,391
	$6,059,066

GENERAL ELECTRIC COMPANY

Other Assets:

Noncurrent receivables, less reserve	$168,715,247
Equipment leased to others—net	53,687,030
Advances to vendors and distributors	22,465,955
Funds for employee benefit plans—per contra in Other Liabilities	22,187,564
Deferred charges, less reserve	11,482,094
Loans and advances to employees	4,843,242
All other	36,231,744
	$319,612,876

GENERAL MOTORS CORPORATION

Other Investments and Miscellaneous Assets:

Loans and advances to steel suppliers	$ 24,748,562
Cash in certain foreign countries in excess of operating needs	70,600
Other	77,030,518
Total Other Investments and Miscellaneous Assets	$101,849,680

O'SULLIVAN RUBBER CORPORATION

Other Assets:

Cash surrender value of life insurance	$33,876
Utility installation advance	8,717
	$42,593

UNITED STATES RUBBER COMPANY

Financial Review—Page 15

Investments:

Investments at December 31, 1962 aggregated $16,934,821 comprising $12,763,243 in affiliated companies, in which we own 50 per cent or less of the outstanding shares and $4,171,578 of miscellaneous investments, primarily advances to tire dealers under financing programs. Our equity in the net assets of affiliated companies aggregated $21,620,000 at December 31, 1962 or $8,857,000 in excess of the amount reflected in our investment account.

CASH DEPOSITS

Deposits of cash and/or securities for specific purposes were segregated in the balance sheets of 69 of the 600 survey companies. The presentations and descriptions of these deposites are summarized in Table 4. Of the 78 presentations only 13 appeared as current assets.

The deposits under consideration here do not include cash deposits, demand deposits, certificates of deposit, etc.—which are part of the normal cash accounts covered in Table 1 of this section.

The following examples illustrate some of the presentations in the annual reports for 1962.

Current Assets

SUNDSTRAND CORPORATION

Current Assets:

Cash	$ 1,944,220
Accounts receivable	
Commercial, less allowances	10,881,309
United States Government	4,942,268
Inventories, less partial payments (Note A)	29,028,553
Prepaid expenses and deposits	451,631
Total Current Assets	$47,247,981

TABLE 4: DEPOSITS—CASH AND/OR SECURITIES

Balance Sheet Description*	Current Asset	Noncurrent Asset	1962 Total
A: Deposit for "insurance"	1	9	10
B: Deposit with mutual insurance company	—	3	3
C: Deposit with insurance company	—	1	1
D: Deposit with "public agencies"	—	2	2
E: Deposit with "escrow agent"	1	3	4
F: Deposit with surety company	—	1	1
G: Deposit for preferred stock or bond retirement	1	2	3
H: Deposit for dividend payments	1	—	1
I: Deposit for fixed asset commitment	—	2	2
J: Deposit for purchase commitment	2	2	4
K: Deposits with lessors	—	7	7
L: "Deposits"—not identified	7	29	36
M: Other types of deposits	—	4	4
Total	13	65	78

Number of Companies with:	
Deposits in current assets	11
Deposits in current and noncurrent assets	2
Deposits in noncurrent assets	56
Total	69
No reference to deposits	531
Total	600

*Refer to Company Appendix Section—A: Co. Nos. 28, 48, 104, 191, 303, 477; B: Co. Nos. 289, 406, 459; C: Co. No. 246; D: Co. Nos. 161, 246; E: Co. Nos. 297, 339, 534; F: Co. No. 18; G: Co. Nos. 375, 416, 447; H: Co. No. 154; I: Co. Nos. 4, 404; J: Co. Nos. 26, 130, 219, 486; K: Co. Nos. 143, 193, 303, 339, 453, 534; L: Co. Nos. 51, 110, 208, 365, 461, 531; M: Co. Nos. 18, 25, 173, 193.

THE COLORADO MILLING & ELEVATOR COMPANY

Current Assets:

Cash	$ 3,224,373
Trade receivables (Less allowance for losses: $335,000 at 1962 and 1961)	8,618,605
Inventories:	
Wheat, other grains, flour and millfeed—at market after appropriate adjustment with respect to open commodity contracts, etc.	12,622,544
Formula feeds, beans, other merchandise, containers and supplies—at lower of cost or market	1,568,850
Advances on commodity purchases	577,141
Total inventories	14,768,535
Other current assets	372,703
Deposit for payment of dividend June 1—see contra	138,120
Total current assets	$27,122,336

P. LORILLARD COMPANY

Current Assets:

Cash	$ 10,738,981
Accounts receivable — customers (less $971,827 in 1962 and $1,034,337 in 1961 for doubtful accounts and cash discounts)	25,238,286
Other accounts receivable and deposits	1,104,894
Inventories (at average cost):	
Leaf tobacco	226,992,419
Manufactured stock	19,378,776
Materials and supplies	6,605,318
Total current assets	$290,058,674

SEABOARD ALLIED MILLING CORPORATION

Current Assets:

Cash	$ 1,714,831
Receivables, less allowance for doubtful accounts	6,409,040
Margin deposits and advances on grain purchases	1,010,280
Inventories (Note 1)	7,056,690
Prepaid insurance, taxes, etc.	207,301
Total current assets	$16,398,142

Noncurrent Assets

AMERICAN BANK NOTE COMPANY

Other Assets:

Deposits on sales contracts	$150,775

THE AMERICAN SHIP BUILDING COMPANY

Investments and Other Assets:

United States Treasury Bonds on deposit in connection with workmen's compensation guarantees—at cost, quoted market $216,897 (1961—$171,759)	$247,000
Miscellaneous securities, accounts receivable, and advances	365,020
Total Investments and Other Assets	$612,020

CHEMETRON CORPORATION

Investments, Advances and Other Assets:

Investments in and advances to unconsolidated subsidiary and affiliated companies (Note 10)	$15,050,742
Other investments, at cost	2,672,460
Other receivables, advances, deposits, etc.	1,947,061
Equipment and repair parts for resale or use, at cost or less	752,944
Leasehold improvements and sundry equipment—unamortized cost	2,636,013
Total investments, advances and other assets	$23,059,220

McKAY MACHINE COMPANY

Other Assets:

Deposit on lease agreement	$ 58,000
Patents, drawings, manufacturing rights, less amortization	36,653
Cash value of life insurance	58,946
Deferred accounts receivable	1,988
Goodwill, less amortization	9,735
Excess cost of investment over assets of business acquired (less amortization of $59,898 through 1962 and $49,898 through 1961)	75,500
	$240,822

EVANS PRODUCTS COMPANY
Noncurrent Assets:

Standing Timber and Deposits on Timber-Cutting Contracts—at cost, less depletion (Note C)	$4,158,585

NAUTEC CORPORATION
Notes to Financial Statements

Note 6: Commitments—The Company has entered into a conditional sales contract for the purchase of three printing presses and allied equipment (expected to be installed by December 31, 1962) at a net cost of approximately $675,000 against which deposits of $105,000 have been made. Customarily, such contracts are payable over a three-year period, but final terms of the contract have not yet been arranged.

PUROLATOR PRODUCTS, INC.
Investments:

U.S. Treasury bonds—(Note 5)	$ 50,000
Affiliated companies (Note 2)	659,850
	709,850
Property, plant and equipment—at cost (Note 5)	10,641,958
Less accumulated depreciation and amortization (Notes 4 and 7)	4,177,625
	$ 6,464,333

Note 5: Property, plant and equipment are summarized below:

Land	$ 138,659
Buildings	2,096,180
Leasehold improvements	1,617,510
Machinery and equipment	6,215,001
Furniture and fixtures	574,608
Total	$10,641,958

The Company leases its plant in Rahway, New Jersey, from the John Hancock Mutual Life Insurance Company. The lease expires on March 14, 1978 with three renewal options of ten consecutive years each. The annual rental amounts to $87,640 or an aggregate of $1,336,510 from December 31, 1962. Pursuant to the terms of the lease, $50,000 of U.S. Treasury bonds are on deposit with the lessor to be returned in 1964.

The Company-owned plant in Kent, Ohio, where operations were discontinued in 1960, is presently being leased under a lease which expires February 28, 1963. The net book value of the plant at December 31, 1962 amounted to approximately $550,000.

THE SUPERIOR OIL COMPANY
Deferred Charges:

Lease and other escrow deposits	$ 527,947
Prepaid lease rents	2,854,344
Prepaid taxes, insurance and other expenses	3,298,628
Debenture expense, less amortization	460,843
	$7,141,762

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 1962 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 towards 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 this section, 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. Fifty companies listed marketable securities among the noncurrent assets (*Co. Nos. 66, 161, 255, 347, 477, 515).

For a discussion on the nature of current assets, reference is made to certain excerpts from the Accounting Research Bulletins quoted under "Noncurrent Receivables" in this section.

Examples—Marketable Securities

The following examples, taken from the 1962 reports, show the valuation of marketable securities as presented in the current asset section of the balance sheets surveyed:

Cost—Market Value Not Stated

THE AMERICAN SUGAR REFINING COMPANY
Current Assets:

Cash	$8,489,497
Marketable securities, at cost	171,527

Cost—Stated as Approximate Market

JONES & LAUGHLIN STEEL CORPORATION
Current Assets:

Cash	$32,954,000
U.S. Government securities at cost which approximates market	30,670,000

Cost Plus Accrued Interest

AMERICAN CYANAMID COMPANY
Current Assets:

Cash in banks and on hand	$56,347,598
Marketable securities—U.S. Government and other short term notes, at cost and accrued interest	81,755,775

Cost—Market Value Stated Below Cost

McCALL CORPORATION
Current Assets:

Cash	$ 5,269,179
Marketable securities, at cost (market value $29,046,000)	29,123,224

*Refer to Company Appendix Section.

TABLE 5: MARKETABLE SECURITIES—CURRENT ASSETS

Basis of Valuation	A: Government	B: Nongovernment	1962 Total	A: Government	B: Nongovernment	1955 Total
Cost—market value not stated (*Co. Nos. A: 32, 165, 251; B: 385, 432, 500)	34	53	87	81	28	109
Cost—stated as approximate market (*Co. Nos. A: 26, 331, 568; B: 181, 294, 419)	62	109	171	35	22	57
Cost plus accrued interest (*Co. Nos. A: 69, 284, 497; B: 101, 305, 556)	24	47	71	66	21	87
Cost—market value stated below cost (*Co. Nos. A: 44, 158, 459; B: 30, 285, 444)	8	9	17	24	15	39
Cost—market value stated above cost (*Co. Nos. A: 187, 561, 567; B: 13, 124, 286)	10	28	38	8	23	31
Cost less amortization or reserves (*Co. No. B: 462)	—	1	1	1	3	4
Amortized cost (*Co. Nos. A: 352, 367, 553; B: 242, 353, 504)	6	9	15	7	7	14
Cost or below cost (*Co. No. B: 444)	—	1	1	1	—	1
Less than cost (*Co. No. B: 220)	—	1	1	—	1	1
Cost—not in excess of market value (*Co. Nos. A: 104, 396; B: 104, 396)	2	2	4	1	1	2
Lower of cost or market (*Co. Nos. 308, 442, 454; B: 249, 420, 516)	4	9	13	6	7	13
Market value (*Co. No. B: 56)	—	1	1	2	1	3
Approximate market value (*Co. Nos. A: 304, 364; B: 7, 220, 393)	2	4	6	6	2	8
Redemption value	—	—	—	6	—	6
Face value (*Co. No. B: 405)	—	1	1	2	—	2
Lower of cost or principal amount	—	—	—	1	1	2
	152	275	427	247	132	379
Basis of valuation not set forth (*Co. Nos. A: 28, 364, 446; B: 46, 164, 359)	19	31	50	61	17	78
Total	171	306	477	308	149	457
Number of Companies presenting:						
Government securities in current assets	81	—	81	216	—	216
Government and nongovernment securities in current assets	84	84	84	81	81	81
Nongovernment securities in current assets	—	189	189	—	59	59
Total	165	273	354	297	140	356
No marketable securities in current assets			246			244
Total			600			600

*Refer to Company Appendix Section.

Cost—Market Value Stated Above Cost

LIBBEY-OWENS-FORD GLASS COMPANY

Current Assets:

Cash	$21,540,310.62
U.S. Government securities, at cost and accrued interest (quoted market $33,133,875.00)	32,655,131.02

Cost Less Amortization or Reserve

RELIANCE MANUFACTURING COMPANY

Current Assets:

Cash	$511,259
Due from factor (Note B)	130,276
Marketable securities, at cost less reserve, which approximates market	72,686

Less than Cost

EVERSHARP, INC.

Current Assets:

Cash	$2,093,728
U.S. Treasury Bills of $995,444 and other marketable securities, at approximate quoted market which is less than cost	1,903,255

Cost, Not in Excess of Market

THE BORDEN COMPANY

Current Assets:

Cash	$33,659,585
U.S. Government and Other Marketable Securities (At cost, not in excess of market value)	30,807,792

Amortized Cost

BRISTOL-MYERS COMPANY
Current Assets:

Cash	$ 7,505,825
Marketable securities at amortized cost	32,906,444

Cost or Below Cost

THE PITTSTON COMPANY
Current Assets:

Cash	$15,820,493
Short term investments—at cost or less (quoted value, 1962, $500,127)	504,046

Lower of Cost or Market

CANNON MILLS COMPANY
Current Assets:

Cash	$20,530,618
Marketable securities (*at lower of cost or quoted market value*)	46,389,387

Market Value

ANDERSON, CLAYTON & CO.
Current Assets:

Cash	$11,810,095
U.S. Government securities—at cost (Note 6) (quoted market 1962, $3,562,892; 1961, $2,995,006)	3,584,161
Foreign government securities—at quoted market (Note 6) (cost 1962, $309,286; 1961, $2,229,286)	303,267

Approximate Market Value

INGERSOLL-RAND COMPANY
Current Assets:

Cash	$ 6,084,088
United States Government and other marketable securities, at approximate market value	20,602,437

Par Value

NEPTUNE METER COMPANY
Current Assets:

Cash	$1,109,531
Marketable securities, at par (quoted market value—1962, $138,900; 1961, $129,447)	135,000

Basis of Valuation Not Set Forth

SEARS, ROEBUCK AND CO.
Current Assets:

Cash and U.S. Treasury Bills	$329,550,277
Marketable securities — market value $11,337,496	3,369,463

SUNSHINE BISCUITS, INC.
Current Assets:

Cash in banks and on hand	$12,702,685
Short-term investments	6,794,971

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. However, as may be noted in Table 6, some companies presented sundry receivables under various descriptions in addition to the normal trade accounts. Certain companies segregated the receivables, showing them in both the current and in the noncurrent asset sections. The noncurrent types are treated separately following this presentation.

The reports of 70 survey companies disclosed special features applicable to accounts receivable as follows:

Special Feature	No. of Companies
Assigned receivables (*Co. Nos. 107, 113, 151, 224, 283, 317)	10
Discounted (*Co. Nos. 6, 95, 130, 172, 308, 519)	7
Pledged (*Co. Nos. 21, 132, 219, 300, 339, 513)	11
Secured (*Co. Nos. 25, 103, 220, 311, 439, 572)	19
Contingent liability (*Co. Nos. 34, 489, 591)	3
Factored or hypothecated (*Co. Nos. 56, 462, 562)	3
Sold (*Co. Nos. 15, 114, 212, 353, 408, 472)	14
Various other (*Co. Nos. 9, 70, 570)	3
Total	70

*Refer to Company Appendix Section.

The following examples selected from the 1962 reports are illustrative of the various types of accounts receivable presentations:

Accounts Receivable or Receivables

CARRIER CORPORATION
Current Assets:

Cash and marketable securities, at cost	$30,205,261
Receivables, less allowances for doubtful accounts	52,171,996

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1962	1955
Accounts receivable or receivables (*Co. Nos. 5, 107, 215, 303, 403, 522)	433	439
Accounts and notes receivable combined (*Co. Nos. 22, 168, 216, 308, 406, 516)	167	153
Notes receivable (*Co. Nos. 103, 126, 200, 317, 423, 541)	18	18
Installment accounts receivable (*Co. Nos. 10, 213, 237, 362, 404, 503)	20	14
Installment notes receivable (*Co. Nos. 15, 51, 113, 132, 279, 508)	6	4
Trade acceptances—bills—drafts (*Co. Nos. 455, 472, 560)	3	14
Employees—receivables (*Co. Nos. 173, 244, 368, 423, 462, 503)	6	2
Deferred receivables (*Co. Nos. 39, 69, 193, 228, 263)	5	5
Foreign receivables (*Co. Nos. 83, 128, 320, 348, 373)	5	2
Contracts receivable (*Co. Nos. 44, 159, 211, 359, 409, 571)	17	11
Trading exchange accounts (*Co. No. 56)	1	4
Equity in (installment) accounts sold (*Co. Nos. 15, 228, 268, 279, 353, 408)	7	5
Joint venture accounts receivable	—	1
Claims receivable (*Co. Nos. 11, 80, 221, 240, 268, 343)	7	2
Accounts receivable — vendors, suppliers (*Co. Nos. 15, 69, 423)	3	6
Reimbursable expenditures (*Co. Nos. 240, 359, 412, 502)	4	1
Balances due on layaway merchandise sales (*Co. No. 193)	1	1
Revolving credit accounts (*Co. No. 15)	1	1
Receivable from factor for accounts receivable sold	—	2
Total	704	685

Numbers of Companies presenting		
Trade receivables in current assets	598	599
No trade receivables in current assets (*Co. Nos. 391, 441)	2	1
Total	600	600

*Refer to Company Appendix Section.

AMERICAN CYANAMID COMPANY

Current Assets:

Cash in banks and on hand	$ 56,347,598
Marketable securities—U.S. Government and other short term notes, at cost and accrued interest	81,755,775
Accounts receivable, less provision for doubtful accounts	88,191,328
Inventories	111,557,757

JOHNSON & JOHNSON

Current Assets:

Cash	$ 6,257,518
Temporary investments, at cost	13,968,036
Receivables, less allowance for collection losses	27,990,236
Inventories of raw materials, goods in process and finished goods (Note 1)	57,277,720
Expenses applicable to future operations	3,732,200

THE NATIONAL SUGAR REFINING COMPANY

Current Assets:

Cash	$ 2,816,578
Accounts receivable, less reserve	8,045,441
Recoverable taxes on income resulting from loss carry-back	469,577
6% note receivable (current portion—see below)	100,000
Inventories (Note 2):	
Raw and refined sugar	13,060,427
Manufacturing supplies	1,295,238
Total	$25,787,261

Accounts and Notes Receivable

AIR REDUCTION COMPANY, INCORPORATED

Current Assets:

Cash	$ 9,909,095
Short-Term Notes (at approximate market value)	1,298,413
Total Cash and Short-Term Notes	11,207,508
Notes and Accounts Receivable:	
Customers	32,737,133
Miscellaneous	3,767,807
Total	36,504,940
Less Allowances for Doubtful Accounts	259,312
Notes and Accounts Receivable—Net	36,245,628
Inventories (at lower of average cost or market):	
Finished Goods	23,544,630
Goods in Process	8,496,940
Raw Materials and Supplies	20,607,048
Total Inventories	52,648,618
Prepaid Taxes, Insurance, and Other Expenses	1,454,225
Total Current Assets	$101,555,979

ARMOUR AND COMPANY

Current Assets:

Cash	$ 25,680,479
Short term investments, at cost plus accrued interest	12,760,473
Accounts and notes receivable (less allowance for doubtful accounts $968,403 in 1962, $883,597 in 1961)	105,900,350
Inventories—certain products valued at cost on basis of "last-in, first-out", balance of products and supplies either at the lower of cost or market or at market less allowance for selling expense:	
Products	107,755,328
Supplies	13,114,527
	$265,211,157

THE FIRESTONE TIRE & RUBBER COMPANY

Current Assets:

Cash		$ 44,154,624
Accounts and Notes Receivable, Less Reserve		250,598,427
Inventories, at Lower of Cost or Market (domestic rubber inventories principally on last-in, first-out basis):		
Raw Materials and Supplies	$ 81,368,245	
In-Process Products	21,675,031	
Finished Goods	206,048,754	
Total Inventories		$309,092,030
Total Current Assets		$603,845,081

INTERNATIONAL BUSINESS MACHINES CORPORATION

Current Assets:

Cash	$ 98,553,148
Marketable securities, principally U.S. Treasury, valued at lower of cost or market	365,850,232
Notes and accounts receivable . . . less reserve: 1962, $2,979,102; 1961, $2,091,325	221,948,565
Accounts receivable (1962, $29,710,833; 1961, $35,637,692) and unreimbursed expenditures on military products contracts	58,701,462
Inventories . . . valued at lower of average cost or market	44,101,020
Prepaid insurance, taxes, etc.	5,957,351
	$795,111,778

Notes Receivable

J. I. CASE COMPANY

Current Assets:

Cash	$ 5,121,621
Notes and accounts receivable:	
Customers—	
Notes	7,023,536
Accounts	7,785,952
Allowance for doubtful accounts	(1,400,000)
Sundry receivables	1,707,844
Due from J. I. Case Credit Corporation	1,653,739
Inventories (Note 3)	54,509,499
Prepaid expenses	717,497
Total current assets (Note 2)	$77,119,688

DRESSER INDUSTRIES, INC.

Current Assets:

Cash	$37,817,715
Trade receivables:	
Notes and accrued interest	7,483,253
Accounts	43,302,903
	50,786,156
Less allowances for doubtful receivables	1,638,973
	$49,147,183

THE GRAND UNION COMPANY

Current Assets:

Cash	$13,616,101
Temporary cash investments, at cost	8,398,725
Accounts receivable, less allowance for losses	3,009,776
Notes receivable	214,500
Properties to be sold and leased back	—
Inventories, at the lower of cost or market (Note 1)	52,043,372
Total current assets	$77,282,474

ROYAL McBEE CORPORATION

Current Assets:	(In Thousands)
Cash and marketable securities, at cost	$ 4,620
Notes receivable	1,697
Accounts receivable, less allowance for doubtful accounts	17,840
Refundable United States taxes on income	—
Inventories, at the lower of cost or market (Note 2)	20,363
Total Current Assets	$44,520

Installment Accounts Receivable

ELECTROLUX CORPORATION

Current Assets:

Cash		$ 6,333,106
Marketable securities, at cost plus accrued interest		3,965,397
Receivables:		
Instalment accounts, less unearned finance charges and reserves aggregating $2,696,599	$27,030,400	
Other	290,664	
		27,321,064
Inventories, at lower of cost or market		10,482,758
Prepayment of United States income taxes (Note A)		2,358,000
Other prepaid expenses		688,990
		$51,149,315

FRUEHAUF TRAILER COMPANY

Current Assets:

Trade receivables:	
Installment equipment contracts (including installments of approximately $16,600,000 maturing after one year), less unearned finance charges of $3,264,477 at December 31, 1962	$26,151,782
Accounts receivable	37,579,964
	$62,731,746
Less allowance for doubtful receivables	2,000,000
	$60,731,746

SEARS, ROEBUCK AND CO.

Current Assets:

Receivables (*principally customer installment accounts*) less allowance for collection expense and losses	$1,561,167,453
Installment accounts sold (less portion of proceeds withheld pending collection)	726,956,136
Net receivables	$ 834,211,317

Deferred Receivables

AMERICAN OPTICAL COMPANY

Current Assets:

Cash	$ 2,815,245
Marketable securities, at cost (same as market) and accrued interest	3,211,084
Notes and accounts receivable, including $2,692,400 of deferred payment contracts due after one year ($2,951,100 in 1961), less allowance for possible losses	19,842,681
Inventories at the lower of cost (substantially "first-in, first out") or market:	
Finished goods	15,278,092
Work in process	14,146,321
Raw materials	3,289,207
Total inventories	32,713,620
Prepaid expense	295,948
Total current assets	$58,878,578

FEDERATED DEPARTMENT STORES, INC.

Current Assets:

Accounts receivable:		
Due from customers:		
Thirty-day charge accounts	$ 49,286,210	
Deferred payment accounts	138,926,903	
Other accounts receivable	5,046,040	
	$193,259,153	
Less:		
Provision for possible future losses and deferred service charges	$ 7,773,757	
Accounts sold without recourse (less Company's equity therein of $6,456,033 at February 3, 1962)	50,160,804	
	$ 57,934,561	
Net	$135,324,592	

Contracts Receivable

THE AMERICAN SHIP BUILDING COMPANY

Current Assets:

Cash	$ 973,808
United States Treasury Bonds—at cost, quoted market $2,634 (1961—$46,209)	3,000
Refundable federal taxes on income	370,587
Receivables:	
Trade accounts	$1,974,278
Unbilled completed contracts and repair work	326,375
Other	22,126
	$2,322,779
Inventories:	
Materials, parts, and supplies—at lower of cost (generally average) or market	$1,700,268
Ship reconstruction and other contract work in process—at cost	674,719
Less amounts billed	(527,380)
	$1,847,607
Prepaid insurance and other expenses	353,293
Total current assets	$5,871,074

THE BABCOCK & WILCOX COMPANY

Current Assets:

Cash	$ 9,169,499
Marketable securities, at cost (approximate market)	41,837,004
Accounts receivable	49,725,727
Unbilled shipments and installations, at contract prices	17,849,724
Inventories, at lower of cost or market	87,632,057
Advance payments on contracts	(20,142,167)
Total current assets	$186,071,844

GENERAL SIGNAL CORPORATION

Current Assets:

Cash	$ 2,409,854
U.S. and Canadian Government securities, commercial paper, and certificates of deposit	3,807,585
Accounts receivable	6,345,078
Contract work in process unbilled, at estimated billing amount	1,502,238
Inventories (Note 2):	
Raw materials and purchased parts	4,290,587
Work in process	2,419,712
Finished parts and goods	2,729,059
Total inventories	9,439,358
Prepaid expenses	294,215
Total current assets	$23,798,328

Claims Receivable

BASIC PRODUCTS CORPORATION

Current Assets:

Cash	$ 2,226,968
Accounts receivable—Trade (less allowance for doubtful accounts—$230,714)	5,914,314
Account receivable — Insurance claim — Note 2	2,250,245
Prepayment on purchases of malt and grain from Kindred Corporation—Note 1	
Inventories—At cost, not in excess of market—Note 1	7,700,675
Prepaid expenses	225,264
Total current assets	$18,317,466

Note 2: As the result of an explosion which occurred on July 12, 1962 in one of the grain elevators operated by the Company's Froedtert Malt Corporation division a substantial amount of malt was damaged. This damage was fully covered by insurance and the accompanying consolidated balance sheet includes an account receivable from the insurers for the estimated amount of the claim to be filed with respect to the inventory loss sustained. This malt was insured at selling price and the excess of such selling price over the related cost of the malt destroyed has been included in income credits—net in the accompanying statement of consolidated income.

ELI LILLY AND COMPANY

Current Assets:

Cash		$ 15,105,860
United States, Canadian, and United Kingdom Government securities—at cost (approximately market)		47,280,499
Trade accounts receivable, less allowances for discounts and possible losses of $831,620 in 1962 and $676,762 in 1961		20,362,502
Claims, deposits, and other accounts		1,878,788
Inventories—generally at the lower of cost (first-in, first-out method) or market:		
Finished products	$ 12,660,693	
Work in process	18,526,737	
Raw materials	16,928,102	
Supplies	2,118,901	
		$ 50,234,433
Total current assets		$134,862,082

Accounts Receivable Assigned

FAIRCHILD STRATOS CORPORATION

Current Assets:

Cash	$ 3,079,488
Accounts and notes receivable:	
Military contracts and sub-contracts (including unbilled items) (Note 1)	10,412,285
Commercial (including installment notes due after one year of $1,573,864 in 1962 and $1,983,207 in 1961)	3,349,559
Material, labor and other costs incurred on work in progress (Note 2):	
Government contracts, less amounts applied to billings and less progress payments of $4,842,970 in 1962 and $2,801,648 in 1961	6,208,090
F-27 commercial program	5,651,397
Miscellaneous inventories	479,587
Prepaid expenses, etc.	417,673
Total current assets	$29,598,079

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

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

(B) 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, 1962, accumulated earnings of $2,389,930 were restricted for the payment of dividends.)

GOEBEL BREWING COMPANY

Current Assets:

Cash		$ 196,196
Trade accounts receivable—Note A		74,726
Inventories—Note B:		
Beer, including applicable excise taxes	$ 178,263	
Materials and supplies	107,977	
Returnable bottles and cases	820,288	
	$1,106,528	
Prepaid taxes, insurance, and other expenses	249,253	
Total current assets	$1,626,703	

Note A: *Trade accounts receivable*—The accounts are stated net of allowances of $10,000 at December 31, 1962, and $20,000 at December 31, 1961.

The Company has assigned all of its accounts receivable to a finance company as collateral for amounts borrowed under an agreement which provides that borrowings may not exceed stated percentages of acceptable accounts.

Notes Receivable Secured

LONE STAR CEMENT CORPORATION

Current Assets: (other than special funds shown below):

Cash	$ 8,669,947
Marketable securities and short-term investments at cost (which approximates market)	7,143,727
Accounts and notes receivable: (less allowances 1962—$218,168; 1961—$175,311	7,538,717
Current receivables from foreign subsidiaries	61,473
Inventories at the lower of average cost or market:	
Finished products and process stocks	7,933,316
Packages, fuel, spare machinery parts and general supplies	5,857,002
Prepaid expenses	381,699
Total current assets	$37,585,881

Notes to Financial Statements

Note 2: The balance at December 31, 1962 of the Corporation's loan to the W. D. Haden Company (formerly Houston-Galveston Company) in which it owns a minority interest, amounted to $4,963,645 represented by 5½% notes repayable in 38 semi-annual installments through 1982. Amounts thereof due within one year are included in current assets. Such notes are secured by the pledge of the balance of the capital stock of such company.

SCHENLEY INDUSTRIES, INC.

Current Assets:

Cash		$ 15,341,191
Notes and accounts receivable, less reserves (includes $2,162,122 and $23,833,501 at August 31, 1962 and 1961, respectively, secured by warehouse receipts for bulk whisky sold in bond)		$113,676,937
Inventories—		
Whisky, other spirits and wine, at cost—		
Taxpaid	$ 7,881,961	
In bond (Note 9)	237,672,464	
Other products, materials and supplies, at lower of cost or market	14,187,797	
	$259,742,222	
Total Current Assets	$388,760,350	

Accounts Receivable Pledged

STANDARD KOLLSMAN INDUSTRIES INC.

Current Assets:

Cash (Note 2)	$ 4,525,024
Marketable securities—at cost approximating market	56,112
Accounts receivable (Note 2)	
United States Government	5,878,657
Commercial, less estimated losses in collection of $202,084 and $250,203 at the respective dates	7,798,495
Inventories—at the lower of cost (principally first-in, first-out) or market, less $1,198,018 and $788,368 received on partial billings at the respective dates	16,100,156
Estimated refund of federal taxes on income	128,750
Prepaid expenses, etc.	459,819
Total current assets	$34,947,013

Note 2: Collateral pledged and restrictions on retained earnings in connection with loan agreements. Bank loans, in the amount of $671,643 at December 31, 1962, were secured by cash collateral of $534,345, accounts receivable of $2,137,797 and inventories of $428,318.

The term loan agreement with banks, maturing June 15, 1965, restricts the payment of cash as distributions to stockholders or for the purchase of substantially all the assets of any other entity to an aggregate amount not to exceed 50% of the consolidated net income since December 31, 1959. At December 31, 1962, retained earnings which may be applied to such purposes amounted to $4,088,994.

U. S. INDUSTRIES, INC.

Current Assets:

Cash	$ 3,724,233
Trade receivables, less allowances—Note F	20,932,927
Inventories—Notes C and F	32,838,330
Prepaid expenses and sundry accounts	915,533
Total current assets	$58,411,023

Note F—Debt and Related Dividend Restrictions:

	Payable in 1963	*Payable after 1963*
Long-term debt:		
U.S. Industries, Inc. and Domestic Subsidiaries:		
5½% notes payable to banks, payable in quarterly installments of $350,000 (the loan agreement provides among other things that the Company will maintain net current assets of not less than $15,000,000)	$1,400,000	$ 4,200,000
Convertible Subordinated Debentures (subordinated to notes payable to banks):		
4½%, due November 1, 1970, convertible into Common Stock at $13.9355 per share		1,290,500
5½%, due December 1, 1971, convertible into Common Stock at $16.3928 per share	360,000	4,675,000
5% notes and contracts relating to royalty rights, payable in annual installments: three of $189,700 each, three of $51,100 each, and one of $25,000	189,700	557,700
6% subordinated debentures, payable July 1, 1980		933,500
Other notes (equipment and building mortgage)	72,288	111,759
Foreign subsidiaries:		
Notes and other debt payable from 1963 to 1974 (inventories of $3,532,282 and receivables of $2,066,890 are pledged as collateral and local land and building mortgaged)	1,059,657	3,018,786
	$3,081,645	$14,787,245
Current indebtedness of foreign subsidiaries to banks—portions of inventories are pledged under loan agreements	$2,784,290	

Accounts Receivable Sold

W. T. GRANT COMPANY

Current Assets:	
Cash	$ 49,687,679
Short term securities	—
Accounts receivable:	
Customers' installment accounts not sold	16,857,848
Equity in customers' installment accounts ($32,901,919 and $39,229,521, respectively) sold	3,297,319
	$ 20,155,167
Less allowance for doubtful accounts	2,554,110
	$ 17,601,057
Other accounts receivable, claims, etc.	2,567,880
Total accounts receivable, net	$ 20,168,937
Merchandise inventories (including merchandise in transit)—at the lower of cost or market determined principally by the retail inventory method	112,885,170
Total current assets	$182,741,786

HARRIS-INTERTYPE CORPORATION

Current Assets:	
Cash	$ 2,462,000
United States Treasury securities, at cost plus accrued interest	12,425,450
Trade accounts and notes receivable:	
Accounts receivable	$21,096,580
Installment notes (principally secured by title-retaining contracts on equipment sold)	6,892,545
Equity in installment notes sold without recourse	1,372,958
	$29,362,083
Less deferred interest income $1,446,347 in 1962 and $1,538,682 in 1961) and allowances for collection losses	1,902,391
	$27,459,692
Inventories—Note A:	
Work in process and finished products	$23,110,842
Raw materials and supplies	2,122,782
	$25,233,624
Total current assets	$67,580,766

MONTGOMERY WARD & CO., INCORPORATED

Current Assets:	
Cash	$ 27,742,867
Marketable securities, at cost (including $20,000,000 of Montgomery Ward Credit Corporation commercial paper in 1961)	8,178,232
Receivables, principally time payment accounts (including in 1962, $26,708,251 equity in $267,082,503 of receivables and in 1961, $18,601,751 equity in $186,017,509 of receivables, sold without recourse to Montgomery Ward Credit Corporation), less reserves for doubtful accounts and unearned carrying charge income of $18,128,312 in 1962 and $18,969,046 in 1961	206,119,246
Merchandise inventories, at the lower of cost or market	296,174,404
Prepaid catalog costs, supplies, etc.	25,716,899
Total current assets	$563,931,648

NONCURRENT RECEIVABLES

Accounting Research and Terminology Bulletins—Final Edition, containing revisions and restatements of earlier bulletins, issued by the committees on accounting procedure and accounting terminology was published in 1961.

This edition discusses among other things the nature of current assets (Chapter 3, Section A) from which the following excerpts, relative to accounts receivable etc., are submitted:

> 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 (a) cash available for current operations and items which are the equivalent of cash; (b) inventories of merchandise, raw materials, goods in process, finished goods, operating supplies, and ordinary maintenance material and parts; (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; (f) marketable securities representing the investment of cash available for current operations; and (g) prepaid expenses such as insurance, interest, rents, taxes, unused royalties, current paid advertising service not yet received, and operating supplies. Prepaid expenses are not current assets in the sense that they will be converted into cash but in the sense that, if not paid in advance, they would require the use of current assets during the operating cycle.
>
> 6. This concept of the nature of current assets contemplates the exclusion from that classification of such resources as: (a) 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[1] for the liquidation of long-term debts; (b) investments in securities (whether marketable or not) or advances which have been made for the purposes of control, affiliation, or other continuing business advantage; (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; (d) cash surrender value of life insurance

[1] Even though not actually set aside in special accounts, funds that are clearly to be used in the near future for the liquidation of long-term debts, payments to sinking funds, or for similar purposes should also, under this concept, be excluded from current assets. However, where such funds are considered to offset maturing debt which has properly been set up as a current liability, they may be included within the current asset classification.

policies; (e) land and other natural resources; (f) depreciable assets; and (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.

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

The following tabulation summarizes the 165 presentations of noncurrent receivables presented by the survey companies in their annual reports for 1962, and is supplemented by selected examples.

Noncurrent Asset Description	No. of Companies
Accounts receivable or receivables (*Co. Nos. 18, 130, 235, 319, 417, 535)	65
Notes receivable (*Co. Nos. 14, 101, 210, 338, 418, 501)	32
Notes and accounts receivable combined (*Co. Nos. 21, 141, 236, 329, 414, 569)	23
Employees receivables (*Co. Nos. 40, 193, 252, 315, 404, 525)	21
Deferred receivables (*Co. Nos. 20, 27, 36, 66, 86, 311)	6
Installment accounts receivable (*Co. Nos. 70, 72)	2
Installment notes receivable (*Co. Nos. 474, 530)	2
Contracts receivable (*Co. Nos. 60, 160, 204, 292, 521)	5
Various other (*Co. Nos. 4, 36, 65, 122, 222, 589)	9
Total	165

In Noncurrent Asset Section

Notes and Accounts Receivable

AMERICA CORPORATION

Noncurrent Assets:

Notes, accounts and advances receivable, noncurrent, less provision for losses (Note 3)	$1,225,932

Note 3: *Notes payable—secured*:

Notes payable to banks are secured as follows:

		Security Pledged
5¾% promissory note	$1,009,440	$1,089,687 (net of provision for loss) of notes receivable
5½% promissory note	200,000	445 shares (owned by America Corporation) of Theta Enterprises, Inc.
5% promissory note	150,000	$334,000 Portsmouth Gas Company First Mortgage Bond, due July 1, 1965
	$1,359,440	

*Refer to Company Appendix Section.

ARDEN FARMS CO.

Noncurrent Assets:

Notes, contracts and sundry accounts receivable due after December 31, 1963, less reserve $1,000,000.00	$30,859,684.79

ASHLAND OIL & REFINING COMPANY

Investments and Other Assets:

Capital stock of other companies—at cost	$ 3,177,036
Notes and accounts receivable, and other assets	16,388,031
	$19,565,067

Employees Receivables

JOHNS-MANVILLE CORPORATION

Other Assets:

Prepaid expenses and deferred charges	$ 3,187,000
Receivables from employees for purchases of common stock	2,069,000
Investments in and advances to unconsolidated subsidiaries (at cost or less)	3,402,000
Other investments (at cost or less)	17,152,000
Total	$25,810,000

McCORMICK & COMPANY, INCORPORATED

Other Assets:

Receivables from employees, etc. (group life insurance and capital stock pledged as collateral)	$572,699
Other	200,584
Total other assets	$773,283

Contracts Receivable

CONSOLIDATED FOODS CORPORATION

Investments and Other Assets:

Investment in majority-owned subsidiary not consolidated, at cost (Note 1)	$ 4,876,742
Long-term accounts, notes, and contracts receivable, less amounts receivable in one year	2,311,144
Leasehold improvements, at cost less amortization	3,076,523
Sundry noncurrent assets and deferred charges	1,407,785
Total investments and other assets	$11,672,194

DURA CORPORATION

Investments and Other Assets:

Cash surrender value of life insurance policies	$131,612
Municipal bonds—at cost	50,079
Mortgage and land contracts receivable	146,588
Sundry	119,190
Total investments and other assets	$447,469

Deferred Receivables

AMERICAN METAL CLIMAX, INC.

Other Assets:

Deferred accounts receivable, loans, claims and charges	$ 6,040,000
Investments in mining and metal companies (page 22)	47,030,000
Property, plant and equipment, less allowances for depreciation and depletion (page 22)	105,550,000
	$288,810,000

AMERICAN CAN COMPANY	*(In Thousands)*
Deferred accounts and bills receivable	$1,160

BEAUNIT MILLS, INC.	
Other Assets:	
Deferred receivables and charges	$ 806,333
Cash surrender value of life insurance policies	316,338
Investment (Note 1)	500,000
Formulas, patents, etc. (Note 2)	431,891
	$2,054,562

Installment Accounts Receivable

AUTOMATIC CANTEEN COMPANY OF AMERICA	
Other Receivables and Investments:	
Installment and other receivables	$ 3,127,576
Interest in unconsolidated subsidiaries:	
Investments (Note 1)	18,260,119
Advances	8,173,397
Other investments	200,669
Total other receivables and investments	$29,761,761

Various Other

DAN RIVER MILLS, INCORPORATED	
Investments and Other Assets:	
Investment in wholly-owned subsidiary company, not consolidated (Note 1):	
Capital stock, at cost	$6,200,000
Equity in undistributed earnings	3,108,423
	9,308,423
Accounts receivable from sale of houses	260,066
Sundry investments (at cost) and other assets	385,987
Total investments and other assets	$9,954,476

FAIRBANKS WHITNEY CORPORATION	
Mortgages and Notes Receivable, installments due beyond one year	$4,714,037

WEYERHAEUSER COMPANY	
Investments, other receivables, etc.	$9,607,348

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 1962 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 1962 survey reports, are illustrative of the balance sheet terminology used in presenting uncollectible accounts:

Allowance—(296 Companies):
- Allowances (*Co. Nos. 17, 112, 201, 309, 417, 531)
- Allowance(s) for doubtful (*Co. Nos. 75, 289, 552)
- Allowance(s) for doubtful accounts (*Co. Nos. 68, 106, 209, 341, 404, 537)
- Allowance for doubtful balances and discounts (*Co. No. 324)
- Allowance for doubtful items (*Co. Nos. 54, 137, 152, 232, 509, 598)
- Allowance for doubtful items and unearned finance charges (*Co. No. 451)
- Allowance for doubtful notes and accounts (*Co. Nos. 186, 271, 591)
- Allowance(s) for doubtful receivables (*Co. Nos. 55, 71, 205, 276, 428, 597)
- Allowance for doubtful receivables, discounts, etc. (*Co. No. 519)
- Allowance of $xxx for doubtful accounts (*Co. Nos. 106, 420)
- Allowance of $xxx for doubtful accounts and discounts (*Co. No. 302)
- Allowance for doubtful accounts of $xxx (*Co. No. 370)
- Allowance for uncollectible accounts (*Co. No. 522)
- Allowance for uncollectible accounts, returns and allowances of $xxx (*Co. No. 211)
- Allowances for bad debts (*Co. No. 423)
- Allowance(s) for loss(es) (*Co. Nos. 24, 115, 252, 320, 416, 578)
- Allowances for losses, adjustments, and discounts (*Co. No. 510)
- Allowance for losses and unearned finance charges (*Co. No. 87)
- Allowance(s) for losses and discounts (*Co. Nos. 416, 472)
- Allowances for losses in collections (*Co. No. 321)
- Allowances for losses on collection and for deferred carrying charges (*Co. No. 15)
- Allowances for losses on collection (*Co. No. 210)

*Refer to Company Appendix Section.

TABLE 7: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	1962**	1960	1955	1950
"Allowance"—used alone	61	52	31	169
Allowance, etc.	235	230	217	
"Reserve"—used alone	106	117	122	248
Reserve, etc.	29	38	59	
Provision, etc.	37	38	31	37
Estimated, etc.	22	22	27	36
Deduction, etc.	3	3	4	3
Other terms	8	6	7	4
Total	501	506	498	497
No "uncollectible accounts" indicated	99	94	102	103
Total	600	600	600	600

*Combined with:	1962	1960	1955
Doubtful accounts	198	195	197
Doubtful notes and accounts	4	6	9
Doubtful amounts	1	1	2
Doubtful balances	2	3	4
Doubtful items	10	10	12
Doubtful receivables	17	14	17
Doubtful	3	4	4
Uncollectible accounts	5	5	5
Uncollectible amounts	3	3	4
Uncollectible items	—	—	1
Uncollectibles	2	2	2
Loss(es)	34	37	28
Collection losses	11	10	14
Carried forward	290	290	299

	1962	1960	1955
Brought forward	290	290	299
Credit losses	1	1	2
Receivable losses	1	1	1
Possible losses	22	22	17
Possible collection losses	4	4	7
Possible credit losses	1	1	1
Possible future losses	1	1	1
Bad debts	7	12	10
Other phrases	3	1	1
"Allowance"—used alone	61	52	31
"Reserve"—used alone	106	117	122
Other terms used alone	4	4	6
No "uncollectible accounts"	99	94	102
Total	600	600	600

**1962 Descriptive Terms Combined As:	Primary Descriptive Term Above: Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	176	24	18	10	7	235
Uncollectible	2	—	2	6	—	10
Losses	55	3	13	4	—	75
Bad debts	1	1	4	1	—	7
With other phrases	1	1	—	1	—	3
Used alone	61	106	—	—	4	171
Total	296	135	37	22	11	501

Allowance for losses on receivables (*Co. No. 93)
Allowance(s) for collection losses (*Co. Nos. 279, 316, 546)
Allowance of $xxx for losses in collection (*Co. No. 167)
Allowance for credit losses (*Co. No. 455)
Allowance for possible losses (*Co. Nos. 39, 130, 250, 365, 481, 558)
Allowance for possible losses and cash discounts (*Co. No. 114)
Allowance for possible losses in collection (*Co. Nos. 241, 438, 505)
Allowance for possible credit losses (*Co. No. 221)
Allowance of $xxx for possible losses (*Co. Nos. 461, 527)
Allowances for discounts and possible losses of $xxx (*Co. No. 43)

*Refer to Company Appendix Section.

Allowance for discounts and doubtful accounts (*Co. Nos. 162, 413)
Allowance for collection expense and losses (*Co. No. 488)
Allowance of $xxx for discounts and losses (*Co. No. 381)
Allowances for discounts and possible losses (*Co. No. 343)

Reserve—(135 Companies):
Reserve(s) (*Co. Nos. 13, 103, 214, 345, 415, 541)
Reserve(s) for doubtful accounts (*Co. Nos. 10, 102, 216, 310, 437, 507)
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. 169)

Reserve of $xxx for doubtful accounts at each date (*Co. No. 52)
Reserves of $xxx for doubtful accounts, deferred income taxes on installment sales and unearned carrying charges (*Co. No. 263)
Reserve for doubtful items (*Co. No. 534)
Reserve for doubtful notes and accounts (*Co. No. 489)
Reserves for returns and allowances and doubtful receivables (*Co. No. 189)
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. 173, 283)
Net of reserves for doubtful accounts and book returns (*Co. No. 367)

Provision—(37 Companies):
Provision for doubtful accounts (*Co. Nos. 29, 151, 195, 260, 425, 473)
Provision for doubtful items (*Co. No. 426)
Provision of $xxx for doubtful accounts (*Co. No. 408)
$xxx provision for doubtful accounts and discounts (*Co. No. 84)
Provision for allowances and doubtful accounts (*Co. Nos. 223, 549)
Provisions for allowances, claims and doubtful balances (*Co. No. 305)
Provision for estimated doubtful accounts of $xxx (*Co. No. 557)
Provision for estimated doubtful accounts (*Co. No. 394)
Provisions for uncollectible accounts, unearned finance charges (*Co. No. 536)
Provision for bad debts (*Co. Nos. 141, 265)
Provision for bad debts of $xxx (*Co. No. 98)
After provision for bad debts (*Co. No. 563)
Provided for losses (*Co. No. 188)
Provision against losses (*Co. No. 40)
Provision for losses (*Co. Nos. 21, 66, 474)
Provision for discounts and losses (*Co. No. 63)
Provision for collection losses (*Co. No. 136)
Provision for possible losses (*Co. Nos. 105, 372)
Provision for $xxx for possible losses in collection (*Co. No. 217)
Provision for possible future losses and deferred service charges (*Co. No. 228)
Provisions of $xxx . . . at respective dates for estimated uncollectible accounts (*Co. No. 124)

Estimated—(22 Companies):
Estimated allowances of $xxx (*Co. No. 11)
Estimated doubtful accounts (*Co. Nos. 22, 97, 179, 273, 347, 504)
Estimated doubtful accounts, discounts and allowances (*Co. No. 551)
Estimated doubtful amounts (*Co. No. 516)
Estimated uncollectibles (*Co. Nos. 132, 517)
Estimated uncollectible accounts (*Co. No. 584)
Estimated uncollectible amount(s) (*Co. Nos. 353, 430)
Estimated bad debts (*Co. No. 568)
Estimated losses (*Co. No. 442)
Estimated losses in collection (*Co. Nos. 491, 513)
Estimated collection losses (*Co. No. 356)

*Refer to Company Appendix Section.

Various Other Terms—(11 Companies):
Net of doubtful accounts and allowances (*Co. No. 300)
$xxx for doubtful accounts and allowances (*Co. No. 306)
$xxx . . . for doubtful accounts and cash discounts (*Co. No. 349)
Stated on basis of realizable values (*Co. No. 127)
After deductions for allowances, discounts and doubtful accounts (*Co. No. 109)
After deduction of $xxx. . . for doubtful accounts and allowances (*Co. No. 579)
After deduction of $xxx for returns, allowances, discounts, and doubtful accounts (*Co. No. 117)
Receivable(s), net (*Co. Nos. 121, 207, 447, 548)

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 188 during the year under review. There were 63 companies which made specific reference to U. S. Government contracts or defense business within the balance sheet, and 125 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.

In this and other tables it may be noted that there is a difference between the number of items cited in the detail section of the table and the number of companies reporting as shown in the summary. This difference arises because *one* company may cite *two or more* pertinent items.

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**
Cost-plus-fixed-fee contracts	2, 196, 240, 412, 463
Cost-reimbursement type contracts	272, 346, 389, 464, 474, 478
Defense contracts	11, 105, 253, 326, 419, 503
Fixed-price type or fixed-fee contracts	100, 196, 412, 555

Incentive type contracts	100, 196, 359, 412, 464
Price redetermination contracts	6, 215, 240, 354, 395, 555
Prime contracts	87, 91, 151, 439, 513, 574
Research-development type contracts	16, 93, 127, 156, 184, 203
Subcontracts	4, 87, 133, 258, 354, 587
U. S. Government contracts	65, 92, 141, 216, 308, 399
U. S. Ordnance contracts	87, 133, 233, 327, 335, 400

The amount and nature of the information given in the 1962 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**
Certain assets pledged as collateral or security—or title vested in U.S. Government—for loan or financial aid from government	87, 93, 346, 555
Certain receivables due to company from government pledged to secure loans obtained from non-government sources	151, 224, 412
Government-owned plant and equipment operated by company	2, 100, 197, 203, 463, 588
Price redetermination or contract adjustment clause	6, 119, 184, 208, 215, 301
Contract completed during year	34, 82, 133, 291, 308

The following examples selected from the 1962 annual reports illustrate the methods of disclosure used by the companies regarding their U. S. Government contracts:

*Refer to Company Appendix Section.

TABLE 8: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1962	1955
Current Asset Section		
Accounts receivable due from government (*Co. Nos. 34, 240, 248, 395, 411, 574)	43	62
Inventory less billings or progress payment received (*Co. Nos. 119, 196, 215, 216, 223, 291)	38	42
Unbilled costs or fees (*Co. Nos. 23, 119, 211, 359, 464, 509)	16	14
Recoverable costs (*Co. Nos. 167, 240, 346, 478, 542)	5	5
Reimbursable expenditures (*Co. Nos. 248, 307)	2	10
Fees or costs less progress payments received (*Co. Nos. 301, 335, 389, 395)	5	4
Advances or payments to subcontractors less progress payments received from government (*Co. No. 284, 359)	2	2
Deferred general and administrative expenses applicable to contracts	—	1
Contract termination claims (*Co. Nos. 240, 542)	2	2
Government inventory not further described	—	7
Advance or progress payments received deducted from current asset subtotal (*Co. No. 249)	1	4
Emergency facilities purchased, to be acquired by U.S. Government	—	1
Noncurrent Asset Section		
Advances received with liability account contra thereto (*Co. No. 265)	1	1
Recoverable costs	—	1
Current Liability Section		
Invoices, payrolls, etc., applicable to contracts (*Co. No. 82)	1	1
Estimated price adjustments (*Co. Nos. 119, 151, 240)	3	9
Advances received (*Co. Nos. 93, 304)	2	2
Advance payments received in excess of expenditures (*Co. No. 196)	1	2
Refunds due—U.S. Government (*Co. No. 196)	1	4
Unearned billings (*Co. No. 409)	1	—
Estimated costs to be incurred (*Co. No. 196)	1	2
Liability under incentive type contracts	—	2
Noncurrent Liability Section		
Advances received (contra to asset account) (*Co. No. 265)	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
Total	127	181
Number of Companies referring to government contracts or defense business		
In balance sheet presentation	63	88
In report, but not including balance sheet presentation	125	190
Not referring to contracts, defense business, etc.	412	322
Total	600	600

*Refer to Company Appendix Section.

Cost-Plus-Fixed-Fee Contracts

DOUGLAS AIRCRAFT COMPANY, INC.

Current Assets:

Cash	$ 17,538,134
Accounts receivable from U.S. Government	28,295,482
Trade and other receivables	15,552,662
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts, less allowance (1962—$450,518; 1961 — $547,207) for adjustments	71,759,805
Inventories of fixed-price contracts in process, materials, etc., less advance and progress payments received—Note B	128,684,407
Taxes, insurance, and other prepaid expenses	8,540,140
Total current assets	$270,370,630

THE GARRETT CORPORATION

Current Assets:

Cash on hand and demand deposits	$ 5,551,755
Marketable securities—at cost (approximate market)	4,457,660
Trade accounts receivable (including due from: U.S. Government 1962 — $6,694,302; 1961—$5,215,615) less allowance for doubtful accounts (1962—$200,000; 1961—$120,000)	29,900,889
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts (including due from U.S. Government 1962—$982,979; 1961—$619,481)	5,929,572
Claims arising from terminated contracts (including due from U.S. Government 1962—$125,860; 1961—$21,329)	902,986
Inventories, less progress payments received —Note A	40,461,215
Prepaid taxes, insurance, and other expenses	1,979,913
Total current assets	$89,183,990

NORTHROP CORPORATION
Income Statement Presentation

Net sales, including fees and expenditures under cost-plus-fee contracts	$347,460,547
Income from grant of rights to certain proprietary manufacturing techniques	188,124
Sundry other income	630,324
	$348,278,995

REMINGTON ARMS COMPANY, INC.
Letter to Stockholders

As in previous years, the company operated the Lake City Ordnance Plant, Independence, Missouri, under a cost-plus-a-fixed-fee contract with the United States Government.

Cost-Reimbursement Type Contracts

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Income Statement Presentation:

Sales, including costs and fees under cost-reimbursement type contracts (Note 3)	$357,099,282
Other income	270,295
	$357,369,577

LOCKHEED AIRCRAFT CORPORATION

Sales and Other Income:

Sales (including costs and fees under cost reimbursement type contracts)	$1,753,074,000
Dividends and other income	2,143,000
	1,755,217,000

Current Assets:

Cash	$ 33,309,000
Accounts receivable—U.S. Government (including costs and fees under cost reimbursement type contracts: 1962—$135,132,000; 1961—$120,097,000)	207,323,000
Other accounts receivable (including amounts under foreign government programs: 1962—$23,817,000; 1961—$34,225,000)	52,560,000
Inventories less advances and progress payments (Note 1)	187,608,000
Prepaid expenses	17,281,000
Total current assets	$498,081,000

REPUBLIC AVIATION CORPORATION

Current Assets:

Cash	$ 7,153,361
United States Treasury bills, at approximate market	4,127,334
Accounts receivable, principally from United States Government	17,488,071
Unbilled costs and fees under United States Government cost reimbursement type contracts	5,050,929
Contracts in progress (see page 8)	76,273,515
Sundry inventories, materials and supplies, at average cost	1,346,104
Prepaid expenses	1,324,772
Current assets	$112,764.086

Fixed-Price Type Contracts

THE BOEING COMPANY
Notes to Financial Statements

Inventories:

Inventories are composed of:

Fixed-price type contracts in process	$593,630,000
Commercial spare parts	23,775,000
General stock materials	7,997,000
	$625,402,000
Less advances and progress payments	315,913,000
	$309,489,000

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 contracs. Work in process on straight fixed-price contracts 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.
Notes to Financial Statements

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	$129,647,717
Materials, spare parts, etc.	40,922,247
Advances under material purchase agreements	2,747,673
	$173,317,637
Less advance and progress payments received	44,633,230
	$128,684,407

NORTHROP CORPORATION
Current Assets:

Cash	$ 1,101,691
Accounts receivable—Note B	17,523,387
Unreimbursed costs and fees under cost-plus-fee contracts, less allowances (1962 — $1,963,989; 1961—$1,906,965) for adjustments—Note B	40,949,357
Inventories of fixed-price contracts in process, materials, etc., less progress payments received (1962 — $22,731,975; 1961—$28,182,770)—Notes B and C	35,770,789
Prepaid expenses	3,046,850
Total current assets	$ 98,392,074

Note C: *Inventories*—Inventories are priced at the lower of cost or market. Fixed-price contracts in process are stated on the basis of accumulated costs including applicable administrative and general expenses, less the portion of such costs allocated to units and articles delivered, but not in excess of estimated recoverable amounts. Costs relating to delivered products are computed for each contract at the estimated average cost of each unit based on the estimated total cost of the contract. Costs of materials and supplies are determined under the first-in, first-out or average cost methods.

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

Title to substantially all inventories related to contracts with the U.S. Government is vested in the U.S. Government pursuant to the provisions of the contracts. Amounts stated for inventories comprised the following classifications:

	1962	*1961*
Fixed-price contracts, orders, etc. in process	$49,057,255	$53,702,997
Raw materials, purchased parts, and supplies	9,445,509	7,559,833
	$58,502,764	$61,262,830
Less progress payments received	22,731,975	28,182,770
	$35,770,789	$33,080,060

Incentive Type Contracts

THE BOEING COMPANY
Financial Review

In addition to changes in the product line, the level of sales recorded for the year was affected by the transition of a major portion of the Minuteman program from a cost reimbursement to a fixed-price incentive contract basis. Since sales under fixed-price type contracts are not recorded until deliveries are made, such transition resulted in 1962 sales being somewhat lower than would have been the case had there been no change in contract type.

DOUGLAS AIRCRAFT COMPANY, INC.
Financial Report

Commercial sales in 1962 were down from $295,998,000 to $171,195,000 while military and other government sales were up from $495,314,000 to $578,726,000. Of the 1962 government sales, approximately 70% were under cost-type contracts as compared with 62% in 1961. The balance of government sales was under fixed-price contracts largely of the incentive type. Earnings as a percent of sales rose from 0.75% in 1961 to 1.36% in the current year.

REPUBLIC AVIATION CORPORATION
Notes to Financial Statements

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.

Price Redetermination Contracts

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, 1961, 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....

HUPP CORPORATION
Notes to Financial Statements

Note G: *Contingencies and Commitments* . . . A portion of the Corporation's sales for 1962 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.

UNITED AIRCRAFT CORPORATION
President's Letter:

...Sales to the U.S. Government accounted for 80% of the corporation's total sales in 1962, compared with 77% for 1961. The corporation's contracts with the Government for the most part are of fixed-price or price-redetermination types. Cost-reimbursement type contracts accounted for only about 10% of the corporation's total sales in 1962 and 8% in 1961....

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:

THE BENDIX CORPORATION
Notes to Financial Statements

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, 1962.

CURTIS-WRIGHT CORPORATION
Notes to Financial Statements

1. Inventories on the balance sheets are after deducting partial payments on contracts under which title to related inventories vests in the United States Government: 1962, $14,118,137; 1961, $15,-750,444.

FAIRCHILD STRATOS CORPORATION
Notes to Financial Statements

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

(A) The Corporation will assign monies due or to become due under all significant defense production contracts.

(B) 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, 1962, accumulated earnings of $2,389,930 were restricted for the payment of dividends.)

COLLINS RADIO COMPANY

Current Assets:

Cash	$ 6,411,784
Accounts and notes receivable:	
United States Government, prime and subcontracts (Notes 1 and 2)	32,871,119
Other customers:	
Accounts receivable	12,921,570
Installment notes (including $532,000—1962 and $1,650,000—1961 due beyond one year)	1,822,097
	14,743,667
Less provision for doubtful accounts	260,968
	14,482,699
Sundry	842,203
Total accounts and notes receivable	48,196,021
Inventories, at lower of cost or market, except United States Government inventories at cost (less unliquidated progress payments of $6,823,407—1962 and $7,131,426—1961):	
Production stock and work-in process	55,836,620
Finished products	14,604,414
Total inventories (Note 1)	70,441,034
Prepaid expenses	1,013,179
Total current assets	$126,062,018

Current Liabilities:

Notes payable (Note 1):	
Under Regulation V loan agreement	$ 56,000,000
Other	2,840,471
Accounts payable:	
Trade	11,585,523
Other	2,750,829
Accrued liabilities	6,766,186
Federal and foreign income taxes and price revision refunds (Note 2)	3,148,484
Total current liabilities	$ 83,091,493

(1) Notes Payable and Long-Term Liabilities

Notes payable and long-term liabilities at July 31, 1962 consists of the following:

	Due within one year	*Due after one year*
Regulation V loan agreement	$56,000,000	
4¾% Convertible Subordinated Debentures		$12,000,000
5½% First Mortgage Notes	1,400,000	4,550,000
First mortgage Sinking Fund Bonds with interest rates from 5½% to 6%	484,000	8,266,000
Other	956,471	427,514
	$58,840,471	$25,243,514

The Regulation V loan agreement provides a revolving credit of $60,000,000 extending to May 31, 1963, under which borrowings are evidenced by 90-day notes. Under the agreement, cash dividends and amounts which may be expended for redemption of capital stock are limited to 25% of consolidated net income of the Company and its domestic subsidiaries subsequent to July 31, 1961; at July 31, 1962, there was $545,000 of the retained earnings available for such purposes. The balance sheet includes approximately $66,000,000 of accounts receivable and inventories relating to certain United States Government contracts, the proceeds of which are assigned as collateral security under this 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 5½% First Mortgage Notes require quarterly payments of $350,000, plus interest, to October 31, 1966.

The First Mortgage Sinking Fund Bonds, together with $1,000,000 of such bonds expected to be issued about October 1962, require sinking fund payments, plus interest, of $509,000 in fiscal 1963, $534,000 annually through 1978 and lesser payments thereafter until maturity.

THE DOW CHEMICAL COMPANY

Sales and Other Revenue:	
Net sales	$890,638,726
Dividends received from associated companies	4,881,387
Interest income	1,855,142
Fees from operation of Government-owned plants	800,425
Other income	10,305,229
	$908,480,909

Financial Review

Designation as a division was made for the Dow organization at Rocky Flats in November, 1961. This facility is operated for the Atomic Energy Commission under contract. A new contract has been negotiated with the Commission, extending Dow's management of the facility to July of 1967.

MARTIN MARIETTA CORPORATION

Financial Review

Martin Company is systems integration contractor for the TITAN III system, the first major contract to be placed with industry under a truly incentive arrangement. Because incentive contracts put a premium on economies and superior performance, the Corporation has an opportunity to benefit from the trend toward their greater use by the Defense Department. Over the years Martin has been working toward lowering costs and has achieved notable results: a two-year saving in previous TITAN programs of $56 million and a $19 million saving in the reduction of the potential development cost of the PERSHING missile are examples.

Renegotiation

There were 67 survey companies that referred to renegotiation or to renegotiable sales in their 1962 reports. Of these companies, 10 included in their balance sheets, mostly under current liabilities, a provision for estimated renegotiation liability, and an additional 8 companies referred to such provision in the notes to the financial statements or in the letter to the stockholders. The remaining 49 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.

Examples—Renegotiation

The following examples, taken from the 1962 reports, illustrate the nature and scope of the information disclosed therein concerning renegotiation and the provision, if any, made therefor:

TABLE 9: ESTIMATED RENEGOTIATION LIABILITY

Balance Sheet or Other Presentation	1962	1955	1951
Provision for estimated renegotiation liability—			
Set forth under current liabilities:			
Combined with liability for taxes (*Co. Nos. 9, 233, 272, 286, 346, 547..)	6	24	18
Combined with nontax liability (*Co. Nos. 6, 249)	2	4	3
Separately set forth (*Co. Nos. 100, 359**)	2	6	1
Referred to in:			
Notes to financial statements (*Co. Nos. 208, 215, 224, 307, 409)	5	9	16
Letter to stockholders (*Co. Nos. 125, 380, 411)	3	5	5
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales" (*Co. Nos. 75, 146, 221, 395, 453, 571)	49	133	175
Number of Companies referring to:			
Renegotiation or renegotiable sales	67	181	218
Not referring thereto	533	419	382
Total	600	600	600

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

Set Forth Under Current Liabilities

ALCO PRODUCTS, INCORPORATED
Current Liabilities:

Current installment on notes payable	$ 1,050,000
Invoices payable	8,738,728
Accrued payrolls and expenses	6,799,790
Accrued taxes other than federal income taxes	320,684
Dividend payable	175,562
Estimated federal income taxes and renegotiation	222,357
Total Current Liabilities	$17,307,121

THE BOEING COMPANY
Current Liabilities:

Notes payable to banks	$ 66,600,000
Accounts payable and accrued expenses	217,396,000
Allowance for 1954 and 1955 renegotiation, net of taxes	7,768,000
Federal taxes on income	20,393,000
Total current liabilities	$312,157,000

Financial Review

Renegotiation: During 1962 the Renegotiation Board issued clearances with respect to renegotiable profits of the Company for the years 1958 and 1959. In the 1961 Annual Report it was reported that a motion was pending before the Tax Court to review the findings of the trial judge concerning renegotiable profits for the year 1952. This finding, which increased the original determination of excessive profits by the Renegotiation Board to $13 million, has been reviewed by the judge and reaffirmed. The Company has filed an appeal with the United States Court of Appeals for the Ninth Circuit. It is anticipated that the appeal will be heard during the first half of 1963 and that a decision will be rendered before the end of the year. Taking into account the refund previously made and appropriate credit for Federal income taxes paid, an additional provision of $900,000 will be required if the finding of the Tax Court is sustained.

The status of renegotiation proceedings and their effects upon the Company's financial statements are summarized below:

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 through 1959. Appeals have been taken to the Tax Court of the United States for the years 1952 through 1955. Although all refunds determined to be payable by the Renegotiation Board have been paid or provided for in the accounts, this policy has not been extended to include the additional amount determined to be payable for 1952, pending the outcome of the appeal to the United States Court of Appeals. The Company cannot predict the effect of the Tax Court decision on the appeals for the years 1953 through 1955, nor what the Board's action will be for the years 1960 through 1962. 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.

FMC CORPORATION
Current Liabilities:

Accounts payable, trade and other	$26,903,310
Accrued and other liabilities	16,239,334
Long-term debt due within one year (Page 16)	896,827
Federal and foreign taxes on income and renegotiation (less $7,921,734 U.S. Tax Anticipation Notes in 1961) (Page 15)	18,828,834
Total current liabilities	$62,868,305

Set Forth as a Noncurrent Liability

MARTIN MARIETTA CORPORATION
Current Liabilities:

Notes payable to banks	$ —
Accounts payable	61,199,529
Salaries, wages, and related taxes	30,166,189
Taxes on income—estimated	34,298,110
Current maturities of long-term debt	5,020,000
Total current liabilities	$130,683,828
Renegotiable Refund—Note C	5,393,260

Financial Review

Renegotiation and Litigation: Substantially all of the sales of space, missile and electronic products are subject to the Renegotiation Act of 1951, but only a nominal amount of other sales fall within the provisions of the Act. The Renegotiation Board has given clearance for 1952 and prior years, and for the years 1957 and 1958. However, the Board has made unilateral determination that profits for the years 1953, 1954, 1955 and 1956 were excessive, and that refunds aggregating almost $8,000,000 after tax credits are required. The Corporation believes that no excessive profits were realized, and appeals have been filed in the Tax Court of the United States for a redetermination of the Board's findings for those years. The refund for the year 1953 has been paid under protest and bond has been posted with the Tax Court in lieu of payment of the 1954, 1955 and 1956 refunds. Provision has been made in the financial statements for $5,393,260, which is the amount after adjustment for taxes which the Corporation believes it would be required to refund if the Board's determinations were sustained.

Sales and profits for 1959 and subsequent years are likewise subject to renegotiation. The Corporation believes that contracts during this period have been performed efficiently and that no excessive profits have been realized. No provisions for refunds have been made for these years.

Subsequent to December 31, 1962, the Corporation was advised by the Eastern Regional Renegotiation Board that such Board had made a determination that the Corporation had excessive profits in the amount of $2,500,000 for the year 1959. If the position of the Board is ultimately sustained, the net refund after applicable tax credits would amount to approximately $900,000.

Referred to in Notes to Financial Statements

EASTMAN KODAK COMPANY
Notes to Financial Statements

Renegotiation and Price Redetermination—Defense Contracts: Most government and defense business is subject to review by the Renegotiation Board for determination of whether or not excessive profits have been made. Final agreements have been reached with the Board for all years through 1960.

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

FAIRCHILD STRATOS CORPORATION
Notes to Financial Statements

Note 4: 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 1960. 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 $2,250,000 at December 31, 1962 and $3,725,000 at December 31, 1961, of which $725,000 was applied as direct contract price adjustments in 1962.

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

AMERICAN MACHINE & FOUNDRY COMPANY
Notes to Financial Statements

Note 5: *Renegotiation*—A substantial portion of the sales during 1962 were under defense contracts which are subject to renegotiation and, in some cases, to price redetermination. Renegotiation proceedings through the year 1961 were completed with no refund required. It is believed that the amount, if any, refundable for 1962 will not materially affect reported net income or financial position.

AMETEK, INC.
Notes to Financial Statements

Note 3: *Renegotiation*—Approximately 17% of the Company's sales in 1962 is subject to renegotiation under the Renegotiation Act of 1951, as amended. Renegotiation proceedings for all years through 1961 have been completed and, based on prior years' clearances, no provision for refund is required for 1962.

COLLINS RADIO COMPANY
Notes to Financial Statements

(2) *Accounts Receivable, United States Government*—Certain United States Government contracts require some form of price revision. With respect to contracts not finally revised as to prices, the estimated amount of price increases is included in the receivables and the estimated amount of price decreases is included in "Federal and foreign income taxes and price revision refunds." In some instances, deliveries are made before initial contract prices have been formalized and are included in sales and receivables at estimated or quoted prices.

A majority of the sales are subject to renegotiation by the United States Government. Settlement has been made for years through 1958. In respect to the subsequent periods the Company believes that renegotiation proceedings will not result in any material adjustments of profits as reported.

XEROX CORPORATION
Notes to Financial Statements

Note F: The Company has sales and rentals to the U.S. Government subject to renegotiation. In the opinion of management, no provision for renegotiation is required.

THE BENDIX CORPORATION
Notes to Financial Statements

Note 5: *Renegotiation of Government Contracts and Subcontracts* The Corporation's profits on Government contracts and subcontracts are subject to renegotiation under the Renegotiation Act of 1951. Proceedings with the Government for the purpose of establishing the amounts of refundable profits have not been completed for the years ended September 30, 1962 and 1961 and the amount, if any, which may be refunded to the Government under such proceedings is not determinable at this time.

THE CESSNA AIRCRAFT COMPANY
Notes to Financial Statements

Note 6: *Renegotiation*—A portion of the company's earnings since September 30, 1960, is subject to the Renegotiation Act of 1951. The effect, if any, of renegotiation upon the financial condition of the company cannot be determined at this time, but no significant change from the earnings reported is anticipated.

Referred to in Financial Review

NORTH AMERICAN AVIATION, INC.
Financial Review and Comments

Renegotiation: Substantially all of the company's 1962 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 found to be excessive.

The Renegotiation Board has determined that no excessive profits were realized by the company during the 1956, 1957, and 1959 fiscal years. Since the company believes that no excessive profits have been realized with respect to any subsequent fiscal years, no provisions for any refunds have been made for such years. As indicated below, provisions totaling $10,300,000 were made in the financial statements as of September 30, 1962, with respect to the fiscal years 1953, 1954, 1955, and 1958.

The Board determined that excessive profits were realized in the 1953, 1954, 1955, and 1958 fiscal years. The company did not accept these findings and filed petitions with the Tax Court of the United States for redeterminations thereof, as provided in the Renegotiation Act. The company's petitions for the 1953 and 1954 fiscal years were decided on October 26, 1962, by the Tax Court, which reduced the amounts of profit determined by the Board to be excessive. Based on the decisions, the company would be required to refund to the Government, after adjustment for taxes, approximately $900,000 and $4,900,000 for the fiscal years 1953 and 1954, respectively. Before the Court's reduction the comparable amounts were approximately $1,300,000 and $5,500,000, respectively.

The petitions for the 1955 and 1958 fiscal years have not yet been heard by the Tax Court. While the company believes that no excessive profits were realized in those years, and that it is entitled in any event to a reduction in the amounts of profits determined by the Board to be excessive profits for those years, it has nevertheless made provision for the amounts which it would be required to refund to the Government, after adjustments for taxes, if the Board's determinations were sustained. These amounts are approximately $3,500,000 and $1,000,000, respectively.

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 139 companies exclusive of other detail on the balance sheet. An additional 99 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 362 companies provided inventory details on the balance sheet as follows:

Separate captions and amounts presented for:	*Number of Items*
Finished goods or products	177
Work in process	116
Raw materials	97
Materials	2
Supplies	108
Merchandise	33
Various other separate captions	4

Combined caption with one total amount presented for:	*Number of Items*
Finished goods and work in process	70
Finished goods, work in process, and raw materials	32
Finished goods, work in process, raw materials and supplies	23
Work in process and raw materials	19
Work in process, raw materials and supplies	15
Raw materials and supplies	67
Raw materials, supplies, and finished goods	8
Materials and supplies	49
Various other combined factors	14

Inventories Pledged

Seven companies indicated that some portion of their inventory was pledged as security on a loan (*Co. Nos. 219, 289, 339, 438, 513).

Pricing Basis

The most commonly used basis of valuation for inventories continues to be "lower of cost or market," as shown in the 1962 reports of the 600 survey companies. Table 10 summarizes the various bases stated by the survey companies to have been used in the pricing of their inventories.

*Refer to Company Appendix Section.

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

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

METHODS OF "COST" DETERMINATION

Table 10 also discloses the methods of "cost" determination for the pricing of either all or part of the inventories as reported by 413 of the 600 survey companies. The remaining 187 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 used in the valuation of inventories follow, and it may be noted that many of the methods disclosed apply to part of the inventory only.

Last-in, First-out "Cost"

CRUCIBLE STEEL COMPANY OF AMERICA

Current Assets:	*(In Thousands)*
Inventories—mainly at lifo cost	
Finished and semi-finished products	$45,846
Raw materials and supplies	13,883

THE INTERNATIONAL SILVER COMPANY

Current Assets:	
Inventories, approximately 65% at lower of average cost or market, and approximately 35% at last-in, first-out cost:	
Raw materials and supplies	$ 5,852,488
Work in process	11,451,974
Finished goods	6,978,567
	$24,283,029

TABLE 10: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1962	1960	1955	1950
Lower of Cost or Market—				
A: Lower of Cost or Market	396	381	349	342
B: Lower of Cost or Market; and Cost	67	91	82	67
C: Lower of Cost or Market; and one or more other bases	20	20	40	53
D: "Cost not in excess of Market"	41	35	54	24
	524	527	525	486
Cost—				
E: Cost	40	42	34	63
F: Cost; and one or more other bases	11	15	60	57
G: Cost; and Lower of Cost or Market (See above)	67	91	82	67
H: Cost; less than market	18	13	20	6
	136	161	196	193
Other Bases—				
I: Cost or less than cost	16	14	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	2	4	5	8
N: Contract price	2	1	4	11
O: Selling price	1	1	3	4
P: Assigned values	—	1	3	7
Q: Various other bases	3	2	22	11
	36	37	91	118
Total	696	725	812	797

II: Method of Determining "Cost"

Methods**	1962	1960	1955	1950
A: Last-in, first-out	195	196	202	161
B: Average cost	153	157	146	136
C: First-in, first-out	183	182	138	134
D: Standard costs	34	35	31	32
E: Approximate cost	5	10	11	16
F: Actual cost	14	9	8	7
G: Invoice cost	2	2	1	5
H: Production cost	5	9	4	5
I: Estimated cost	—	6	5	2
J: Replacement or current cost	5	6	4	2
K: Retail method	17	16	14	6
L: Base stock method	3	5	4	6
M: Job-order method	3	4	1	2
N: Other methods	3	3	8	4
Total	622	640	577	518

Number of Companies:	1962	1960	1955	1950
Stating inventory pricing basis and cost method	301	323	382	361
Stating inventory pricing basis but cost method with regard to part of inventory only	112	103		
Stating inventory pricing basis but omitting cost method	186	174	212	232
Not stating inventory pricing basis or cost method (*Co. No. 29)	1	—	6	7
Total	600	600	600	600

I: *Refer to Company Appendix Section—A: Co. Nos. 42, 132, 264, 418, 580; B: Co. Nos. 41, 189, 311, 443, 592; C: Co. Nos. 40, 130, 403, 532; D: Co. Nos. 9, 109, 290, 427, 541; E: Co. Nos. 84, 127, 226, 328, 441; F: Co. Nos. 169, 374, 458; H: Co. Nos. 230, 324, 504; I: Co. Nos. 70, 168, 471; J: Co. Nos. 128, 284, 416; K: Co. No. 561; L: Co. Nos. 59, 250, 592; M: Co. Nos. 62, 387; N: Co. 567; O: Co. No. 100; Q: Co. Nos. 4, 102.
II: **Refer to Company Appendix Section—A: Co. Nos. 15, 95, 260, 433, 540; B: Co. Nos .49, 88, 310, 480, 574; C: Co. Nos. 69, 102, 201, 336, 466; D: Co. Nos. 32, 118, 209, 413, 501; E: Co. Nos. 134, 278, 356, 485; F: Co. Nos. 32, 414, 444; G: Co. No. 408; H: Co. Nos. 84, 130, 173; J: Co. Nos. 318, 328, 341; K: Co. Nos. 143, 228, 268, 337, 594; L: Co. Nos. 205, 403; M: Co. Nos. 119, 374; N: Co. Nos. 249, 436.

J. P. STEVENS & CO., INC.

Current Assets:

Inventories—Note A:	
Raw materials	$ 20,556,994
Stock in process	28,572,801
Cloth in process	37,997,035
Finished goods	44,937,237
Supplies, waste, etc.	3,531,486
	$135,595,553

Note A: Inventories are stated at the lower of cost or market. As at November 3, 1962, cost has been determined by the LIFO method with respect to $7,362,474 of the inventories. On the FIFO basis, such inventories would have amounted to approximately $12,300,000. With respect to other inventories, amounting to $128,233,079, cost has been determined principally by the FIFO or average cost method or on the basis of standard costs.

Average "Cost"

THE AMERICAN SUGAR REFINING COMPANY

Current Assets:

Inventories—Note 2:	
Raw cane sugar	$17,116,491
Stock in process	4,130,976
Finished cane sugar products	7,539,667
Finished beet sugar products	6,309,230
Materials and supplies	8,733,328
	$43,829,692

Note 2: *Inventories*— Cane sugar inventories are valued at the lower of average cost or market. The finished beet sugar products which are valued on the last-in, first-out method are $4,896,976 less in 1962 and $4,455,822 less in 1961 than they would be if valued under the first-in, first-out method. Other inventories, principally supplies, are valued at average cost.

GENERAL PLYWOOD CORPORATION

Current Assets:

Inventories at lower of cost or market:	
Finished goods and in process: 1962, approximately $4,600,000 at first-in, first-out cost, and the remainder at average cost	$5,630,938
Raw materials and supplies, at average cost	610,399
	$6,241,337

HALLIBURTON COMPANY

Current Assets:

Inventory of sales items, at average cost which is less than market	$11,788,037
Inventory of operating supplies, at average cost	17,742,447

SHARON STEEL CORPORATION

Current Assets:

Inventories—Note B	$22,086,000

Note B: *Inventories*—Approximately 78% of the inventories have been valued at cost, as determined on the last-in, first-out method, which is less than market. The remaining inventories are valued at the lower of average cost or market.

Raw materials and supplies	$ 8,903,000
Finished and semifinished material	13,183,000
	$22,086,000

First-in, First-out "Cost"

AUTOMATIC CANTEEN COMPANY OF AMERICA

Current Assets:

Inventories, at lower of cost (first-in, first-out) or market:	
Merchandise for resale	$9,164,365
Manufactured merchandising equipment	4,781,356
Work in process, parts, materials, and supplies	8,875,440

HAMILTON WATCH COMPANY

Current Assets:

Inventories, silver of Wallace Silversmiths, Inc. (subsidiary), at cost ($913,346 for 1962 and $848,830 for 1961) on a last-in, first-out basis (substantially below current replacement cost); all other inventories at first-in, first-out cost or market, whichever the lower:	
Finished stock	$ 3,433,746
Work in process	5,249,370
Raw materials and purchased parts	2,417,041
Supplies	321,612
	$11,421,769

KENNECOTT COPPER CORPORATION

Current Assets:

Metals and metal products	$108,263,649
Ores and concentrates, at cost	7,409,125
Materials and supplies, at or below cost	37,898,440

Notes to Financial Statements

Inventories: Inventories of metals and metal products are carried at the lower of cost or market. In general, cost is computed on a "first-in, first-out" method, but a "last-in, first-out" method is used for certain inventories of the fabricating divisions.

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	$ 6,052,452
Raw materials	6,230,473
Packages	2,557,974
Manufacturing and general supplies	494,183
	$15,335,082

Standard "Cost"

ERIE FORGE & STEEL CORPORATION

Current Assets:

Inventories—Note B:	
Finished goods and work in process	$3,323,299.67
Raw materials	629,506.09
Supplies	561,646.87
	$4,514,452.63

Note B: *Inventories*—Inventories of the parent Corporation are stated at the lower of cost (raw materials—mainly cumulative average cost; work in process—mainly standard cost, adjusted at reasonable intervals to reflect changed conditions; supplies—mainly first-in, first-out method) or replacement market. The subsidiary's inventories are stated at lower of cost (principally standard cost which approximates actual) or replacement market.

NATIONAL PRESTO INDUSTRIES, INC.

Current Assets:

Inventories:	
Raw materials	$1,485,895.86
Work in process	824,280.00
Finished goods	2,803,878.51
Supplies	231,796.58
	$5,345,850.95

Notes to Financial Statements

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

AMERICAN ENKA CORPORATION

Current Assets:

Inventories (Note 1) $24,644,245

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 30, 1962 follows:

Finished goods	$ 7,729,638
Work in process	8,277,548
Raw materials	5,516,906
General stores	3,120,153
	$24,644,245

THE NEW YORK AIR BRAKE COMPANY

Current Assets:

Inventories—generally at standard cost, not in excess of lower of cost or market... $10,125,980

Approximate Cost

HARNISCHFEGER CORPORATION

Current Assets:

Inventories of raw material, work in process and finished goods—at approximate cost or market, whichever lower $34,298,459

SCREW & BOLT CORPORATION OF AMERICA

Current Assets:

Inventories (Note 3): 5,904,698

Note 3: *Inventories*	*1962*	*1961*
Raw materials	$3,143,529	$3,050,174
Finished and semifinished products	2,166,731	2,667,500
Supplies	594,438	620,743
	$5,904,698	$6,338,417

Inventories other than supplies were priced at cost, determined under the last-in, first-out method, which is lower than market. Supplies are stated at the lower of approximate cost or market.

Replacement or Current Cost

CANNON MILLS COMPANY

Current Assets:

Inventories—at lower of cost ($51,084,570 based on the last-in, first-out method, and $1,828,499 based on current costs) or market........................ $52,913,070

THE PITTSTON COMPANY

Current Assets:

Inventories, at the lower of actual or replacement cost:

Fuels	$11,660,689
Merchandise	927,889
Supplies	4,545,983
	$17,134,561

Job-Order Method

BEECH AIRCRAFT CORPORATION

Current Assets:

Inventories, less progress payments of $302,934 in 1962—Note B $24,526,301

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

	1962	*1961*
Demonstrator airplanes	$ 1,669,752	$ 995,347
Work in process	16,345,069	13,764,974
Raw materials and parts	6,814,414	3,920,494
	$24,829,235	$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.

BURROUGHS CORPORATION

Current Assets:

Inventories, less progress billings on uncompleted U.S. government contracts (Note 2) $150,506,737

Note 2: Inventories—Inventories are valued at the lower of cost or market, less progress billings on uncompleted U.S. government contracts. Cost is determined by job order method for 7% of the inventories, by approximate first-in, first-out method for 85% of the inventories and by last-in, first-out method for 8% of the inventories. The effect on net income for 1962 from the use of the last-in, first-out method was not material.

Retail Method

MELVILLE SHOE CORPORATION

Current Assets:

Inventories—at lower of cost (approximately 15% valued at lifo) or market, principally by the retail method $37,559,003

SEARS, ROEBUCK & CO.

Current Assets:

Inventories—at lower of cost or market $603,490,428

Notes to Financial Statements

Inventories: Merchandise inventories at year end were $603,490.428 compared with $603,116,468 last year, an increase of $373,960. Inventories for retail stores opened in 1961, and additional inventories carried for retail stores which were enlarged during the year amounted to $4,817,353 at January 31, 1962. In addition to inventories on hand, the Company had merchandise on order for future deliveries amounting to $689,163,000, an increase of $12,080,000 over last year's $677,083,000. Merchandise inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis for individual items for mail order, pool stocks, and factories, and by the retail inventory method for retail stores.

Base Stock Method

THE EAGLE-PICHER COMPANY

Current Assets:

Inventories of raw materials, work in process, finished products, and supplies (Note 1) $20,391,390

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

Prime Cost

ADAMS-MILLIS CORPORATION

Current Assets:

Inventories —Note B:

Hosiery, finished and in process	$1,540,959
Yarn	715,617
Other products, materials, and supplies	598,008
	$2,854,584

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.

R. C. ALLEN BUSINESS MACHINES, INC.
Current Assets:
Inventories:

Finished products	$ 277,216
Work in process	1,008,567
Raw materials and supplies	159,940
Total inventories	$1,445,723

Notes to Financial Statements

Inventories: The amounts of consolidated inventories at December 31, 1962, have been determined generally by physical inventories. Of the total inventories at December 31, 1962, $947,352 is stated at the lower of cost (first-in, first-out) or market of materials, direct labor, and other direct costs, exclusive of overhead. The remainder of $498,371 representing typewriter division inventories, is stated at lower of cost (first-in, first-out) or market, including overhead. The initial typewriter division inventories were purchased in 1950, on a basis including overhead, and this basis has been consistently followed there-after in determining the cost of this division's inventories.

While the companies have consistently followed the practice of omitting overhead from costs with respect to their inventories (other than those of their typewriter division), such omission is not recognized as being in conformity with generally accepted accounting practice. If overhead had been included in the inventory valuations at December 31, 1961, and 1962, the inventories would have been approximately $515,000 and $375,000 higher respectively, and the 1962 net income would have been lower by approximately $140,000.

Other Methods

PHILLIPS PETROLEUM COMPANY
Current Assets:
Inventories:

Crude oil, petroleum products, and merchandise—Note 1	$123,800,808
Materials and supplies, at cost or condition value	22,481,488

Note 1: *Inventories*—Inventories are priced substantially at cost, which is lower than market in the aggregate, calculated mainly by use of the last-in, first-out method with crude oil on an annual basis and refined products, chemicals, and natural gasoline products on a monthly basis.

DETERMINATION OF "MARKET"

There were 556 of the 600 companies that mentioned market value in their presentation of inventories. Of these, 89 companies stated 102 methods used in the determination of such values in their 1962 reports as follows:

Current replacement values (by purchase or reproduction) (*Co. Nos. 105, 153, 241, 354, 560)	55
Net realizable value (recoverable cost) (*Co. Nos. 210, 359, 413, 478)	23
Selling price (*Co. Nos. 36, 180, 458)	10
Purchase price (*Co. Nos. 56, 356, 438)	6
Hedging procedure values (*Co. Nos. 59, 250, 486)	5
Various other (*Co. Nos. 499, 535, 546)	3
Total	102

Current Replacement Values

BURLINGTON INDUSTRIES, INC.
Current Assets:
Inventories—Note B:

Raw materials	$ 54,855,904
Stock in process	44,961,083
Goods in process	39,555,181
Finished goods	60,940,183
Supplies, dyes and chemicals	10,330,398
Total inventories	$210,642,749

Note B: *Inventories*—(1) Invenories are stated at the lower of cost (principally average cost) or replacement market, except certain mill inventories (not significant) of two subsidiaries (one acquired during the year) stated at cost on the basis of last-in, first-out which is less than the value based upon the lower of cost or market.

CENTURY ELECTRIC COMPANY
Current Assets:
Inventories—Note A:

Finished product	$1,138,968
Products in process	1,295,949
Raw materials	1,229,192
Manufacturing supplies	406,342
	$4,070,451

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

COPPERWELD STEEL COMPANY
Current Assets:
Inventories:

Finished products	$ 2,567,012
Work in process	8,076,125
Raw materials	8,012,989
Supplies	1,246,134
Rolls and molds	1,496,499
Total inventories	$21,398,759

Notes to Financial Statements

Note 2: Inventories are valued generally at the lower of average cost or current replacement market except, for the purpose of computing cost of products sold of the Wire and Cable Division, copper used in production is charged at the price in the inventory (including firm purchase commitments) at the date of shipment which is nearest to the price on the basis of which the related sale was made. The valuation at which copper is carried in the inventory represents the resulting residual cost and is lower than average cost or current replacement cost. The replacement cost of such copper included in inventories, after taking into account related firm purchase commitments used in costing copper consumption, exceeded the amount at which copper is included in inventories by $1,320,493 at December 31, 1962 and $1,329,216 at December 31, 1961. Rolls and molds are carried at estimated useful value.

Net Realizable Value

MAXSON ELECTRONICS CORPORATION
Current Assets:
Inventories, at lower of cost or market (Note 2):

U.S. government contracts and subcontracts in process, less $1,165,196 progress payments (Note 4)	$439,072
Commercial products	884,473

Note 2: *Inventories*—U.S. government contracts and subcontracts in process are stated at accumulated costs less the estimated average cost of items delivered determined on the basis of the estimated total cost at completion. General and administrative expenses are included in costs allocated to such contracts and, accordingly,

*Refer to Company Appendix Section.

$325,887 of general and administrative expenses are included in inventories at September 30, 1962.

Commercial products inventories are stated at the lower of cost (determined on the basis of "first-in, first-out" or "average" methods) or estimated realizable market.

UNITED ENGINEERING AND FOUNDRY COMPANY

Current Assets:

Inventories (Note 3)	$30,295,635

Note 3: *Inventories*—Inventories were tested as to physical quantity and pricing. In general, the Companies maintain perpetual inventory records which are adjusted periodically to physical inventories of individual items taken by the Companies' employees. Raw materials and supplies are in general valued at average cost, purchased materials for contracts controlled through job orders are valued at actual cost of specific items and work in process controlled through job orders is valued at standard cost; all not in excess of replacement market. Finished parts are valued at the lower of standard cost or estimated realizable value.

Selling Price

AMERICAN SMELTING AND REFINING COMPANY

Current Assets:

Inventories (Note 2)	$121,800,420

Note 2: *Inventories—Principles of Valuation*—Primary gold, silver, copper, lead and zinc inventories are valued at cost on the basis of last-in, first-out, or at market if lower. However, metals sold under firm contracts for future delivery are valued at sales prices aggregating $19,651,600 (1961—$22,921,600).

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

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

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

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

Purchase Price

THE PILLSBURY COMPANY

Current Assets:

Inventories (Note 3)	$61,092,609

Note 3: *Inventories*—

	1962	*1961*
Grain	$33,563,793	$14,723,434
Other raw materials	6,094,488	6,302,015
Finished products	18,185,349	17,806,956
Containers and suppliers	3,248,979	2,877,638
	$61,092,609	$41,710,043

Grain 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 considered 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 $2,406,707 at May 31, 1962 are pledged in connection with bank loans of $1,788,597 of a Canadian subsidiary, in accordance with required collateral stipulations of the Canadian Bank Act.

Various Other Methods

TOBIN PACKING CO., INC.

Current Assets:

Inventories (at market less allowances in conformity with generally accepted practice in the meat-packing industry, or at lower of cost or market)

Livestock, meats and other merchandise	$4,956,897
Manufacturing supplies	768,516
	$5,725,413

SINCLAIR OIL CORPORATION

Current Assets:

Inventories:

Crude and refined oils, at cost following the last-in first-out principle (lower than aggregate market)	$140,849,314
Materials and supplies, at cost or fair value	18,935,184

Hedging Procedure Values

GENERAL MILLS, INC.

Current Assets:

Inventories (Note 3)	$63,953,271

Note 3: *Inventories*

Grain for processing, flour and soybean products, at market, after appropriate adjustment for open cash trades, unfilled orders, etc.	$35,670,202
Package foods, electronic and testing equipment, poultry flocks, formula feeds, etc., at lower of cost or market	19,177,893
Containers, supplies, mechanical equipment contracts, etc., at cost	7,508,221
	62,356,316
Advances on grain and other commodities	1,596,955
	$63,953,271

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

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. There were no additions noted in the number of companies referring to the use of lifo during the year. One company abandoned lifo, while eight companies that had referred to the use of lifo in 1961, made no such reference in the current year.

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 value for the years 1962, 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

Examples illustrating the disclosures of the use of

TABLE 11: LIFO INVENTORY COST METHOD

Number of Companies	1962	1960	1955	1950
Using Lifo at beginning of year	204	202	200	118
Adopting Lifo during year	—	—	4	42
Subsidiaries acquired with Lifo..	—	2	2	—
No reference to Lifo in current year (*Co. Nos. 29, 121, 261, 286, 288, 301, 544, 591......	(8)	(5)	—	—
Readopting Lifo during year	—	—	—	1
Abandoning Lifo during year (*Co. No. 107)	(1)	(3)	(4)	—
Using Lifo at end of year (See Table 12)	195	196	202	161
Not referring to use of Lifo ...	405	404	398	439
Total	600	600	600	600
Extending Lifo to additional inventory classes during year (*Co. Nos. 303, 312)	2	—	3	16
Partially abandoning Lifo during year	—	—	—	1

*Refer to Company Appendix Section.

lifo in the 1962 reports will be found under the immediately preceding subheadings dealing with "Methods of Cost Determination", and "Determination of Market." Consequently, additional examples of similar nature are not considered necessary here. However, one example which may be of interest is reproduced below:

Extension of Lifo

INDIAN HEAD MILLS, INC.
Current Assets:
Inventories—Note B:

Raw materials and supplies	$ 3,650,033
Work in process	5,405,663
Greige and finished goods	9,571,705
	$18,627,401

Note B: *Inventories*—Inventories are valued at the lower of cost (either first-in, first-out or last-in, first-out basis) or market. Inventories on the last-in, first-out cost method aggregating $5,989,000 were $3,781,000 less than their value at the lower of first-in, first-out cost or market.

Financial Review

Inventories have shown only a slight increase despite the increase in sales volume. The following tabulation compares inventories before and after LIFO reserves, in thousands of dollars:

Year-End	Fifo Cost or Market	Lifo Reserve	Net per Balance Sheet
1962	$22,408	$3,781	$18,627
1961	20,724	2,278	18,446
Increase	$ 1,684	$1,503	$ 181

The Company adopted the Last-In, First-Out (LIFO) method for valuing the inventory of the Native Laces & Textiles Division acquired in early 1962. By using this method of valuing inventory, a gain of $1,503,000, which would have been taxable at the full 52% rate, was not reflected in this year's income statement. It was added instead to the LIFO reserve for inventories, increasing it to $3,781,000 at the year-end. This reserve represents stockholders' capital invested in inventory equivalent to $2.75 per common share which is not reflected in book value of the common stock.

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 "problems which arise in the accounting treatment of two types of reserves whose misuse may be the means of either arbitrarily reducing income or shifting income from one period to another:"

(a) General contingency reserves whose purposes are not specific;
(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.

See also quotation in this section under "Contingency Reserves" for additional information on the subject.

Purpose Stated

Table 13 indicates the nature of the inventory reserves as shown by the survey companies disclosing such reserves. Formerly the most common types of inventory reserves were those for obsolescence, possible future inventory price declines, or for the restatement of, replacement of, or reduction to lifo inventories. Since 1950, however, there has been a decrease of over 70 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, 2 in 1962), "basic lifo replacement" (18 in 1950, 3 in 1962), and "purpose not stated" (24 in 1950, 4 in 1962).

TABLE 12: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers	Lifo Used In: 1962	1960	1955	1950
	Chemicals and Chemical Products:				
29	Chemical (*Co. Nos. 71, 329, 426)	3	7	8	7
15	Drugs, Medicines, and Cosmetics	—	—	—	—
6	Paints and Varnish (*Co. No. 399)	1	2	2	3
24	Clay, Glass, Building Materials (*Co. Nos. 17, 277, 315, 336, 371, 398)	6	6	9	4
25	Electrical Appliances and Machinery (*Co. Nos. 131, 246, 249, 461, 510, 588)	6	6	6	3
	Food Products:				
9	Bakery	—	—	1	1
12	Beverage (*Co. Nos. 57, 148, 225, 397)	4	3	2	2
15	Canning and Preserving (*Co. Nos. 35, 120, 257, 300, 341, 366, 511, 526)	8	7	8	6
8	Confectionery (*Co. Nos. 88, 106, 287, 596)	4	4	5	4
7	Dairy (*Co. Nos. 104, 124)	2	2	3	3
10	Grain Milled Products (*Co. No. 59)	1	1	2	2
11	Meat Products (*Co. Nos. 62, 363, 387, 458, 535, 592)	6	6	7	6
7	Sugar (*Co. Nos. 47, 293, 575)	3	2	2	2
12	Instruments—Scientific (*Co. Nos. 91, 208, 276, 316)	4	4	3	3
8	Leather and Shoe Products (*Co. Nos. 270, 311, 372)	3	3	3	3
7	Lumber and Wood Products (*Co. Nos. 192, 201, 589)	3	4	5	1
	Machinery:				
6	Agriculture (*Co. Nos. 16, 126, 127, 189)	4	4	5	1
14	Business and Store (*Co. Nos. 119, 394, 475, 577)	4	3	4	3
34	General Industrial (*Co. Nos. 43, 174, 199, 320, 376, 431, 523, 536)	8	7	6	3
9	Household and Service	—	—	3	1
25	Special Industrial (*Co. Nos. 97, 111, 176, 279, 496, 559)	6	6	4	2
26	Metal Products (*Co. Nos. 27, 37, 41, 146, 166, 226, 404, 484, 485, 497, 520)	11	8	8	5
6	Motion Pictures	—	—	—	—
18	Nonferrous Metals (*Co. Nos. 18, 36, 45, 52, 53, 325, 433, 466, 468, 480)	10	12	14	12
17	Paper (*Co. Nos. 135, 190, 310, 328, 370, 417, 481, 551, 586)	9	8	10	9
28	Petroleum (*Co. Nos. 58, 67, 70, 141, 168, 273, 436, 452, 455, 471, 499, 504, 514, 515, 516, 517, 530, 543, 553)	19	19	17	16
8	Printing and Publishing (*Co. No. 365)	1	2	1	1
10	Radio, Records, Television	—	—	—	—
35	Retail Stores (*Co. Nos. 143, 228, 230, 260, 263, 332, 353, 362)	8	9	12	13
10	Rubber Products (*Co. Nos. 229, 255, 264, 265)	4	4	4	4
34	Steel and Iron (*Co. Nos. 3, 8, 11, 61, 94, 153, 169, 171, 178, 191, 207, 280, 305, 318, 350, 402, 443, 465, 491, 527, 568, 572, 576, 590, 599)	25	23	20	15
	Textiles:				
5	Floor Covering (*Co. Nos. 12, 63, 95, 382)	4	4	6	6
5	Synthetic Fibers (*Co. Nos. 49, 556)	2	3	1	1
22	Wool and Cotton (*Co. Nos. 89, 99, 117, 123, 150, 186, 303, 324, 462, 524, 540, 650)	12	11	11	13
11	Tobacco (*Co. Nos. 159, 469)	2	2	1	1
	Transportation Equipment:				
17	Aircraft	—	—	—	—
6	Boat and Ship (*Co. No. 238)	1	1	1	1
12	Railway (*Co. Nos. 253, 448, 451)	3	4	4	3
15	Motor Vehicles (*Co. Nos. 115, 140)	2	5	1	—
22	Miscellaneous (*Co. Nos. 163, 312, 434, 448, 450, 593)	6	4	3	1
600	Total	195	196	202	161

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

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

Inventory Price Decline or Losses

CUTLER-HAMMER, INC.

Long Term Debt and Reserves

Long Term Debt (Note 5)	$5,922,742
Reserve for Possible Inventory Losses and Other Contingencies	1,500,000
Reserve for Deferred Federal Taxes on Income (Note 2)	2,257,832
	$9,680,574

Inventory Obsolescence

EATON MANUFACTURING COMPANY

Current Assets:

Inventories—at lower of cost (principally at current standards) or replacement market:	
Finished and in process	$41,159,119
Raw materials	5,049,638
Manufacturing supplies	2,514,317
	$48,723,074
Less allowances for shrinkage and obsolescence	2,361,416
	$46,361,658

SYMINGTON WAYNE CORPORATION

Current Assets:

Inventories—Note 3 ....$16,563,070

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

	1962	1961
Finished and in process	$10,135,493	$ 9,577,469
Materials and supplies	5,775,164	4,847,715
Service parts	786,358	964,949
Provision for obsolescence	(133,945)	(40,497)
	$16,563,070	$15,349,636

Inventory cost has been determined generally on the first-in, first-out (FIFO) basis with the exception of inventories totaling $1,503,000 in 1962, $1,544,000 in 1961, which have been priced on a last-in, first-out (LIFO) basis.

Reduction to Market

BIGELOW-SANFORD, INC.

Current Assets:

Inventories (Note 1)—	
Finished Goods	$13,497,484
Work in Process	7,090,474
Raw Materials and Supplies	4,881,197
Total Inventories	$25,469,155

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

Carpet raw materials and raw material content of in-process and finished goods at cost, determined on the last-in, first-out method	$ 7,075,596
Less—Reserve for unrealized losses based upon market value of certain raw materials	117,236
	$ 6,958,360
Manufacturing costs, etc., at standard cost	9,166,164
Miscellaneous inventories, at lower of cost or market	9,344,631
Total inventories	$25,469,155

TABLE 13: INVENTORY RESERVES

Purpose Stated	1962	1960	1955	1950
Possible future inventory price decline or losses (*Co. Nos. 185, 560)	2	8	14	49
Inventory obsolescence (*Co. Nos. 209, 292, 304, 317, 536, 561)	8	12	12	19
Basic Lifo replacement (*Co. Nos. 59, 452, 535)	3	5	6	18
Restatement of Lifo	—	1	2	—
Reduction to Lifo cost (*Co. Nos. 11, 174, 527)	5	2	6	6
"Base stock" adjustment (*Co. Nos. 172, 399, 525)	3	4	4	5
Reduction to market (*Co. Nos. 95)	1	1	3	2
"Released film" amortization (*Co. Nos. 188, 195, 375, 419, 549)	5	4	5	5
Inventory shrinkage (*Co. Nos. 209, 402)	2	3	3	3
Materials and supplies adjustments (*Co. Nos. 36, 452)	2	2	1	4
Inventory hazard	—	—	1	1
Purpose not stated (*Co. Nos. 5, 77, 581)	4	5	16	24
Miscellaneous (*Co. Nos. 143, 264)	2	1	5	11
Total	37	48	78	147
Terminology Used				
"Reserve"	18	23	42	86
"Provision"	4	6	7	11
Various other terms	15	19	29	50
Total	37	48	78	147
Number of Companies with:				
Inventory reserves	35	45	71	124
No inventory reserves	565	555	529	476
Total	600	600	600	600

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

Lifo Inventory Reserves

THE PURE OIL COMPANY

Current Assets:

Inventories—	
Crude oil, refined oils and merchandise (Note 1)	$61,273,673
Materials and supplies, at latest cost less allowance for condition	9,820,533
Reserves and Deferred Credit:	
Reserve for replacement of inventories	$ 752,000
Reserve for contingencies	3,964,035
Deferred income	4,841,889
	$ 9,557,924

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.

CRANE COMPANY

Current Assets:

Inventories, at lower of cost or market (after deducting $25,693,012 in 1962 to state the principal inventories in the U.S. on a LIFO basis):	
Raw materials and supplies	$ 9,278,625
Work in process	24,998,554
Finished goods	30,711,743
	$64,988,922

Released Film Amortization

TWENTIETH CENTURY-FOX FILM CORPORATION

Current Assets:

Inventories:	
Film productions, at cost (Note 2):	
Released, less amortization	20,267,644
Completed (not released) and in progress	42,505,288
Stories and scenarios, at cost	5,533,987
Television productions, at cost, less amortization (Note 2)	5,517,048
Other	4,381,964
	$78,205,931

Note 2: Inventories—Inventories of film productions include the following advances pertaining to co-productions:

Productions released, less amortization	$ 8,465,000
Productions completed (not released) and in progress	22,393,000
	$30,858,000

The cost of each released feature production, except for $10,000 of negative cost considered applicable to future income from television and excluding the co-production, "The Longest Day", is amortized as shown below, based on past film rental income experience:

	Percentage of Amortization	
Number of weeks after date of release	*Negative Cost*	*Domestic print and advertising costs*
13	49.0%	70.0%
26	75.0	93.0
39	86.0	97.4
65	94.6	100.0
104	100.0	—

In addition to amortization by the application of the above tables, each production was evaluated separately rather than in the aggregate as in prior years and the company provided additional amortization of $7,827,000 during the current year in order to reduce the inventory of productions in release to the estimated net amount to be realized from theatrical distribution. The evaluation on an individual production basis did not result in a material difference from that which would have been provided if an evaluation of production in the aggregate had been made.

During the year, the company released "The Longest Day" on a reserved seat basis and has commenced to amortize the picture cost on a basis designed to provide amortization charges in the proportion that actual theatrical film rentals bear to management's estimate of the total theatrical film rentals that will be realized.

In 1962, the application of general studio overhead to film productions in process was changed. Certain foreign costs formerly charged to general studio overhead are now considered as direct charges to the cost of foreign production. In addition, general studio overhead is now applied only to direct negative costs of domestic productions. In lieu of general studio overhead, foreign productions are charged a supervisory fee, which represents principally administrative services rendered by the studio in connection with such productions. The effect of the foregoing changes in accounting principles was to increase amortization of film costs and the loss for 1962 by approximately $2,500,000.

The cost of television productions is being amortized at the rate of 80% at the time that income is accrued for license of individual episodes for network runs, with the remaining unamortized cost applied against syndication income, net of distribution costs. In addition to such amortization, the company provided additional amortization of approximately $1,000,000 during the current year in order to reduce the inventory of released television productions to the estimated net amount to be realized from television distribution.

While film inventories are not entirely liquidated within one year, it is the practice of the motion picture industry to include such assets among the current assets.

Inventory Shrinkage

NATIONAL STEEL CORPORATION

Current Assets:

Inventories of finished and semi-finished products, raw materials, and supplies—Note A	$147,202,160

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	$ 77,477,907
Raw materials	48,737,638
Manufacturing supplies, rolls, and spares	22,791,678
	$149,007,223
Less reserves for shrinkage	1,805,063
	$147,202,160

Base Stock Adjustment

NATIONAL LEAD COMPANY

Current Assets:	
Inventories (Note 2)	$117,325,031
Above Stockholders' Equity:	
Inventory reserve (Note 2)	$11,328,362

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	$24,860,847
Raw materials and manufacturing supplies	3,106,505
	$27,967,352
Less: Reserve to reduce basic inventories to 1945 price levels	4,360,000
	$23,607,352

Purpose Not Stated

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

Current Assets:

Inventories—(Note)	$39,527,846

Note to Financial Statements

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

	1962	*1961*
Raw materials and supplies	$ 2,905,331	$ 3,133,415
Work in process	3,992,007	3,893,874
Finished parts, machines, and supplies	33,498,295	33,393,056
	$40,395,633	$40,420,345
Less-Allowance	867,787	873,683
	$39,527,846	$39,546,662

WALGREEN CO.
Current Assets:
Inventories of merchandise, priced at the lower of cost or market, less reserves .. $44,623,565

Other

THE B. F. GOODRICH COMPANY
Above Stockholders' Equity:
Reserves:
For purchase contracts, foreign losses, sales adjustments and other purposes $14,932,960

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 1962), above stockholders' equity section (5 reserves in 1962), or in the current liabilities section (2 reserves in 1962). 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 1962, 1960, 1955, and 1950.

Examples of the various balance sheet presentations follow:

With Related Inventories

CITY STORES COMPANY
Current Assets:
Merchandise inventories—Note C $32,943,539

Note C: Merchandise Inventories—Determined principally 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 $5,046,000 more for this year and $4,998,000 more for last year if they had been priced at the lower of cost or market.

	This Year	*Last Year*
At LIFO cost	$23,821,920	$22,281,566
Less:		
Allowance for discounts	*614,267*	*490,185*
Allowance for markdowns and liquidation costs	*343,812*	—
	22,863,841	21,791,381
At lower of cost or market	10,079,698	4,818,178
	$32,943,539	$26,609,559

Italics denote red figures.

HOLLAND FURNACE COMPANY
Current Assets:
Inventories, at the lower of cost or market:

Raw material	$ 278,959
Work in process	290,684
Finished stock and finished parts	5,805,810
Factory supplies	36,175
	$6,411,628
Less, Reserve for slow-moving or obsolete inventory	560,000
	$5,851,628

TABLE 14: INVENTORY RESERVES

Balance Sheet Presentation	1962	1960	1955	1950
With Inventories for:				
Possible future inventory price decline or losses (*Co. No. 560**)	1	4	2	9
Inventory obsolescence (*Co. Nos. 209, 292, 304, 317, 536, 561)	8	11	12	15
Reduction to Lifo cost (*Co. Nos. 12, 303, 527**)	5	2	4	5
Materials and supplies adjustments (*Co. Nos. 36, 452)	2	2	1	3
"Base stock" adjustments (*Co. No. 525)	1	1	3	4
Reduction to market (*Co. No. 95)	1	1	2	1
"Released film" amortization (*Co. Nos. 188, 195, 375, 419, 549)	5	4	5	5
Inventory shrinkage (*Co. Nos. 209, 402)	2	3	2	3
Purpose not stated (*Co. Nos. 5, 77, 581)	4	5	7	11
Miscellaneous (*Co. No. 143)	1	—	3	8
Among Current Liabilities for:				
Basic Lifo replacement (*Co. Nos. 59, 535)	2	4	3	7
Miscellaneous	—	—	1	1
Above Stockholders' Equity for:				
Possible future inventory price decline or losses (*Co. No. 185)	1	2	1	15
Inventory obsolescence	—	1	—	4
Reduction to Lifo cost	—	—	2	1
Basic Lifo replacement (*Co. No. 452)	1	1	2	9
Reduction to market	—	—	1	1
"Base stock" adjustments (*Co. Nos. 172, 399)	2	3	1	1
Restatement of Lifo	—	1	2	—
Purpose not stated	—	—	4	7
Miscellaneous (*Co. No. 264)	1	1	2	2
Within Stockholders' Equity for:				
Possible future inventory price decline or losses	—	2	10	25
Purpose not stated	—	—	5	7
Miscellaneous	—	—	3	3
Total	37	48	78	147

*Refer to Company Appendix Section.
**Referred to in Letter to Stockholders.
Refer also to Table 13.

JONES & LAMSON MACHINE COMPANY
Current Assets:

Material and supplies, work in process and finished parts and machines—at cost or standard cost	$4,647,003
Less: Reserve for obsolescence	150,000
	$4,497,003

Among Current Liabilities

SWIFT & COMPANY
Provision for replacement of "Lifo" inventories (net after income taxes) $558,675

ARCHER, DANIELS, MIDLAND COMPANY

Anticipated replacement cost of inventories (Note 2)	$242,000

Note 2: Inventories—

At lower of cost (first-in, first-out method) or market:	
Soybeans and other raw materials	$11,762,491
Chemicals and sundry products	10,008,364
Materials and supplies	1,215,344
Total	$22,986,199
At market:	
Wheat and other grains, flour and meal	24,863,733
At lower of cost (last-in, first-out method) or market:	
Soybean oil, linseed oil, sperm oil and crude fish oil	3,100,344
Total	$50,950,276

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 $1,497,000 at June 30, 1962 and $2,423,000 at June 30, 1961. The anticipated cost of replacing certain inventories by the end of the reporting year for income tax purposes (December 31, 1962) is $242,000 and is reflected as a current liability after adjustment for allocable income tax effect.

Above Stockholders' Equity

CORN PRODUCTS COMPANY

Reserves:

For reduction of normal inventories to fixed prices	$1,504,488

Notes to Financial Statements:

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.

Letter to Stockholders

STRUTHERS WELLS CORPORATION

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 $159,094 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 48 in 1962, and for the year under review, none has presented the item as a current asset.

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

TABLE 15: CASH SURRENDER VALUE OF LIFE INSURANCE

Balance Sheet Presentation	1962	1960	1955	1950
As a current asset separately set forth	—	—	1	3
As a noncurrent asset separately set forth (*Co. Nos. 99, 202, 207, 334, 458, 523)	7	9	36	31
Combined with or shown under heading of other noncurrent assets (*Co. Nos. 195, 204, 268, 383, 434, 556)	40	53	49	79
Not shown on balance sheet but existence thereof discussed in notes (*Co. No. 366)	1	1	2	—
Number of Companies:				
Disclosing the above asset	48	63	88	113
Not disclosing the above asset	552	537	512	487
Total	600	600	600	600

*Refer to Company Appendix Section.

AMERICAN METAL PRODUCTS COMPANY

Investments and Other Assets:

Common stock of Briggs Manufacturing Company—at cost—Note G	$1,911,310
Investments in and advances to foreign subsidiaries not consolidated—Note A	1,477,330
Non-current amounts recoverable for tooling	1,717,544
Cash value of life insurance	147,768
Miscellaneous	91,091
Total investments and other assets	$5,345,043

BLUE BELL, INC.

Noncurrent Assets:

Cash surrender value of insurance on life of officer	$236,202

CRADDOCK-TERRY SHOE CORPORATION

Other Assets:

Customers' notes—deferred maturities		$ 2,164.77
Corporate stock, notes, real estate investments and sundry assets		57,449.50
Cash value of life insurance policies (maturity value $1,175,000.00)		114,817.00
Pension Fund: (Note 3)		
Cash	$ 16,690.28	
U.S. and Virginia Bonds	49,590.55	
Corporate securities and real estate mortgages	300,640.60	366,921.43
		$541,352.70

EASTERN STAINLESS STEEL CORPORATION

Noncurrent Assets:

Cash surrender value of life insurance policies	$397,363

JONES & LAMSON MACHINE COMPANY

Other Assets:

Cash value of life insurance	$114,789
Investments—at cost	405,648
Other notes receivable	50,000
Total Other Assets	$570,437

McCORMICK & COMPANY, INCORPORATED
Notes to Financial Statements:

Note D: Unfunded past service benefits under the trusteed pension plan amounted to approximately $1,625,000 at November 30, 1962 and are being funded over a twelve-year period.

The supplemental pension plan for certain management 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 net liability at November 30 was 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 trusted plan	$425,510
Less: Cash surrender value of employees' life insurance contracts	360,822
Investments at cost (market value, 1962—$48,361)	34,972
	395,794
Net liability	$ 29,716

TOBIN PACKING CO., INC.
Noncurrent Assets:

Cash surrender value of life insurance	$690,503

CLAIMS FOR REFUND OF INCOME TAXES

Table 16 summarizes the 51 claims for income tax refunds as disclosed by 49 of the survey companies in their 1962 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 17 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	1962	1960	1955
Claims for Refund of Federal Income or Excess Profits Taxes:			
Basis of Claims Explained as—			
A: Operating loss carry-back (*Co. Nos. 8, 137, 243, 376, 462, 548)	25	37	16
B: Sections 721-722 of Internal Revenue Code	—	—	3
C: Replacement of basic Lifo inventory	—	—	7
D: Adoption of Lifo inventory (*Co. Nos. 260, 353, 362)	3	3	6
E: Excess profits credit—carry-back	—	1	2
F: Various other (*Co. Nos. 9, 227, 359)	3	3	2
Basis of Claims Not Explained—			
G: Income taxes (*Co. Nos. 79, 101, 292, 347, 480, 513)	15	20	20
H: Excess profits taxes (*Co. Nos. 456, 467)	2	3	9
I: Taxes	—	—	4
Claims for Refund of:			
J: State Taxes (*Co. Nos. 420, 441)	2	1	1
K: Foreign taxes (*Co. No. 501)	1	3	2
Total	51	71	72

Presentation in 1962	A	D	E	F	G	H	J	K	1962 Total
Current assets	24	—	—	3	9	—	1	1	38
Noncurrent assets	—	3	—	1	2	—	—	—	6
Tax liability offset	—	—	—	—	—	—	—	—	—
Notes to statements	—	—	—	—	2	2	—	—	4
Letter to stockholders	1	—	—	—	2	—	—	—	3
Total	25	3	—	4	15	2	1	1	51

Number of Companies	1962	1960	1955
Referring to tax refund claims	49	64	62
Not referring to tax refund claims	551	536	538
Total	600	600	600

*Refer to Company Appendix Section.

Adoption of Lifo Inventory

GIMBEL BROTHERS, INC.
Noncurrent Assets:

Overpayments of federal income taxes claimed for the six years ended January 31, 1947 (See Note 1)	$5,960,000

Note 1: Merchandise inventories are stated at LIFO (last-in, first-out) cost as determined under the retail inventory method. Inventories are stated at January 31, 1962 and January 31, 1961 at $11,777,942 and $11,696,843, respectively, less than they would have been if the first-in, first-out principle had been applied in determining cost.

As explained in the report for the year ended January 31, 1948, the LIFO method was claimed for all years commencing with the fiscal year ended January 31, 1942. As a result of this claim, provision for federal income taxes for the periods since January 31, 1941 has been reduced by $7,230,000. Of this amount $5,960,000 represent overpayments claimed for the six years ended January 31, 1947 (carried in the accompanying balance sheet as a noncurrent asset). The balance of the reduction, $1,270,000, has been reflected in the reduced provision for federal income taxes in the fifteen years ended January 31, 1962. The court case involving the right to use the LIFO method for the year ended January 31, 1942 was decided in 1956 against the Company. The Company continues to take such action as is available to it to assert its right to use the LIFO method for the year ended January 31, 1943 and subsequent years, and no adjustments are being made in the financial statements as a result of the adverse decision for the year ended January 31, 1942 until clarification of the Company's position for all years.

Operating Loss Carry-Back

ENDICOTT JOHNSON CORPORATION
Current Assets:

Cash		$ 2,895,677
Trade accounts receivable, less provision of $600,000 for possible losses in collection		19,817,627
Refundable federal income taxes		658,000
Other accounts receivable		191,106
Inventories, on the basis of cost (principally average cost) or market, whichever is lower)		
Finished footwear on hand and in own retail stores	$33,189,235	
Footwear in process	1,425,374	
Raw materials	9,217,184	
Miscellaneous	1,071,889	44,903,682
Prepaid taxes, insurance and miscellaneous		946,388
		$69,412,480

Notes to Financial Statements

Note 4: Refundable federal income taxes are based on a consolidated return and arise from operating loss carry backs, which in 1962 represent current operating losses of certain subsidiary companies carried back to fiscal 1959, for which year individual tax returns were filed.

AMERICAN-SAINT GOBAIN CORPORATION

Current Assets:		
Cash		$ 7,570,519
Accounts receivable (less provision for doubtful accounts, 1962—$120,000)		3,895,862
Refundable Federal taxes on income arising from carryback of operating loss		185,600
Inventories—at lower of cost (first-in, first-out) or market:		
Finished and semi-finished		1,864,778
In process		1,818,216
Raw materials and supplies		2,208,789
		5,891,783
Prepaid expenses		292,166
Total Current Assets		$17,835,930

THE NATIONAL SUGAR REFINING COMPANY

Current Assets:	
Cash	$ 2,816,578
Accounts receivable, less reserve	8,045,441
Recoverable taxes on income resulting from loss carry-back	469,577
6% note receivable (current portion—see below)	100,000
Inventories (Note 2):	
Raw and refined sugar	13,060,427
Manufacturing supplies	1,295,238
Total	$25,787,261

State Taxes

PARKE, DAVIS & COMPANY

Current Assets:	
Cash	$ 30,088,385
Marketable securities—at lower of cost or market plus accrued interest	11,068,896
Trade accounts receivable, less allowance of $773,000 at December 31, 1962 for doubtful accounts	31,579,702
Recoverable excise taxes	996,567
Inventories—at lower of cost (first-in, first-out method) or market:	
Finished products	$ 16,831,743
Work in process	13,941,851
Raw materials and supplies	11,417,561
	$ 42,191,155
Prepaid taxes, insurance, and other expenses	3,566,132
Total current assets	$119,490,837

PITTSBURGH BREWING COMPANY

Current Assets:	
State excise tax refunds, due	$35,444

Foreign Taxes

SMITH-CORONA MARCHANT, INC.

Current Assets:	
Refundable United States and Canadian income taxes	$861,924

Excess Profits Taxes

REXALL DRUG AND CHEMICAL COMPANY
Notes to Financial Statements

Note 6: *Taxes on Income*—Claims for refund of United States taxes were filed in 1953 based upon the contention that the excess profits tax credits should be increased for the years 1940 to 1945, inclusive. In connection with such claims, waivers have been executed and are still outstanding as to certain such years. While final action has not yet been taken on the claims, the Treasury Department has made protective assessments of additional income taxes for 1942, 1943 and 1944 based principally upon substantial reductions claimed in the amount of income subject to excess profits taxes in those years. If the proposed adjustments giving rise to the protective assessments are approved, the reduction in excess profits taxes will substantially exceed the related income tax assessed, whereas disapproval of the proposed adjustments would substantially eliminate the basis for the additional income tax assessments. No amounts have been included in the financial statements with respect to these claims or the protective assessments.

FIXED ASSETS—Basis of Valuation

Of the 600 survey companies, 568 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. 153, 302, 390, 575).

Examples

Illustrations of the various methods of presentation of the value of fixed assets as disclosed in the 1962 reports are as follows:

At Cost

AUTOMATIC CANTEEN COMPANY OF AMERICA

Property, Plant, and Equipment—At Cost:	
Land, buildings, and improvements	$ 7,394,867
Automatic merchandising equipment	56,566,391
Manufacturing and sundry equipment	14,885,136
Total	78,846,394
Less accumulated depreciation	34,772,727
Net property, plant, and equipment	$44,073,667

COPPERWELD STEEL COMPANY

Property—At Cost:	
Land and land improvements	$ 738,281
Buildings and building equipment	9,615,581
Machinery and equipment	48,818,974
Construction in progress	1,988,475
Total	$61,161,311
Less accumulated depreciation and amortization	28,356,396
Property—net	$32,804,915

*Refer to Company Appendix Section.

TABLE 17: PROPERTY—FIXED ASSETS

Basis of Valuation	1962	1960	1955	1950
Cost (*Co. Nos. 11, 136, 277, 358, 500, 584)	539	515	457	396
Cost plus appraisal value (*Co. Nos. 263, 369, 417, 480)	4	10	11	22
Cost plus assigned, estimated, or revised values (*Co. No. 392)	1	2	6	7
Cost and various other bases (*Co. Nos. 44, 121, 163, 433, 589)	5	7	10	9
Cost in cash or securities (*Co. Nos. 53, 508, 539)	3	3	3	9
Cost in cash or securities plus subsequent additions at cost	—	—	2	2
Cost or below cost (*Co. Nos. 192, 289, 332, 570)	4	6	10	17
Approximate cost (*Co. Nos. 120, 138, 203, 463)	4	4	12	11
Approximate cost plus appraisal or revised values	—	—	1	2
Appraisal value with subsequent additions at cost (*Co. Nos. 30, 39, 311)	3	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. 270)	1	1	8	9
Revised value with subsequent additions at cost (*Co. No. 349)	1	2	2	5
Revised value with subsequent additions at cost plus various other bases	—	—	—	3
Acquisition value with subsequent additions at cost	—	—	—	4
Basic of predecessor plus additions at cost (*Co. Nos. 218, 561, 592)	3	4	3	2
Book value	—	1	2	1
Book value with subsequent additions at cost	—	1	2	4
Reproductive value with subsequent additions at cost	—	1	4	2
Number of Companies				
Stating valuation basis for fixed assets	568	562	547	535
Not stating valuation basis for fixed assets	32	38	53	65
Total	600	600	600	600

*Refer to Company Appendix Section.

KOPPERS COMPANY, INC.

Fixed assets, at cost:	
Buildings and equipment	$214,716,340
Less accumulated depreciation	135,526,306
	79,190,034
Standing timber and timberlands, less accumulated depletion	2,299,608
Land	6,433,459
Intangible assets, less amortization	423,097
	$ 88,346,198

SOCONY MOBIL OIL COMPANY, INC.

Properties, Plants, and Equipment—At Cost:	
Producing	$1,952,585,000
Refining	1,017,071,000
Chemicals	101,616,000
Marketing	919,490,000
Marine	232,841,000
Pipelines	240,670,000
Other	73,442,000
	4,537,715,000
Less—accumulated depreciation, depletion, and amortization	2,284,591,000
Net Properties, Plants, and Equipment	$2,253,124,000

TOBIN PACKING CO., INC.

Property, Plants and Equipment—At Cost:	
Land and land improvements	$ 837,857
Buildings, machinery and equipment	15,314,563
Leasehold improvements	100,869
Furniture and fixtures	335,506
Motor vehicles and delivery equipment	59,624
	16,648,419
Less accumulated depreciation	5,953,018
	$10,695,401
Non-operating real estate and improvements (at cost less accumulated depreciation)	$ 84,663

Cost Plus Appraised Value

McKESSON & ROBBINS, INCORPORATED

Fixed Assets—Note 3:	
Land	$ 2,555,205
Buildings, machinery and equipment	25,932,841
Improvements to leased properties	2,302,600
	30,790,646
Less: Reserves for depreciation and amortization	11,035,542
	$19,755,104

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 $2,098,000) as at October 31, 1934, as determined by The American Appraisal Company.

OXFORD PAPER COMPANY

Plants and properties:	
Manufacturing plants	$94,022,610
Power plant	7,619,516
Water power development and rights	1,900,000
Timberlands, less depletion	4,611,028
Outside real estate	852,985
	109,006,139
Less accumulated depreciation	46,562,951
	$62,443,188

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.

ST. JOSEPH LEAD COMPANY

Property, Plant and Equipment (Note 3)	$134,782,968
Less allowance for depreciation and depletion	87,685,447
	$ 47,097,521

Note 3: Mining properties and mineral rights include $17,000,000, which has been fully depleted, representing March 1, 1913 appraised values, and subsequent additions at cost. All other properties are stated at cost.

The net value of property, plant and equipment as shown in the consolidated balance sheet does not indicate the present value of these assets, as such value could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor, and other factors.

Cost and Various Other Bases

THE AMERICAN SHIP BUILDING COMPANY

Property, Plant and Equipment—Major portion based on cost:	
Land	$ 1,920,271
Buildings and improvements	7,939,428
Machinery and equipment	11,092,957
	$20,952,656
Less allowances for depreciation	11,917,344
Total Property, Plant, and Equipment	$ 9,035,312

PHELPS DODGE CORPORATION

Property, Plant, and Equipment: (net)—Note C	$143,063,269

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

Mining properties, water rights, and lands	$196,015,155
Less allowance for depletion	150,353,144
	45,662,011
Buildings, machinery, and equipment	248,805,619
Less allowance for depreciation	151,404,361
	97,401,258
Property, plant, and equipment (net)—per Consolidated Balance Sheet	$148,063,269

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

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

Cost in Cash or Securities

THE ANACONDA COMPANY

Property, Plant and Equipment—Note G:	
Buildings, machinery and equipment	$984,828,080
Less accumulated depreciation and amortization	558,475,600
	$426,352,480

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 consoliated group either in cash or in stock of the parent company at par value.

TEXAS GULF SULPHUR COMPANY

Property, Plant, and Equipment at cost, net of accumulated amortization and depreciation (1962—$63,041,908)	$62,110,666

Notes to Financial Statements

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

Basis of Predecessor Company with Subsequent Additions at Cost

ERIE FORGE & STEEL CORPORATION

Property, Plant and Equipment—Notes C and D:	
Land	$ 509,805.51
Land improvements	55,505.16
Buildings	6,675,965.78
Equipment	17,128,789.11
	23,860,260.05
Less allowances for depreciation and amortization	11,516,198.24
	12,344,061.81
Work orders in progress	142,568.29
	$12,996,435.61

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

WILSON & CO., INC.

Property, Plant and Equipment—at acquisition values from predecessor company, as adjusted, plus additions since at cost:	
Land	$ 2,048,431
Buildings, machinery, tools and equipment	65,450,362
Refrigerator cars purchased under conditional sale agreements	9,929,052
Depreciation	(33,663,898)
	$ 43,763,947

Approximate Cost

CALIFORNIA PACKING CORPORATION

Plant and Equipment:	
Land, other than ranch lands	$ 5,859,990
Buildings	49,017,348
Floating equipment	3,674,012
Machinery and other equipment	103,811,528
Ranch lands, improvements and equipment	24,342,808
	$186,705,686
Less—Accumulated depreciation	107,332,017
Plant and Equipment, at approximate cost less depreciation	$ 79,373,669

CHICAGO PNEUMATIC TOOL COMPANY

Fixed Assets, at approximate cost:	
Land	$ 1,120,717
Buildings	18,246,507
Machinery and equipment	25,552,331
	44,919,555
Less—Depreciation and amortization	22,244,554
	$22,675,001

E. I. du PONT de NEMOURS & COMPANY

Plants and Properties (at approximate cost)	$2,494,131,370
Noncurrent Liabilities:	
Reserves:	
Depreciation and Obsolescence	$1,509,456,323
Insurance and Contingencies	8,751,762
Total Reserves	$1,518,208,085

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 100 companies in 1962. The term *accumulated* has gained wide acceptance, increasing in usage from 98 companies in 1950 to 302 companies in 1962. The term *allowance* was used in 1962 by 123 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 1962 the frequency of their combination with the primary terms.

Examples

Selected from the 1962 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, immediately preceding, the word *less* is generally used in this connection, although it has been omitted here.

Reserve—(100 Companies):
Reserves (*Co. Nos. 103, 189, 214, 328, 477, 560)
Reserve(s) for depreciation (*Co. Nos. 34, 108, 149, 180, 185, 208)

*Refer to Company Appendix Section.

TABLE 18: ACCUMULATED DEPRECIATION

Primary Descriptive Terms	**1962	1960	1955	1950
A: Reserve—used alone	8	12	9	275
Reserve, etc.	92	106	157	
B: Accumulated, etc.	302	266	190	98
C: Allowance, etc.	123	129	127	108
D: Depreciation—used alone	29	34	41	80
Depreciation, etc.	32	37	44	
E: Provision, etc.	5	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

**1962 Term Used with:	Primary Term Shown Above: A	B	C	E	F	G	H	None Used	1962 Total
Depreciation	43	163	67	2	1	—	1	29	306
Depreciation—amortization	30	95	38	3	—	1	1	15	183
Depreciation—amortization—depletion	9	18	8	—	—	—	—	9	44
Depreciation—amortization—obsolescence	1	3	—	—	—	—	—	—	4
Depreciation—depletion	3	18	8	—	—	—	—	8	37
Depreciation—obsolescence	4	3	1	—	—	—	—	—	8
Other phrases used	2	2	1	—	—	—	5	—	10
Reserve—used alone	8	—	—	—	—	—	—	—	8
Total	100	302	123	5	1	1	7	61	600

Reserve(s) for depreciation and amortization (*Co. Nos. 40, 92, 172, 181, 187, 229, 555)
Reserve(s) for depreciation, depletion, and amortization (*Co. Nos. 13, 50, 142, 222, 399, 514)
Reserve(s) for depreciation, amortization, and depletion (*Co. Nos. 80, 299)
Reserve(s) for depletion, depreciation, and amortization (*Co. No. 500)
Reserve(s) for depreciation and depletion (*Co. Nos. 360, 471)
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. 203, 463)
Reserve for depreciation and obsolescence charged to operations (*Co. No. 9)

Accumulated—(302 Companies):
Accumulated depreciation (*Co. Nos. 38, 61, 99, 155, 198, 219, 524)
Accumulated depreciation reserves (*Co. No. 562)
Accumulated depreciation and amortization (*Co. Nos. 39, 53, 69, 100, 143, 171, 186, 231)
Accumulated depreciation, depletion, and amortization (*Co. Nos. 11, 70, 157, 168, 273, 504)
Accumulated depreciation, amortization, and obsolescence (*Co. Nos. 31, 117, 128)
Accumulated depreciation and depletion (*Co. Nos. 21, 22, 65, 78, 136, 261, 315)
Accumulated depreciation and obsolescence (*Co. Nos. 158, 251, 340)
Accumulated depletion, depreciation, and amortization (*Co. No. 67)
Accumulated depreciation and quarry depletion (*Co. No. 269)
Accumulated wear and exhaustion (*Co. No. 316)
Accumulated depletion and depreciation (*Co. No. 141)
Accumulated allowances for depreciation and amortization (*Co. Nos. 7, 196)
Accumulated allowances for depreciation (*Co. No. 484)
Accumulated depreciation, amortization, and depletion (*Co. Nos. 80, 197)
Accumulated depletion, depreciation, and other allowances (*Co No 553)
Accumulated depreciation, amortization, and adjustments for loss in value (*Co. No. 211)
Accumulated depreciation and provision for loss on sale of plant (*Co. No. 2)
Accumulated allowances for amortization, depletion, and depreciation (*Co. No. 18)
Accumulated provision(s) for depreciation (*Co. Nos. 104, 528)
Net of accumulated depreciation (*Co. No. 367)

Allowances—(123 Companies):
Allowance(s) for depreciation (*Co. Nos. 4, 59, 170, 204, 295, 578)
Allowance(s) for depreciation and amortization (*Co. Nos. 37, 139, 200, 215, 343, 544)
Allowance(s) for depreciation, depletion, and amortization (*Co. Nos. 79, 402, 465)
Allowance(s) for depreciation and depletion (*Co. Nos. 205, 232, 348, 371, 532)
Allowances for depreciation and obsolescence (*Co. No. 201)
Allowances for depletion, depreciation, and amortization (*Co. No. 356)

Depreciation—(61 Companies):
Depreciation (*Co. Nos. 35, 54, 132, 176, 330, 374)
Depreciation and amortization (*Co. Nos. 94, 169, 265, 347, 355, 462)
Depreciation, depletion, and amortization (*Co. Nos. 233, 318, 436, 515, 538)
Depreciation and depletion (*Co. Nos. 17, 183)
Depreciation to date (*Co. No. 58)
Depreciation and depletion to date (*Co. No. 444)
Depreciation, amortization, and depletion (*Co. Nos. 45, 305)
Depreciation, amortization, and cost depletion (*Co. No. 336)
After deducting depreciation (*Co. No. 556)
Depletion, depreciation, and amortization (*Co. No. 491)

Provision—(5 Companies):
Provision for depreciation (*Co. Nos. 98, 284)
Provision for depreciation and amortization (*Co. Nos. 63, 408, 425)

Accrued, Estimated and Various Other—(9 Companies):
Accrued depreciation (*Co. No. 533)
Amount charged to operations to date (*Co. No. 82)
Amounts charged to operations as depreciation and amortization (*Co. No. 210)
Amount charged to expense to date (*Co. No. 366)
$xxx allocated to operations to date (*Co. No. 84)
Estimated depreciation and amortization (*Co. No. 188)
Plant and equipment at depreciated cost (*Co. No. 314)
Portion charged to operations to date as depreciation (*Co. No. 589)
Portion of original cost allocated to operations to date (*Co. No. 127)

*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

TABLE 19: LONG-TERM LEASES

Disclosures by Lessees	Details set forth in: Foot-Notes	Letter to Stock-holders	1962 Total	1960 Total	1951 Total
Annual rental amount (*Co. Nos. 104, 135, 273, 328, 438, 550)	153	3	156	137	59
Aggregate rental amount (*Co. Nos. 64, 72, 136, 330, 462, 542)	13	—	13	11	2
Lease expiration date (*Co. Nos. 15, 186, 223, 347, 404, 470)	43	—	43	28	14
Number of leases (*Co. Nos. 21, 188, 220, 306, 495, 516)	49	—	49	60	37
Renewal or purchase option (*Co. Nos. 122, 240, 326, 378, 412, 546)	19	—	19	15	13
Sell-lease-back feature (*Co. Nos. 34, 152, 210, 337, 408, 592)	20	1	21	22	3
Term of leases (*Co. Nos. 71, 112, 204, 391, 425, 506)	90	—	90	87	12
Total	387	4	391	360	140

Number of Companies	1962	1960	1951
Setting forth details of long-term leases	120	117	61
Mentioning long-term leases but omitting details thereof	72	68	139
Indicating long-term leases (without mention thereof) by reference to leaseholds or leasehold improvements	40	37	
	232	222	200
Neither referring to nor indicating long-term leases	368	378	400
Total	600	600	600

*Refer to Company Appendix Section.

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 1962 survey reports with regard to long-term leases and the related methods of disclosure.

There were 232 survey companies that referred to, or implied, the existence of long-term leases in their 1962 reports. Of these companies 120 provided in varying degrees and combinations such factual information as is indicated in the upper part of Table 19, while 40 companies (*Co. Nos. 5, 103, 264, 333, 478, 509) merely implied or indicated the existence of such leases by reference to leaseholds or leasehold improvements. The remaining 72 companies referred to in the table as mentioning long-term leases, may be divided into two classes—39 disclosed only the annual rental (*Co. Nos. 102, 183, 222, 311, 436, 532) and 33 referred to their long-term leases only in a general way (*Co. Nos. 20, 145, 248, 325, 452, 517) without relating any fundamental features. The foregoing information was usually presented in the notes to the financial statements.

As an indication of the trend towards more adequate disclosure relating to long-term leases, the figures for the year 1951 are presented in Table 19 for comparison. These figures were taken from the 1952 edition of *Accounting Trends and Techniques* which was the first year for which such statistics were given for the 600 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. One company (*Co. No. 60) presented within its balance sheet, rental obligation figures—though in memorandum form, while an additional twenty-two companies (*Co. Nos. 6, 142, 237, 365, 495, 560) made a reference in their balance sheets to specific notes relating to their long-term lease commitments.

*Refer to Company Appendix Section.

Examples—Long-Term Leases

Examples selected from the 1962 annual reports to illustrate the various types of long-term lease disclosures are as follows:

Disclosure by Lessees

ALLIED STORES CORPORATION
Notes to Financial Statements

Note D: Property and equipment—at cost:	1962
Land	$ 2,963,287
Buildings and equipment on owned properties	2,773,481
Less accumulated allowances for depreciation	(318,437)
Buildings and improvements on leased properties	26,004,480
Less accumulated allowances for amortization	(8,731,097)
Store fixtures and equipment	77,031,656
Less accumulated allowances for depreciation	(36,222,612)
Improvements in progress	1,216,557
	$64,717,315

Note H: At January 31, 1962 the Corporation and its consolidated subsidiaries were lessees under 210 leases having terms of more than three years from that date. The rentals under these leases for the year ending January 31, 1963 amount to a minimum of $15,247,650 (of which $9,765,461 is payable to Alstores Realty Corporation and subsidiaries), plus in most cases, real estate taxes and other expenses and, in certain instances, increased amounts based on percentage of sales. The aforementioned minimum annual rental grouped by lease expiration dates is as follows: $3,135,086 prior to 1981; $2,727,563 in 1981-1985; $3,298,216 in 1986-1990; $2,605,475 in 1991-2000; $3,481,310 in 2001-2059.

ARVIN INDUSTRIES, INC.
Notes to Financial Statements

Note F: Lease Obligations— Plant facilities at Oneida, Tennessee and Princeton, Kentucky are leased for twenty-year periods beginning in 1961 and 1962, with options to renew for additional terms not to exceed fifteen years at Oneida and thirty years at Princeton. The lease agreements provide for gradually decreasing rental payments, with the minimum annual rentals during the next five years approximating $95,000.

CLUETT, PEABODY & CO., INC.
Balance Sheet:

Plant and Equipment—(at cost):	
Land	$ 1,365,951
Buildings	9,445,865
Machinery and equipment	20,542,601
	31,354,417
Less accumulated depreciation	18,018,312
	13,336,105
Unamortized leasehold improvements	3,003,940
	$16,340,045

HART SHAFFNER & MARX
Balance Sheet:

Properties, at cost:	
Land	$ 107,000
Buildings and equipment	15,816,094
Leasehold improvements	12,476,869
	$28,399,963

Notes to Financial Statements

Leases: At November 30, 1962 the company and its subsidiaries were parties to 105 separate lease agreements covering various properties. The leases, expiring within one to thirty-six years, will require minimum rental payments approximating $2,880,000 in 1963. Certain of the leases provide for payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

McCALL CORPORATION
Notes to Financial Statements

Note 3: Long-term leases and commitments—In connection with an expansion program, the Company has leased ten printing presses and completed arrangements to lease four additional presses. Four were leased in 1961, five in 1962 and one in January 1963. For the nine presses on lease at the end of 1962 the aggregate installed cost to the lessors was $12,695,000 and the Company has agreed to pay rentals of $1,450,704 per year for a period of 10 to 15 years. The installed cost of the press leased in 1963 was $1,850,000 and the annual rental is $185,182 for 15 years. Upon expiration of each lease, the Company has options to purchase the presses at nominal amounts or to continue to lease them at substantially reduced rentals. In connection with this program, the Company had advanced $2,862,851 at December 31, 1962 to the manufacturers of the presses. The Company has no other long-term leases except those relating to its office space.

Sale and Lease-Back

COLONIAL STORES INCORPORATED
Balance Sheet

Property and equipment, at cost (Note 4):	
Land and buildings	$ 3,901,073
Fixtures and equipment	43,245,555
Transportation equipment	6,291,673
Improvements to leased premises	6,094,005
Construction in progress	166,870
	59,699,176
Less allowance for depreciation	29,809,942
Net property and equipment	$ 29,889,234

Notes to Financial Statements

Note 4: Federal Taxes on Income—Certain differences between general accounting and taxable income arose from the settlement made in 1961 with the Internal Revenue Service, relating to the treatment of certain properties under long-term leases having repurchase options. For income tax purposes, such properties are considered to be owned rather than leased; and depreciation and interest expense are being deducted for tax purposes in lieu of a larger amount of rent expensed on the books. The company has charged deferred Federal taxes on income with the tax prepaid as a result of the above-mentioned differences. The prepaid income tax is being reduced as depreciation and interest charges allowable for Federal income tax purposes become greater than related rent charges per the books.

Note 7: Commitments and Contingencies—Leases extending beyond three years from December 29, 1962 require an annual rental of approximately $7,225,000 plus, in some cases, real estate taxes and other expenses, or increased amounts based on percentages of sales. About 45% of such aggregate relates to leases expiring within ten years and the remainder applies to leases expiring within from ten to twenty-five years. The above total excludes the rental on certain properties on which Colonial remained as lessee on leases assigned to the purchaser in the 1959 sale of certain properties, as provision for these payments was made by a special charge in 1962.

FIRST NATIONAL STORES INC.
Balance Sheet

Fixed assets, at cost (excluding fully-depreciated assets):	
Land	$ 9,927,038
Buildings owned	35,027,344
Store fixtures, leased property improvements, machinery and equipment	77,314,128
Automotive equipment	5,828,738
	$128,097,248
Less—Depreciation	59,959,012
	$ 68,138,236

Notes to Financial Statements

Note 3: In March, 1962 the company sold at net book value certain store and other real estate properties to a newly-organized subsidiary company, not consolidated. At the same time the company entered into a twenty-one year lease arrangement for occupancy of the properties which were sold, at annual rentals calculated to amortize the debt ($7,076,000 at March 31, 1962) incurred by the lessor, with interest.

At March 31, 1962 the company was obligated under leases, expiring more than three years after that date. The aggregate of the minimum annual rentals under these leases (exclusive of additional rentals based on a percentage of sales and payments of real estate taxes) is approximately $9,100,000. The aggregate amount of all rentals charged to earnings for the 1962 fiscal year was approximately $8,300,000, including, in addition to rentals of the nature described above, short-term rentals, rentals based on a percentage of sales, and payments of real estate taxes.

DIANA STORES CORPORATION
Balance Sheet

Current Assets:	
Amounts due under sale and lease-back agreements (Note 2)	$334,978

Notes to Financial Statements

Note 2: *Commitments*—The company is obligated under leases covering store properties expiring more than five years after July 31, 1962 having minimum annual rentals of approximately $2,900,000. Leases covering approximately 85% of this amount will expire at various dates within twenty-five years and the remainder at various dates thereafter.

Included in current assets is the cost of certain parcels of land, net of temporary borrowings, that the company has agreed to sell, at approximate cost, and lease back under leases having lives of 25 to 30 years. The minimum annual rentals, under these leases, are approximately $210,000.

LERNER STORES CORPORATION
Balance Sheet

Fixed Assets, at cost:	
Land	$ 1,875,271
Buildings	809,903
Buildings on leased property	8,910,074
Furniture, fixtures and leasehold improvements	25,563,744
	37,158,992
Less: Reserves for depreciation and amortization	14,626,438
	$22,532,554

Notes to Financial Statements

Note E: As at January 31, 1962, the minimum annual rentals on property leased under 365 leases expiring after January 31, 1965, amounted to approximately $8,600,000 plus, in some instances, real estate taxes, insurance, etc. Included in the foregoing is a lease on certain real property previously carried on the books of a subsidiary company at approximately $750,000, which property was sold and leased back during January 1962. The leases referred to above include 6 leases under which the companies may be required to purchase the premises under lease for a total of $1,556,210 at the option of the landlords. Various companies are contingently liable on bonds and mortgages in the approximate amount of $317,000 on real estate which had been sold previously.

J. J. NEWBERRY CO.
Balance Sheet

Property and Equipment—At cost:	
Land, buildings and improvements	$ 9,723,864
Furniture and fixtures	43,557,717
Alterations and improvements to leased properties	25,581,010
	78,862,591
Less provision for depreciation and amortization	35,419,541
Property and Equipment (net)	$43,443,050

Notes to Financial Statements

Note 5: *Commitments*—During 1962 the Company and its subsidiaries sold and leased back property and equipment at its approximate book value of $11,400,000; the leases (which are subject to renewal at reduced rentals) have initial periods which are approximately equal to the estimated useful lives of the assets.

Minimum annual rentals on properties, including those sold in 1962 aggregating approximately $14,500,000, 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. The Company is committed for additional fixed annual rentals of approximately $3,200,000 under leases for terms of more than five years duration which are expected to become effective in 1963 and 1964.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, returnable containers, dies, etc., were disclosed in the 1962 annual reports of 112 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 1962 survey reports.

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

Current Asset Section

ACME STEEL COMPANY

Inventories—	
Raw materials	$ 5,699,861
Semifinished and finished goods	18,156,431
Parts, tools and machines	5,168,984
Manufacturing supplies	4,652,643
	$33,677,919

COOK PAINT AND VARNISH COMPANY

Deferred Charges:	
Prepaid insurance and other expenses	$346,647.23
Labels, supplies, etc.—estimated amount	40,000.00
	$386,647.23

ELASTIC STOP NUT CORPORATION OF AMERICA

Inventories—	
Finished goods	$ 4,570,608.61
Work in process	3,789,218.49
Raw materials	1,692,729.48
Manufacturing small tools, etc.	250,451.22
Total Inventories	$10,303,007.80

NOPCO CHEMICAL COMPANY

Inventories—	
Finished goods	$3,784,133
Raw materials and work in process	3,617,368
Containers and supplies	272,688
	$7,674,189

THATCHER GLASS MANUFACTURING COMPANY, INC.

Current Assets:	
Prepaid insurance, taxes, and mold costs	$785,481
Noncurrent Assets:	
Deferred mold cost, research and development expense, etc.	$785,566

Noncurrent Asset Section

OWENS-ILLINOIS GLASS COMPANY

Deferred Charges:	
Repair parts inventories, at cost	$14,508,162
Other deferred items	1,837,426
	$16,345,588

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

Type of Asset	Balance Sheet Presentation: Shown in Current Asset Section Under Inventories	Shown in Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Deferred Charges	Under Other Assets	Notes to Financial Statements	1962 Total
Small tools, tools (*Co. Nos. 3, 140, 210, 339, 409, 555)	4	—	24	2	1	2	33
Dies, lasts (*Co. Nos. 25, 107, 202, 351, 392, 591)	—	1	16	1	—	—	18
Jigs, fixtures (*Co. Nos. 93, 116, 204, 278, 351, 361)	—	2	3	1	—	—	6
Molds, chills, flasks, stools (*Co. Nos. 171, 191, 350, 465, 541, 557)	4	—	1	1	—	1	7
Drawings, patterns (*Co. Nos. 93, 111, 278, 361, 579, 582)	—	5	8	1	1	—	15
Returnable containers, cases (*Co. Nos. 68, 136, 250, 262, 410, 477)	9	—	8	—	—	2	19
Rolls (*Co. Nos. 25, 169, 171, 191, 267, 565)	4	—	1	—	—	1	6
Component parts, stores (*Co. Nos. 72, 90, 237, 344, 478, 595)	16	—	—	1	3	—	20
Spare parts, spares (*Co. Nos. 65, 133, 205, 348, 451, 598)	15	1	2	1	2	3	24
Equipment—annealing, repair, can-making and charging box (*Co. Nos. 50, 169, 199, 267, 409, 418)	3	—	2	1	—	1	7
Utensils, silverware, signs (*Co. No. 492)	—	—	1	—	—	—	1
Other (*Co. Nos. 170, 285, 418)	—	—	2	1	—	—	3
Total	55	9	68	10	7	10	159

Type of Asset	Balance Sheet Valuation: Amortized Value	Unamortized Value	Nominal Value	Inventory Value	Fixed or Arbitrary Value	1962 Total
Small tools, tools	24	3	—	5	1	33
Dies, lasts	12	3	3	—	—	18
Jigs, fixtures	3	1	2	—	—	6
Molds, chills, flasks, stools	2	—	—	5	—	7
Drawings, patterns	7	1	7	—	—	15
Returnable containers, cases	7	—	—	11	1	19
Rolls	—	1	—	5	—	6
Component parts, stores	—	1	—	15	4	20
Spare parts, spares	2	2	—	18	2	24
Equipment—annealing, repair, can-making, and charging box	2	—	—	4	1	7
Utensils, silverware, signs	1	—	—	—	—	1
Other	2	—	—	—	1	3
Total	62	12	12	63	10	159

Number of Companies presenting	1962
Small tools, containers, dies, etc.	112
Account not presented	488
Total	600

*Refer to Company Appendix Section.

AMERICAN ZINC, LEAD AND SMELTING COMPANY

Deferred Charges:

Automotive and other short-life equipment	$ 759,479
Operating expense	750,689
Exploration and mine development expense	2,155,512
	$3,665,680

ARVIN INDUSTRIES, INC.

Deferred Charges:

Supplies, small tools, prepaid insurance, etc.	$1,931,621

THE BENDIX CORPORATION

Deferred Charges:

Special tools, dies, jigs, and patterns—unamortized balance	$2,066,477
Prepaid expenses	2,339,407
Total Deferred Charges	$4,405,884

THE EAGLE-PICHER COMPANY

Other Assets:

Repair parts and maintenance supplies	$819,845

Fixed Asset Section

AMERICAN BANK NOTE COMPANY

Fixed Assets, at cost:

Land	$1,022,188
Buildings, less accumulated depreciation of $4,312,550 — 1962 and $4,173,593 — 1961	3,321,803
Machinery and equipment, less accumulated depreciation of $6,431,461—1962 and $6,190,826—1961	7,449,259
Dies and rolls (cost of additions is charged to income currently)	3,076,979

BRIGGS MANUFACTURING COMPANY

Land, Buildings and Equipment, at cost:

Land	$ 304,946
Buildings and fixtures	8,789,603
Machinery and equipment	8,820,456
	17,915,005
Less—Depreciation	8,663,712
	9,251,293
Dies, less amortization	97,929
	$ 9,349,222

INTERNATIONAL SHOE COMPANY

Notes to Financial Statements

Note 3: Physical properties—	1962
Land	$ 3,979,444
Buildings and structures	44,686,616
Machinery and equipment	46,551,434
Lasts, patterns, and dies	1
	95,217,495
Less accumulated depreciation	54,241,603
	$40,975,892

PACIFIC AMERICAN CORPORATION

Property, Plant, and Equipment, at cost:

Land	$ 516,716
Buildings, machinery, and floating equipment, less accumulated depreciation: 1962, $6,563,140; 1961, $6,613,797	3,066,740
Maintenance supplies and gear, inventoried at cost or depreciated value	493,778
	$4,077,234

FRANK G. SHATTUCK COMPANY

Property, plant and equipment:

Land	$ 1,479,199
Buildings	9,234,000
Machinery and equipment	15,407,161
Fixtures and furnishings	1,349,517
	27,469,877
Less accumulated depreciation	13,315,723
At cost less depreciation	14,154,154
At amortized cost:	
Utensils	635,065
Property improvements and leaseholds	2,392,521
Net property, plant and equipment	$17,181,740

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 1962 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 1962, 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 1962 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:

TABLE 21: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	I: Unconsolidated Subsidiary			II. Affiliated Companies		
Balance Sheet Presentation	1962	1955	1951	1962	1955	1951
Investment in	127	117	116	134	118	91
Investment in, Advances to	116	82	82	75	39	39
Investment in, Advances to, Receivables due from	4	—	3	1	1	1
Investment in, Receivables due from	21	15	21	14	11	12
Investments in and accounts with	2	—	—	—	—	—
Advances to or due from	1	1	1	—	2	1
Equity in net assets	3	—	—	—	—	—
Securities or stock of	4	2	—	4	1	—
Miscellaneous or other assets	1	3	—	—	1	—
Total	279	220	223	228	173	144
Basis of Valuation*						
A: Cost	131	93	104	129	94	78
B: Cost less reserve	28	25	18	16	20	16
C: Cost or below cost	22	22	15	20	19	14
D: Cost plus accumulated earnings or equity in earnings	24	5	3	8	—	—
E: Cost less dividends	1	1	—	2	2	1
F: Substantially at cost	2	1	2	1	—	—
G: Book value	2	—	—	—	—	—
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	1	—	4
K: Equity in net assets	45	7	9	14	2	—
L: Equity in net worth less reserves	—	2	3	1	—	—
M: Equity less unremitted profits	1	1	3	—	—	—
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	—	4	2	2	2	—
R: Estimated realizable or recoverable value or less	3	1	3	1	—	—
S: Nominal value	2	5	10	—	3	—
T: At "No Value"	4	1	2	1	—	—
U: Acquisition value	—	—	1	—	—	—
V: Lower of cost or equity	1	—	—	2	—	1
W: Less reserve to nominal value	—	—	1	—	—	—
Total	270	174	185	200	144	115
Basis of valuation not set forth	36	63	51	27	37	22
Less reserve—(basis of valuation not set forth)	1	3	8	5	3	9
Total	307	240	244	232	184	146
Number of Companies with Investment Account for:						
Unconsolidated subsidiary companies	279	220	223	—	—	—
Affiliated companies	—	—	—	228	173	144
Account not presented	321	380	377	372	427	456
Total	600	600	600	600	600	600

*Refer to Company Appendix Section—

I: *Unconsolidated Subsidiaries*—A: Co. Nos. 4, 37, 176, 257, 475, 576; B: Co. Nos. 15, 226, 348, 365, 426, 539; C: Co. Nos. 135, 141, 145, 286, 315, 414; D: Co. Nos. 72, 127, 186, 239, 540, 550; E: Co. No. 93; F: Co. Nos. 488, 494; G: Co. Nos. 109, 496; H: Co. Nos. 48, 402; I: Co. No. 208; J: Co. No. 203; K: Co. Nos. 10, 38, 111, 342, 428, 578; M: Co. No. 394; R: Co. Nos. 484, 501, 587; S: Co. No. 480; T: Co. Nos. 21, 179, 375; V: Co. No. 105.

II: *Affiliated Companies*—A: Co. Nos. 114, 327, 420, 464, 556, 581; B: Co. Nos. 59, 125, 233, 399, 469, 553; C: Co. Nos. 9, 62, 145, 156, 384, 516; D: Co. Nos. 33, 92, 136, 162, 247, 542; E: Co. Nos. 93, 480; F: Co. No. 488; H: Co. No. 402; K: Co. Nos. 71, 193, 281, 362, 404, 418; N: Co. No. 49; Q: Co. No. 278; R: Co. No. 587; V: Co. No. 140.

Cost

BAUSCH & LOMB INCORPORATED

Investments—at cost	
Foreign subsidiary companies	
Investments (Note 3)	$1,698,173
Advances	75,000
Other investments	258,361
	$2,031,534

Note 3: Subsidiaries—The accounts of all subsidiaries of the Company operating in the United States are included in the consolidated statements. The consolidated investment in foreign subsidiaries located in North America, South America and Europe amounted to $1,698,173 at December 30, 1962. At the close of their fiscal years in 1962, the net assets of these subsidiary companies were $3,373,714 after absorbing an unrealized loss of $379,127 on translation of the net assets of the Canadian and South American companies, compared with a loss of $402,496 in 1961. The net assets were determined by translating property accounts at exchange rates in effect when they were acquired and all other assets and liabilities at year-end exchange rates. The net earnings of the foreign subsidiaries in 1962 aggregated $503,100 compared with $498,209 in the previous year before deducting the unrealized exchange loss in each year. Dividends from the foreign subsidiaries amounted to $15,000 in 1962 and $72,000 in 1961.

BEECH AIRCRAFT CORPORATION

Other Assets:

Investment at cost, and advances— affiliated company	$380,000

HARBISON-WALKER REFRACTORIES COMPANY

Investments, at cost below underlying equity	$4,975,869

Letter to Stockholders:

Investments Purchased—A large minority interest in the only basic refractories producer of Holland was purchased during the summer. As one of few such producers in the Common Market, substantial sales are expected from the growing European industries it serves. An equity position was taken during the year in a new integrated steel plant at Eregli, Turkey. Its major refractory needs for construction were supplied by Harbison.

TOBIN PACKING CO., INC.

Investment in stock of affiliated corporation (at cost) (Note 1)	$119,853

Note 1: The amount of $119,853 shown on the balance sheet represents the cost of 59% of the outstanding capital stock of an affiliated corporation. The balance sheet of the affiliated corporation at November 3, 1962 indicates a 59% interest in the net book value of its capital stock amounted to approximately $192,000.

WILSON & CO., INC.

Investments and Long-Term Receivables:

Foreign subsidiaries (See Note 1 and accompanying statements)	$ 7,634,986
Other	3,102,837
	$10,737,823

Note 1: *Investment in Foreign Subsidiaries*—The investment in foreign subsidiaries is stated at cost, which is less than the book value of the underlying net assets of the subsidiaries. The net assets of the foreign subsidiaries at the end of the 1962 and 1961 fiscal years and the results of their operations for the 1962 fiscal year, expressed in U.S. dollars, are shown in the foregoing statements.

The foreign net assets at October 27, 1962 and October 28, 1961 and results of operations for the 1962 fiscal year have been translated to U.S. currency on the following basis:

Fixed assets—At foreign currency costs translated to U.S. dollars at rates of exchange prevailing at time of additions—less depreciation based on such dollar cost.

Net current and other assets—At free rates of exchange prevailing at end of respective years.

Income and expenses (excluding depreciation)—At free rates of exchange prevailing at end of year, except that net income, to the extent remitted as dividends, has been translated at the equivalent dollar amounts received.

The exchange loss of $1,354,671, shown as a special charge to undistributed earnings of foreign subsidiaries, represents principally the write-down of working capital of the Brazilian subsidiaries to reflect the decline in the free exchange rate of Brazilian currency in 1962.

Cost Less Reserve

ALLIED CHEMICAL CORPORATION

Investments and Noncurrent Receivables:

Investments in and Advances to Affiliates, at cost less reserve	$10,676,861
Long-term Notes Receivable and Miscellaneous Investments	$ 9,144,008

CHAIN BELT COMPANY

Other Assets:

Investments and advances—unconsolidated subsidiaries (Note 1)	$2,692,104
Long-term receivables, license rights, etc.	1,498,502
	$4,190,606

Note 1: *Principle of Consolidation*—The 1962 consolidated financial statements include the accounts of Chain Belt Company, all of its domestic subsidiaries and its Canadian subsidiary. Subsidiaries located outside of the United States and Canada are not included in the consolidation.

During the year ended October 31, 1962, the Company acquired the outstanding minority interests in REX Chainbelt (Canada) Ltd. and REX-SPANALL, Inc., which were partly-owned unconsolidated subsidiaries at October 31, 1961. These subsidiaries are included in the consolidated financial statements for the first time in 1962. The comparative consolidated statements of income are not significantly affected by the inclusion of the results of these subsidiaries' operations in 1962 or by the non-consolidation of the results of their operations for 1961.

Investments in unconsolidated subsidiaries are carried at cost less an allowance for possible loss thereon; the net carrying value of such investments at October 31, 1962 is slightly in excess of the Company's equity in the recorded value of the underlying net assets.

DEERE & COMPANY

Investments in and Advances to Unconsolidated Subsidiaries (Note 1)	$99,433,330

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, 1962 and 1961, carried at cost less reserves, are summarized as follows:

	1962	1961
John Deere Credit Company	$40,000,000	$40,000,000
Foreign subsidiaries outside the United States and Canada	59,433,330	43,331,349
Total carrying value	$99,433,330	$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	$10,500,000	$9,500,000

The Company carries its investment in each unconsolidated subsidiary at cost less any deficit accumulated since date of acquisition. Its charges consolidated net income with provisions for losses sufficient to reduce its investment in each unconsolidated subsidiary to such basis. It does not include in consolidated net income the earnings of any unconsolidated subsidiary, other than those offsetting prior losses, until they are received as dividends. A $400,000 dividend was received from a foreign subsidiary during 1962.

GENERAL REFRACTORIES COMPANY

Investments in wholly owned European and Canadian subsidiaries, at cost, less allowance (Note 1)	$10,024,611
Investments in affiliates, etc., at cost, less allowances	2,376,806

Note 1: Based principally upon the most recent audited financial statements, December 31, 1961, the company's equity in the net assets of wholly owned foreign subsidiaries at that date (exclusive of a subsidiary sold in 1962) exceeded the carrying value of related investments therein by approximately $27,600,000.00 on the basis of rates of exchange at December 31, 1962....

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Investments and Long-Term Receivables—at cost, less reserve (Notes 1 and 9)	$27,113,000

Note 1: Principles of Consolidation—All majority-owned subsidiaries of the Company are included in the consolidated financial statements. The Company also has investments in affiliated companies of $10,127,000, net of reserve, which amount approximates the Company's proportionate share of equity in the underlying net assets as shown by the accounts of such companies. A substantial portion of the investments was made during the year 1962.

The Company acquired the outstanding minority interest in Reactive Metals, Inc. (previously a majority-owned consolidated subsidiary) early in 1962, and subsequently Reactive was merged with the Company.

Note 9: Notes Receivable—A portion of the proceeds from sales of property during 1962 is represented by interest-bearing notes receivable of $13,636,000 maturing in equal annual installments from 1963 to 1968. The unpaid balance of the notes may be reduced if, under certain conditions, the purchaser should dispose of the acquired fixed assets at a loss.

Cost or Below Cost

AMERICAN SMELTING AND REFINING COMPANY

Investments (note 9 and page 23)	$78,773,750

Page 23: Investments—

	December 31, 1962 Book Value (cost or less)	Market Value(a)
Subsidiaries not Consolidated:		
Mount Isa Mines Limited	$12,603,022	$149,108,600
Southern Peru Copper Corporation	15,887,144	
Southern Peru Copper Corporation—Advances	28,139,569	
Other	874,702	
	57,504,437	
Companies Other Than Subsidiaries:		
General Cable Corporation—4% Preferred (note 9)	1,405,306	2,399,800
General Cable Corporation—Common (note 9)	4,223,173	35,637,100
Kennecott Copper Corporation	2,702,119	6,421,800
Revere Copper and Brass, Inc. (note 9)	8,587,014	34,007,900
United Park City Mines Company	1,760,427	426,600
Other	2,591,274	
	21,269,313	
Total Investments	$78,773,750	

(a) Amounts shown are based on December 31, 1962 quotations of stocks traded on the New York and London Stock Exchanges, but do not purport to represent the realizable or fair value of such large blocks of stock.

Note 9: 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.

THE ANACONDA COMPANY

Investments:

Investments in and advances to unconsolidated subsidiaries—notes E and F	$14,754,494
Other investments—note F	20,394,241
	$35,148,735

Note E: Equity in Principal Unconsolidated Subsidiary—The investment of the Company in Anaconda Wire and Cable Company (73 per cent owned) is included in the Consolidated Balance Sheet at $31,722,862 less than the Company's equity in the net assets of this subsidiary as shown by its books.

In the year 1962 the Company's proportion of the net earnings of such subsidiary amounted to $666,520. Dividends received in 1962 from this subsidiary, amounting to $306,498, are included in consolidated income.

Note F: Investments, Basis of Valuation—Investments in securities of unconsolidated subsidiaries and other investments are included in the Consolidated Balance Sheet at cost or less. Other investments include 333,000 shares of stock of Inspiration Consolidated Copper Company carried at $6,252,108. Also included in other investments are 150,000 shares of stock of The Anaconda Company carried at purchase cost of $6,018,979. These shares, together with 127,029 shares of treasury stock, are to be used to purchase the assets of Amarlite Corporation in 1963.

No representation is made that the values at which investments are carried in the Consolidated Balance Sheet indicate current values.

CORN PRODUCTS COMPANY

Investments in subsidiaries and affiliates at cost or less, not consolidated	$2,332,306

WALT DISNEY PRODUCTIONS

Other Assets:

Investments in and advances to other companies (note 1)	$ 356,140
Investments in foreign subsidiaries not consolidated, less amortization (note 1)	99,368
Cash surrender value of insurance on lives of officers	475,372
Sundry other assets and deferred charges	537,973
	$1,468,853

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. The domestic subsidiaries are the same as at September 30, 1961 except that on May 4, 1962, the company increased its 26% investment in Celebrities Bowling, Inc., a California corporation operating a recreation center in Denver, Colorado, by acquiring for $773,000 the remaining 74% (7730 shares) of Celebrities capital stock then outstanding. The $464,686 excess of the company's cost of its 100% investment in the capital stock of this subsidiary over the book value of the equity acquired by the company has been charged to depreciable assets in the consolidated statements on the basis of an independent appraisal of Celebrities properties at May 4, 1962.

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. Consistent with the company's long established policy, royalties, dividends and other revenues received from these subsidiaries are taken into income when received in United States dollars. The company's equity in the net assets of unconsolidated foreign subsidiaries at September 29, 1962 exceeded the carrying value of its investments therein by approximately $300,000. During the year ended September 29, 1962 neither the earnings nor the dividends paid by these unconsolidated subsidiaries were material in amount.

WARNER BROS. PICTURES, INC.

Other Assets:

Investments in and advances to subsidiary companies operating in foreign countries, at cost less deficits	$3,288,836
Miscellaneous receivables, investments, etc., at cost or less	688,922
	$3,977,758

Cost Plus Accumulated Earnings or Equity in Earnings

GENERAL MOTORS CORPORATION

Investments and miscellaneous assets (see page 34):

Investments in subsidiary companies not consolidated	$446,415,639
Other investments and miscellaneous assets	101,849,680
Total Investments and Miscellaneous Assets	$548,265,319

Notes to Investments and Miscellaneous Assets (page 34):

Notes: Investments in subsidiary companies not consolidated (except for two minor subsidiaries) are carried at cost adjusted to include the Corporation's proportion of undistributed profits since acquisition.

The investment in General Motors Acceptance Corporation was represented by capital stock of $165,000,000, and earned surplus amounting to $218,528,429 at December 31, 1962 and $202,607,099 at December 31, 1961. Net income of General Motors Acceptance Corporation amounted to $40,921,330 in 1962 and $52,546,006 in 1961.

MARTIN MARIETTA CORPORATION

Investments in and advances to foreign subsidiaries and affiliates (except Canadian)—Note A	$3,429,072

Note A: *Principles of Consolidation*—The financial statements include on a consolidated basis the accounts of the domestic and Canadian subsidiaries. Investments in and advances to foreign subsidiaries and affiliates (except Canadian) are stated at cost ($1,812,539) plus the corporation's equity ($1,616,533) in retained earnings of the subsidiaries.

SWIFT & COMPANY

Investments and Other Assets:

Foreign subsidiaries, at cost plus equity in accumulated earnings—(note 1)	$ 7,551,966
Affiliated insurance companies, at cost plus equity in accumulated earnings —(note 1)	15,995,364
Affiliated companies, approximately 50% owned, at cost—(note 1)	2,411,366
Long-term receivables	4,562,672
Miscellaneous, at cost	830,445
	$31,351,813

Note 1: *Consolidation Principles*—The accompanying financial statements include the accounts of Swift & Company consolidated with its wholly-owned domestic and Canadian subsidiaries and reflect the Company's equity in the earnings of its nonconsolidated, wholly-owned, foreign subsidiaries and its affiliated insurance companies, Security Mutual Casualty Company, Globe Security Insurance Company, and Globe Life Insurance Company.

At October 27, 1962, the net assets of the nonconsolidated foreign subsidiaries, amounting to $7,551,966, were represented by $4,031,851 of net current assets and $3,520,115 of fixed and other assets.

The earnings of the affiliated insurance companies were determined after giving recognition to prepaid commissions (which are not reflected as assets in their accounts) and without recognition of the net unrealized market appreciation in their investments which amounted to $5,778,000 at October 27, 1962.

The Company's equity in the net assets of the other affiliated companies (which consist of three 50% owned domestic companies and two approximately 50% owned European companies) exceeded its investment therein by $2,074,777 at October 27, 1962.

No provision has been made for income taxes which will become payable in the event of distribution of the retained earnings of the affiliates and subsidiaries.

THOMPSON RAMO WOOLDRIDGE INC.

Investment in Unconsolidated Foreign Affiliates—Note A	$6,374,962

Note A: The consolidated financial statements include the accounts of the Company and all subsidiaries excepting certain foreign subsidiaries in which the investment is presently not significant in amount. The investment in these unconsolidated foreign subsidiaries and in 50%-owned foreign companies is stated at cost adjusted for equity in their undistributed net income. The Company's equity in the net assets of all its foreign affiliates as reflected in the consolidated balance sheet at December 31, 1962, amounted to approximately $17,200,000 (principally in Canada and West Germany).

Equity in Net Assets

AIR REDUCTION COMPANY, INCORPORATED

Investments and Miscellaneous Receivables (Note B)	$4,747,570

Note B: *Investment in Fifty Percent Owned Company*—As of December 31, 1962, the Company reduced its investment in a previously 60% owned consolidated subsidiary to a 50% interest. Accordingly, the accounts of this former subsidiary have been omitted from the accompanying consolidated balance sheet as of December 31, 1962, and the Company's investment of $3,933,924, is included therein at its equity in the net assets of such company. The accompanying statements of consolidated income and consolidated retained earnings, however, include its results of operations for both of the years 1961 and 1962.

CITY PRODUCTS CORPORATION

Investments in and Advances to subsidiaries not consolidated, at equity in underlying book values	$1,153,703

CONTINENTAL MOTORS CORPORATION

Investments and Other Assets:

Investment in Continental Aviation and Engineering Corporation (Notes A and B):	
Capital stock (50.94% owned)—at cost	$ 327,369
Subordinated notes receivable	2,000,000
Common Stock of Lakey Foundry Corporation (27.56% owned)—at cost, less allowance of $200,000 to reduce to equity in net underlying assets	713,786
5% registered unsecured notes and capital stock of foreign licensee company—at cost (Note E)	451,162
Miscellaneous	23,663
	$3,515,980

FEDERATED DEPARTMENT STORES, INC.

Other Assets:

Investments in subsidiaries—at equity in net assets	$ 3,731,170
Real estate not used in operations—at cost less depreciation	6,974,193
Miscellaneous	3,434,132
	$14,139,495

PHILLIP MORRIS, INCORPORATED

Equity in net assets of unconsolidated foreign subsidiaries	$7,724,517

RALSTON PURINA COMPANY

Investments in 50%-Owned Companies (at underlying net asset value)	$4,937,986

Other

SEARS, ROEBUCK AND CO.

Investments—*substantially at cost*

Unconsolidated subsidiaries	
Allstate Insurance Company (wholly-owned)	$ 54,848,347
Sears Roebuck Acceptance Corp. (wholly-owned)	50,000,000
Latin American subsidiaries	41,229,435
Other subsidiaries	34,226,208
Simpsons-Sears Limited	20,376,550
Other investments and advances	21,858,839
	$222,539,379

SIGNODE STEEL STRAPPING COMPANY

Other Assets:

Investment in and advances to unconsolidated foreign subsidiaries, at underlying book value	$2,167,245
Miscellaneous assets	436,607
	$2,603,852

WESTINGHOUSE AIR BRAKE COMPANY

Investments—at less than estimated realizable value:

Foreign subsidiaries	$4,833,575
Other capital stocks	1,880,843
Total investments	$6,714,418

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 1962 reports presented a total of 84.

It was not always clear whether the companies reported as being 50% owned, were in fact *jointly owned associated companies,* and 24 companies (*Co. Nos. 6, 114, 253, 329, 426, 597) that purport to be such may be included inadvertently here, as 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 consolidated in the 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. 29, 61, 163, 219, 517, 590)	42
Cost or less (*Co. Nos. 50, 93, 325, 384, 402, 481)	6
Cost less reserve (*Co. Nos. 233, 273, 397, 436, 465, 568)	9
Cost plus equity in accumulated earnings (*Co. Nos. 21, 91, 136, 247, 535, 542)	7
Underlying net asset value (*Co. Nos. 7, 71, 193, 370, 457, 483)	9
Not disclosed (*Co. Nos. 94, 104, 118, 222, 502, 566)	11
Total	84

The sources of disclosure are listed below:

Where Disclosed	No. of Companies
Balance Sheet (*Co. Nos. 29, 49, 78, 91, 93, 163)	38
Notes to Financial Statements (*Co. Nos. 7, 18, 197, 222, 264, 402)	28
President's Letter or Financial Review (*Co. Nos. 16, 118, 233, 325, 373, 416)	18
Total	84

The following examples selected from the 1962 reports are illustrative of the variations of presentation and accounting treatment disclosed.

*Refer to Company Appendix Section.

PRESENTATION

Balance Sheet

ADMIRAL CORPORATION

Investments in and Advances to Affiliated Companies:

Investments:	
Finance companies—wholly-owned—unconsolidated (at underlying book equity)—Note A(5)	$4,162,990
Foreign company—wholly owned—unconsolidated (at underlying book equity)—Note A(4)	—
Domestic companies, other than finance company—at cost—50% owned (underlying book equities — 1962 — $333,096; 1961—$369,635)	310,000
	$4,472,990

AMERICAN MACHINE & FOUNRY COMPANY

Investments and Advances, at cost:

Foreign unconsolidated subsidiaries and 50% owned companies (Note 1)	$29,002,642
Other	5,368,314
	$34,370,956

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 unconsolidatd subsidiaries and 50% owned companies exceeds its estimated equity in the net assets of such companies by approximately $840,000 at December 31, 1962. The Company's portion of the net loss together with a special credit of $1,218,000 resulting from a transaction involving the sale and lease back of pinspotter machines on lease, is estimated at a loss of $65,000 for such companies for the year 1962.

AMERICAN VISCOSE CORPORATION

Other Assets:

Investment in Monsanto Chemical Company—3,683,016 (1962) and 3,610,800 (1961) shares of common stock, note 3	$ 78,092,000
Investment in and advances to 50% owned companies, at cost:	
Ketchikan Pulp Company, note 4 and page 12	13,052,000
Avisun Corporation, note 5 and page 13	17,762,000
Prepaid insurance and miscellaneous assets	4,619,000
	$113,525,000

Note 4: *Investment in Ketchikan Pulp Company*—American Viscose Corporation and Puget Sound Pulp & Timber Co. each owns 50 per cent of the capital shares of Ketchikan Pulp Company. The two shareholders are severally and jointly liable to advance funds for interest and fixed sinking fund payments on the bonds until certain obligations have been met if Ketchikan is unable for reasons beyond its control to produce a specified minimum quantity of pulp. American Viscose is obligated to purchase pulp from Ketchikan and under certain conditions American Viscose is also obligated to lend funds to Ketchikan which it may require for operations nad for interest and fixed sinking fund payments on the bonds....

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. $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....

BARBER OIL CORPORATION

Investments:

Nonaffiliated companies, at cost (at market quotations $26,220,000) including 400,-000 shares of Texaco Inc.	$19,083,129
American Gilsonite Company, at cost (50 pct. owned)	756,600
Tanker companies—foreign, at cost plus equity is undistributed earnings of controlled companies	2,283,057
	$22,122,786

BUCYRUS-ERIE COMPANY

Investment and Other Assets:

Capital stock of Ruston-Bucyrus, Limited (50% owned)—at cost—Note B	$1,562,200
Miscellaneous assets	363,064
Unamortized debt expense	12,710
	$1,937,974

Note B: *Investment in Ruston-Bucyrus, Limited*—Based on preliminary figures, pending completion of the annual audit, the Company's equity in undistributed earnings of Ruston-Bucyrus, Limited, from date of acquisition (equivalent to the excess of its equity in net assets of that company over cost of investment) amounted to $15,156,501 a December 31, 1962. The Company's equity in undistributed earnings for 1962 amounted to $592,076.

TEXACO INC.

Investments and Advances (Note 2) $206,705,654

Note 2: *Investments and Advances*

Nonsubsidiary companies (owned 50% or less) and subsidiary companies not consolidated operating in foreign countries	$135,082,298
Nonsubsidiary companies (owned 50% or less) operating in the United States	41,072,565
	$176,154,863
Less reserve	26,800,000
	$149,354,863
Miscellaneous investments, long-term receivables, etc.	$ 57,700,791
Less reserve	350,000
	$ 57,350,791
Total investments and advances	$206,705,654

Dividends received in 1962 and 1961 from nonsubsidiary companies and subsidiary companies not consolidated exceeded the Company's equity in the estimated net earnings of such companies by approximately $9,000,000 in both years.

Financial Review

Texas-U.S. Chemical Company, also 50% owned by Texaco, achieved better results from its manufacture and sale of butadiene and synthetic rubbers, notwithstanding excess capacity in the industry. Its research developed several promising new rubbers.

Notes to Financial Statements

REVERE COPPER AND BRASS INCORPORATED

Investments and Advances, at cost:

Ormet Corporation (Note B)	$19,932,165
Wholly owned foreign subsidiary, not consolidated	700,000
Other	1,700,776
	$22,332,941

Note B: *Ormet Corporation Investments and Commitments*—The Company and Olin Mathieson Chemical Corporation own 50%, respectively, of the stock of Ormet Corporation, a corporation engaged in the production of primary aluminum, and have invested additional sums in notes of Ormet, which are subordinated to the first mortgage bonds and bank loans of Ormet. The three companies have entered into an agreement which, in addition to other terms, provides that (1) Revere and Olin will purchase 34% and 66%, respectively, of all aluminum produced by Ormet and will pay as the price of such aluminum 34% and 66%, respectively, of Ormet's annual costs (subject to adjustments to reflect the additional cost of producing aluminum in the particular form delivered to Revere or Olin). The annual costs, which are to include depreciation and amortization in amounts not less than Ormet's bond and bank loan maturities, are payable even if no aluminum is produced. Such debt maturities to be included in costs billed to Revere aggregate $6,800,000 in 1963, $2,040,000 per year from 1964 through 1973 and $2,720,000 per year from 1974 through 1978. In 1962, Revere's share of the costs included approximately $3,800,000 depreciation and amortization charges in excess of normal, due to accelerated depreciation of facilities, and it is anticipated that there will be similar charges through August, 1963. (2) Revere and Olin will advance to Ormet 34% and 66%, respectively, of any amounts required for capital replacements and maintenance of working capital position at a prescribed level. (3) As long as any of Ormet's bonds and bank loans are outstanding, Olin has the option to purchase 32% of Revere's interest in Ormet at a price equal to Revere's cost thereof.

FAIRBANKS, WHITNEY CORPORATION

Note 3: *Investment in and Advances to Desalination Plants Limited*—In 1961, the Company and the Government of Israel each acquired a fifty per cent interest in an Israeli corporation (Desalination Plants Limited) organized to carry on the joint venture for the development of economically operable equipment utilizing the Zarchin process for the desalination of sea water and also to license the rights for the use of the process. The Company and its subsidiaries have been engaged in the development of the process and the construction of a prototype for the units to be installed by Desalination Plants Limited in Israel and other commercial units. In the opinion of management the recovery of costs amounting to $2,165,000 from Desalination Plants Limited or from royalties on subsequent sales of commercial desalting units is doubtful and accordingly a reserve for the possible nonrecovery of these costs has been provided as of December 31, 1962.

ST. JOSEPH LEAD COMPANY

Investments and Advances (Note 2) $19,811,855

Note 2: The carrying value of investments in the consolidated balance sheet, which are stated at cost, or cost less non-taxable dividends (as to The New Jersey Zinc Company stock) or at nominal values of $1 as to two companies (see below), do not indicate the current values of such investments. The following is a summary of investments and advances:

Subsidiaries not Consolidated:	
Compania Minera Aguilar, S.A.	$ 1
Compania Minerales Santander, Inc. (capital stock—$899,071, debentures—$2,363,536, and advances—$280,000)	3,542,607
Other	100
Fifty-Percent Owned Companies:	
Meramec Mining Company (capital stock—$2,500 and advances—$9,813,908)	9,816,408
Mine La Motte Corporation (capital stock—$1 and advances—$150,000)	150,001
Other Securities, Loans, Etc.:	
The New Jersey Zinc Company—100,000 shares capital stock	$ 5,724,028
Sundry securities, loans, etc., less reserve of $200,000	578,710
	$19,811,855

The financial statements of Compania Minera Aguilar, S.A. are included herein on page 28 to 31. Dividends received or receivable from the subsidiary are recorded as they are converted into U.S. dollars.

The net assets of Compania Minerales Santander, Inc. and its liability to the Company on debentures and advances totaled $3,945,307 at that date, and its net loss for the year then ended was $245,700.

Reference is made to the comments on page 16 of this report related to Meramec Mining Company.

The Company's equity in the net assets of Mine La Motte Corporation at December 31, 1962 was $281,992 and its equity in the corporation's net earnings for the year then ended was $3,565.

President's Letter

Meramec Mining Co.—The Pea Ridge iron ore property which is located about 40 miles northwest of Bonne Terre is operated by the Meramec Mining Company, owned jointly (50% each) by Bethlehem Steel and St. Joseph Lead. . . .

UNITED STATES RUBBER COMPANY

Investments in Affiliated Companies, etc. .. $16,934,821

Notes to Financial Statements

Commitments and Contingencies—At December 31, 1962, the Company was committed for an additional investment of approximately $3,200,000 in a foreign affiliated company and may be required to make a direct long term loan of $1,440,000 to this affiliate.

The Company is contingently liable to the extent of $10,550,000 as a guarantor of promissory notes issued by Monochem, Inc., a domestic affiliated company owned jointly with The Borden Company.

President's Letter or Financial Review

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Investments, at cost:	
In affiliated companies	$1,182,635
In foreign company	1,192,175
Other investments	1,039,072
	$3,413,882

A vegetable dehydration plant in Mexico, a joint venture with Mexican participants, began production of dehydrated onion and garlic, adding to the company's line of food specialties.

The company plans expansion in this area by aggressive promotion of retail sales, expenditures for research and process improvements, and the addition of new products to its line.

KENNECOTT COPPER CORPORATION

Investments, at or below cost	$84,199,677

During the same month Kennecott and American Agricultural Chemical Company announced the formation of the North Carolina Phosphate Corporation to explore and possibly develop a large phosphate deposit in North Carolina. Kennecott's Exploration Department became interested in this area in 1957 and had retained a number of options acquired during the earlier period of activity. By the end of 1962, the jointly-owned company had more than 16,000 acres under control. Seventy holes were drilled during 1962 and the material from them was tested in a pilot plant. An economic evaluation of all information obtained to date is now in progress....

STANDARD BRANDS INCORPORATED

Investments, at cost	$543,883

Standard Brands' joint enterprise with General Milk Company in Brazil showed increasingly profitable results in 1962. Also in Brazil, the joint tea enterprise continued to show profitable growth, and a program to double its productive capacity was commenced in 1962.

STANDARD OIL COMPANY (OHIO)

Investments and Other Assets:	
Securities of other companies—at cost, (no quoted market)	$ 5,932,261
Notes receivable and advances	3,698,582
Prepaid expenses and deferred charges	5,034,886
	$14,665,729

Solar Nitrogen Chemicals, Inc., owned equally by Sohio and Atlas Chemical Industries, Inc., achieved new highs in sales and profits in 1962. Total net income of $1,143,000 was more than four times earnings in 1961. After a slow start due to cold weather early in 1962, volume increased sharply and continued strong, ending the year 35% above 1961. Promising sales potentials brought about the decision to expand the Joplin ammonia plant by 30%, raising its capacity to 390 tons per day. The added facilities went into operation late in 1962.

Treatment of Income

BELL & HOWELL COMPANY

Investments and Other Assets:	
Investment in Consolidated Systems Corporation (50% owned)—at cost plus equity in accumulated earnings	$2,057,797
Patents (cost, less amortization) and sundry accounts and investments	1,491,550
Special product development costs, less amortization	868,989
	$4,418,336

CHEMETRON COMPANY

Investments in and advances to unconsolidated subsidiary and affiliated companies (Note 10)	$15,050,742

Note 1: *Basis of Consolidation*—The accompanying consolidated financial statements include all domestic subsidiaries. All significant intercompany sales, profits, and other items have been eliminated. Figures for 1961 have been reclassified, where necessary, to provide comparability with 1962.

The statement of consolidated current earnings includes the Company's equity in the net current earnings of its unconsolidated foreign subsidiaries and foreign and domestic 50% owned companies, reduced by dividends paid to the consolidated group and by elimination of unrealized intercompany profits. The geographical distribution of such current earnings is shown in Note 10. No provision has been made for additional taxes that may result from the distribution of these earnings as dividends since any amounts distributed are dependent upon the working capital requirements of the various companies, and, in the case of foreign companies, upon foreign exchange restrictions.

Note 10: *Investments in and Advances to Unconsolidated Subsidiary and Affiliated Companies*—Investments in unconsolidated subsidiaries and 50% owned affiliates are carried at cost plus the Company's share of undistributed earnings since dates of acquisition as described in Note 1....

THE B. F. GOODRICH COMPANY

Investments:	
Shares of Unconsolidated Subsidiary and Associate Companies, at cost—Note A	$29,457,969
Other investments and advances	31,295,946
	$60,753,915

Note A: *Principles of Consolidation*—The consolidated financial statements include all active, wholly-owned subsidiaries except 4 subsidiaries which are not significant in the aggregate. Appropriate rates of exchange have been used to convert foreign currency amounts into U.S. dollars.

The Company's estimated equity in the net assets of Unconsolidated Subsidiary and Associate Companies (based on their book value) at December 31, 1962, exceeded the Company's investment in such companies by $32,691,000. Dividends received from these companies are included in the statement of consolidated income. Increase in the net income retained by them and not taken up in the statements for the year amounted to approximately $2,215,000.

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 583 presented prepaid expenses or deferred charges in their 1962 balance sheets. Of the 583 companies displaying such items, 213 companies presented them under "current assets," 175 companies presented them under both "current and noncurrent assets," and the remaining 195 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 1962, 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

THE AMALGAMATED SUGAR COMPANY

Current Assets:

Prepaid expenses and advances	$262,332

ANCHOR HOCKING GLASS CORPORATION

Current Assets:

Prepaid insurance, etc.	$314,010

GARLOCK, INC.

Current Assets:

Prepaid expenses—Insurance, advertising supplies, etc.	$453,805

NORTH AMERICAN AVIATION, INC.

Current Assets:

Prepaid expenses—taxes, insurance, etc.	$7,802,000

Current and Noncurrent Asset Sections

CELANESE CORPORATION OF AMERICA

	Thousands of Dollars
Current Assets:	
Insurance and other payments in advance	$7,343
Noncurrent Assets:	
Deferred Charges:	
Debt discount, premium and expense	$ 487
Other deferred charges	2,588
	$3,075

CONTINENTAL BAKING COMPANY

Current Assets:	
Prepaid expenses	$884,377
Noncurrent Assets:	
Deferred Charges and Other Assets	$2,140,046

EVANS PRODUCTS COMPANY

Current Assets:	
Prepaid taxes, insurance, and other expenses	$478,454
Noncurrent Assets:	
Deferred Charges, less amortization	$104,182

MAREMONT CORPORATION

Current Assets:	
Prepaid expenses	$ 622,917
Noncurrent Assets:	
Unamortized excess of cost of The Gabriel Company's common stock purchased over the book value thereof (Note 2)	$3,973,071
Notes and accounts receivable due after 1963	1,917,751
Deferred product development costs (Note 8)	1,611,259

Note 2: *Investment in the Gabriel Company*—To December 31, 1962, the Company had acquired 50.8% of the outstanding common stock of The Gabriel Company, by purchasing 373,518 shares for cash. To February 15, 1963, the Company had acquired, for cash, an additional 5,822 shares at an additional aggregate cost of $125,173. This subsidiary is included in the consolidated financial statements for 1962. Maremont's share of the earnings of The Gabriel Company included in consolidated net income for the year has been computed from the dates when shares were acquired.

The excess of the cost to Maremont of the common stock of The Gabriel Company acquired by Maremont over the book value thereof has been applied in the consolidated balance sheet to adjust the net assets of The Gabriel Company to Maremont's cost basis. Maremont does not have sufficient information at present to make a precise allocation of this excess to the accounts of Gabriel. To the extent that this excess is not applied to specific items in 1963, when proper determinations can be made, it will be amortized ratably over a twenty-year period by charges to income; $44,596 was charged to income in 1962.

Note 8: *Deferred Product Development Costs*—Gabriel has incurred certain product development costs (deductible for Federal income taxes in the years incurred) in connection with aerospace products manufacture and other production, which, based upon present forecasts, will be applicable to future production costs. The Company follows the policy of amortizing these costs at varying rates, which generally amortize such costs over two years from the completion of the project. The recovery of such costs is dependent upon the successful market exploitation of the products to which such costs relate.

OXFORD PAPER COMPANY

Current Assets:	
Prepaid insurance and other expenses	$324,521
Noncurrent Assets:	
Deferred expenses	$234,002

TIME INCORPORATED

Current Assets:	
Prepaid expenses	$3,610,000
Noncurrent Assets:	
Deferred Charges	$3,408,000

UNION CARBIDE CORPORATION

Current Assets:	
Prepaid Expenses	$14,297,000
Noncurrent Assets:	
Deferred Charges:	
Unamortized Debt Discount	$4,977,000
Other	3,997,000
	$8,974,000

UNITED FRUIT COMPANY

Current Assets:	
Prepaid expenses	$1,256,312
Noncurrent Assets:	
Deferred Charges:	
Deferred income tax expense	$ 6,180,200
Expenditures on account of unfinished voyages	2,511,707
Other deferred charges	2,952,563
Total deferred charges	$11,644,470

TABLE 22: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used In	1962	1960	1955	1950
Current Asset Section:				
Prepaid	365	330	246	175
Prepaid and deferred	10	12	10	4
Deferred	4	11	5	3
Unexpired	5	7	8	6
Costs applicable to future periods	7	6	13	7
Various other terms	4	3	3	3
Total	395	369	285	198
Noncurrent Asset Section:				
Deferred	192	184	169	143
Deferred and prepaid	61	71	93	94
Deferred with certain items listed thereunder described "prepaid"	23	26	59	104
Prepaid	48	50	67	65
Costs applicable to future periods	10	9	12	17
Unamortized	41	42	32	13
Unexpired	1	1	6	4
Various other terms	6	12	1	10
Total	382	395	439	450
Number of Companies presenting:				
Prepaid Expenses or Deferred Charges in:				
Current asset section	213	203	198	128
Current and noncurrent asset sections	175	161	138	76
Noncurrent asset section	195	223	251	386
No prepaid expense or deferred charge items	17	13	13	10
Total	600	600	600	600

	Balance Sheet Presentation			
	1962		1955	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Advertising (*Co. Nos. 33, 239, 322, 428, 449, 494)	6	6	6	12
Debt discount (*Co. Nos. 3, 112, 128, 196, 227, 247)	—	32	1	23
Debt expense (*Co. Nos. 268, 362, 372, 378, 413, 437)	—	58	1	52
Employee welfare (*Co. Nos. 45, 153, 162, 420, 433, 533)	—	10	2	18
Expense advances (*Co. No. 10)	1	—	—	2
Financing expense (*Co. Nos. 79, 159, 597)	—	3	—	6
Insurance (*Co. Nos. 5, 54, 99, 158, 210, 243)	88	31	122	122
Interest (*Co. Nos. 99, 236, 573)	1	2	1	2
Mine stripping and expense (*Co. Nos. 18, 50, 567)	—	3	—	4
Oil exploration	—	—	—	1
Organization expense	—	—	—	2
Pre-occupation and plant costs (*Co. Nos. 7, 32, 77, 361, 410, 434)	1	9	1	3
Rent (*Co. Nos. 69, 260, 267, 471, 534, 581)	6	6	8	22
Research and development (*Co. Nos. 91, 139, 357, 395, 412, 419)	1	11	1	8
Seasonal expenses (*Co. Nos. 293, 526)	2	—	—	—
Selling, delivery, freight, commissions (*Co. Nos. 22, 526)	2	—	2	5
Supplies (*Co. Nos. 143, 170, 205, 228, 266, 268)	23	8	17	29
Taxes (*Co. Nos. 7, 140, 167, 179, 191, 449)	44	19	59	63
Tooling and factory expense (*Co. Nos. 196, 215, 238, 323, 415, 541)	1	6	1	3
Unused royalties (*Co. Nos. 163, 465, 599)	—	3	—	2
Various other terms (*Co. Nos. 13, 21, 244, 374, 410, 480)	3	9	5	8
"Prepaid or Deferred" (*Co. Nos. 31, 107, 123, 129, 422, 500)	256	194	184	276
"Prepaid or Deferred"** (*Co. Nos. 141, 187, 188, 288, 334, 347)	104	104	41	41
Total	539	514	452	704

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

Noncurrent Asset Section

ELASTIC STOP NUT CORPORATION OF AMERICA
Noncurrent Assets:

Deferred Charges:	
Prepaid insurance	$121,868.28
Long-term foreign contract	106,250.00
Sundry	107,891.22
	$336,009.50

GENERAL CABLE CORPORATION
Noncurrent Assets:

Prepaid Expenses and Deferred Charges:	
Prepaid insurance premiums and premium deposits with insurance companies	$370,517
Other	225,607
	$596,124

JOHNS-MANVILLE CORPORATION
Noncurrent Assets:

Other Assets:	
Prepaid expenses and deferred charges	$ 3,187,000
Receivables from employees for purchases of common stock	2,069,000
Investments in and advances to unconsolidated subsidiaries (at cost or less)	3,402,000
Other investments (at cost or less)	17,152,000
Total	$25,810,000

THE E. KAHN'S SONS COMPANY
Noncurrent Assets:

Prepaid Expenses	$74,984

JACOB RUPPERT
Noncurrent Assets:

Prepaid Expenses and Deferred Charges	$203,711

UNITED STATES TOBACCO COMPANY
Noncurrent Assets:

Prepaid Expenses	
Insurance, advertising supplies, and other expenses	$842,510

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 342 of the 600 survey companies disclosed intangible assets in their 1962 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 though it was not uncommon to find such items grouped with "other 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 properties or "fixed assets".
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,"

TABLE 23: INTANGIBLE ASSETS

Type of Intangible Asset*	Balance Sheet Presentation: Current Asset Section Under Inventories	Noncurrent Asset Section: Separately Set Forth	Noncurrent Asset Section: Under Fixed Assets	Noncurrent Asset Section: Under Other Assets	Noncurrent Asset Section: Under Deferred Charges	Notes to Financial Statements	1962 Total
A: Patents, patent rights and applications	—	107	5	32	2	—	146
B: Trademarks, brand names	—	54	—	27	1	—	82
C: Copyrights	—	5	—	1	—	—	6
D: Goodwill	—	99	—	22	—	—	121
E: Goodwill re subsidiary	—	40	1	19	3	2	65
F: Leasehold improvements	—	—	77	4	1	—	82
G: Leaseholds, leases, leased equipment	—	2	21	—	—	6	29
H: Exploration and development—mining, oil	—	—	7	2	2	2	13
I: Formulae, processes, designs	—	14	—	8	—	—	22
J: Research and experimental	—	5	—	1	1	—	7
K: Licenses, franchises, memberships	—	12	5	3	1	—	21
L: Rights—water, water-power, land	—	1	13	—	—	—	14
M: Rights—mining, timber, cutting, fishing and "other rights"	—	1	13	2	1	2	19
N: Contracts	—	6	—	2	—	—	8
O: Name lists, catalogs, trade routes	—	4	—	—	—	—	4
P: Scripts, scenarios, story and film rights	8	1	—	—	—	—	9
Q: Finance and organization costs	—	1	—	—	—	—	1
R: Described as "intangible assets"	—	20	4	4	—	—	28
S: Various other	—	3	1	—	—	—	4
Total	8	375	147	127	12	12	681

Type of Intangible Asset	Balance Sheet Valuation and Amortization — Amortized Value After Charges To: Income	Charge Not Shown	Total	Unamortized Value	Nominal Value	*Not Determinable	1962 Total
Patents, patent rights and applications	55	18	73	8	58	7	146
Trademarks, brand names	14	8	22	10	42	8	82
Copyrights	—	1	1	1	4	—	6
Goodwill	22	8	30	20	63	8	121
Goodwill re subsidiary	26	3	29	26	1	9	65
Leasehold improvements	75	4	79	3	—	—	82
Leaseholds, leases, leased equipment	23	1	24	—	1	4	29
Exploration and development—mining, oil	11	—	11	—	—	2	13
Formulae, processes, designs	8	1	9	2	8	3	22
Research and experimental	3	2	5	—	2	—	7
Licenses, franchises, memberships	10	5	15	1	2	3	21
Rights—water, water-power, land	9	2	11	3	—	—	14
Rights—mining, timber, cutting, fishing and "other rights"	15	—	15	2	1	1	19
Contracts	4	1	5	—	2	1	8
Name lists, catalogs, trade routes	1	—	1	1	2	—	4
Scripts, scenarios, story and film rights	3	—	3	6	—	—	9
Finance and organization costs	—	1	1	—	—	—	1
Described as "intangible assets"	9	4	13	8	5	2	28
Various other	1	—	1	—	2	1	4
Total	289	59	348	91	193	49	681

Number of Companies presenting:	1962
Intangible Assets	342
No Intangible Assets	258
Total	600

*Refer to Company Appendix Section—A: Co. Nos. 37, 176, 204, 359, 446, 503; B: Co. Nos. 33, 124, 256, 342, 482, 585; Co. Nos. 139, 243, 359, 367, 420, 526; D: Co. Nos. 92, 109, 235, 342, 401, 578; E: Co. Nos. 32, 195, 241, 338, 434, 588; F: Co. Nos. 56, 160, 230, 389, 413, 594; G: Co. Nos. 40, 102, 273, 332, 419, 534; H: Co. Nos. 53, 121, 233, 254, 277, 567; I: Co. Nos. 86, 148, 219, 347, 428, 526; J: Co. Nos. 34, 125, 278, 404, 541, 579; K: Co. Nos. 134, 247, 327, 340, 450, 519; L: Co. Nos. 53, 177, 299, 348, 433, 560; M: Co. Nos. 294, 299, 309, 368, 426, 539; N: Co. Nos. 93, 209, 301, 452, 549, 575; O: Co. Nos. 161, 188, 365, 367; P: Co. Nos. 26, 155, 195, 367, 419, 549; Q: Co. No. 187; R: Co. Nos. 18, 132, 198, 329, 410, 490; S: Co. Nos. 284, 366, 561, 600.

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 no change in carrying value from the previous year and no specific indication that the asset is being amortized. Included in "Not determinable" are those which show only the title of the intangible in the balance sheet caption with values other than nominal value which indicate a change in valuation from the previous year without any information regarding such change.

Illustrations of the various balance sheet presentations found in the 1962 reports are as follows:

Shown in Current Asset Section Under Inventories

METRO-GOLDWYN-MAYER, INC.

Inventories, at lower of cost or estimated realizable value—	
Film productions—	
Released, less amortization	$ 30,906,783
Completed—not released	8,036,201
In process	51,522,680
Books and rights	2,593,873
Television productions, less amortization	6,678,213
Other inventories	4,181,178
Total inventories	$103,918,928

Shown Separately in Noncurrent Asset Section

GENERAL PLYWOOD CORPORATION

Patents, patent applications, and trademarks, at cost, less amortization (1962, $95,721; 1961, $59,749)	$ 600,519
Goodwill (Note 4)	$2,160,684

Note 4: Goodwill represents the excess of the cost of the capital stock of Kochton Plywood & Veneer Co., Inc., purchased in February, 1962, over the net book amount of the underlying assets.

NEPTUNE METER COMPANY

Intangible Assets:	
Unamortized excess cost of investments in subsidiaries over equity in net assets at date of acquisition	$ 97,145
Patents and product development expenses, at amortized cost	10,893
Goodwill	1
	$108,039

SUNSHINE BISCUITS, INC.

Excess of Cost over Underlying Assets of Businesses Acquired, less amortization, $596,277 in 1962 and $505,024 in 1961	$1,414,148
Franchise and Patent, less amortization, $10,126 in 1962 and $12,118 in 1961	$ 88,524

UNIVERSAL MATCH CORPORATION

Intangible Assets, at cost less amortization:	
Patents and trademarks	$2,587,602
Goodwill	921,903
	$3,509,505

Shown Under Fixed Assets

ALUMINUM COMPANY OF AMERICA

Properties, Plants and Equipment, at cost:	
Land and land rights, including mines	$ 68,468,977
Structures, machinery and equipment	1,585,237,579
	1,653,706,556
Less, accumulated allowances for amortization, depletion and depreciation	903,645,531
	750,061,025
Construction work in progress	71,029,630
Patents and other intangible assets, less amortization	1,421,427
Total Properties, Plants and Equipment	$ 822,512,082

CROWN ZELLERBACH CORPORATION

Properties, at cost:	
Buildings, machinery, and equipment (note 2)	$563,469,000
Less allowances for depreciation	248,631,000
	314,838,000
Timberlands, pulp leases, land, and logging facilities, net of depletion and amortization	52,703,000
Intangibles, principally water power leases and licenses, net of amortization	2,206,000
	$369,747,000

UNITED MERCHANTS AND MANUFACTURERS, INC.

Property, Plant and Equipment (Note C)	$132,100,455
Less: Reserves	66,607,803
	$ 65,492,652

Note C: *Property, Plant and Equipment*—Property, plant and equipment, stated principally at cost with a portion on the basis of appraised values as at August 1, 1937, consist of the following:

Land and water rights	$ 3,631,730
Buildings, machinery, equipment and leasehold improvements, less reserves of $66,607,803	59,285,714
Buildings, machinery and equipment under construction	2,575,208
	$65,492,652

UTAH-IDAHO SUGAR COMPANY

Property, Plant, and Equipment—substantially at cost:	
Plant and equipment	$42,840,167
Less allowances for depreciation	21,345,369
	$21,494,798
Land, irrigation projects, and water rights	3,594,442
	$25,089,240

Shown Under Other Assets

CUTLER-HAMMER, INC.

Other Assets:	
Investment in wholly owned foreign subsidiary, at cost (Note 1)	$ 89,552
Long term notes receivable and other investments, at cost	601,082
Property, plant, and equipment, less reserves for depreciation: 1962 — $18,482,651; 1961 — $16,605,833 (Notes 2 and 5)	27,459,044
Patents, at cost, less amortization	465,297
Deferred charges, etc.	332,583
Total working capital and other assets	$61,416,599

ARVIN INDUSTRIES, INC.

Other Assets:

Excess of purchase price over net assets of Westgate Laboratory, Inc., less amortization—note A	$ 233,778
Cash value of corporate life insurance	—
Stock subscriptions receivable	46,335
Investment in municipal bonds—net of current portions included above	496,090
Special financing accounts receivable with indefinite maturity	565,241
Advance to affiliated company	—
Investments, patents, etc.	29,155
	$1,370,599

PLOUGH, INC.

Other Assets:

Cash value life insurance	$ 68,126
Deferred items	387,818
Intangibles	1,392,318
Total other assets	$1,848,262

STANDARD KOLLSMAN INDUSTRIES INC.

Other Assets:

Unamortized excess of cost over equity in consolidated subsidiaries' net assets at acquisition	$ 49,688
Patents, goodwill, etc.—net of amortization	204,695
Deposits, other deferred charges, etc.	365,988
	$620,371

Shown in Notes to Financial Statements

STANDARD OIL COMPANY OF CALIFORNIA

Properties, Plant and Equipment:

Properties, plant and equipment are carried at cost. Exploration expenditures resulting in the acquisition or retention of properties are capitalized, while the remainder is charged to operating expenses. Costs of undeveloped leaseholds are amortized at rates which are based upon past experience. Costs of wells capable of commercial production are capitalized, and costs of unproductive wells are charged to operating expenses.

UNITED STATES SMELTING REFINING AND MINING COMPANY

Deferred Charges to Operations (Note 2)	$6,693,791

Note 2: Deferred Charges to Operations consist chiefly of the cost of stripping, thawing and other work ahead of the dredges in Alaska, and development and ore breaking in the lode mines. The write-off of these deferred expenditures is being determined on a liquidating basis for the Alaska operations (see page 9), and on the basis of ores extracted for the lode mines. The Reserve for Development has been provided to offset any loss from such part of the foregoing deferred charges as may not eventually be recovered through operations.

Shown Under Deferred Charges

LESLIE SALT COMPANY

Prepaid Expenses and Deferred Charges:

Prepaid taxes and insurance	$ 575,349
Deferred charges	625,603
Excess of cost of investment in subsidiary over its net assets (Note 2)	162,210
Total prepaid expenses and deferred charges	$1,363,162

SCOVILL MANUFACTURING COMPANY

Deferred Charges:

Unamortized patent costs, debt discount and expense, and sundry deferred charges	$810,920

AMERICAN ZINC, LEAD AND SMELTING COMPANY

Deferred Charges:

Automotive and other short-life equipment	$ 759,479
Operating expense	750,689
Exploration and mine development expense	2,155,512
	$3,665,680

THE ANACONDA COMPANY

Deferred Charges and Other Assets:

Mine development—note D	$51,877,670
Deferred expenses	3,766,998
Other accounts receivable, less reserve	18,784,617
Patents	2
	$74,429,287

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 committtee 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 annual reports for 1962 with regard to the amortization of intangible assets is summarized in Table 23. There were 348 instances of intangible assets shown in the balance sheets at an amortized value. In 289 of these cases the amortization was charged to the income account; in the remaining 59 cases there was no indication in the report as to the account charged. In addition there were 49 items concerning which the amortization procedure was not determinable.

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, 56 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.

Table 24 classifies and summarizes the various kinds of accounts payable items included among current liabilities in the 1962 balance sheets of the survey companies.

Twenty-five 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. 24, 60, 98, 141, 181, 195, 225, 266, 290, 350, 369, 428, 561).

The following examples, selected from the balance sheets of the 1962 annual reports, illustrate various types of accounts payable and their statement presentation. They also contain examples of liabilities with regard to employees, short-term borrowings, and current maturities of long-term indebtedness, which are discussed in sections following this, as well as examples of miscellaneous other current liability items.

TABLE 24: ACCOUNTS PAYABLE

	Presentation		
Current Liability Description	Separately	With Other Items	1962 Total
Re: Trade Creditors—			
Accounts payable (*Co. Nos. 67, 163, 276, 315, 408, 528)	368	232	600
"Accrued expenses"—not identified (*Co. Nos. 7, 114, 280, 391, 431, 518)	148	327	475
Notes payable (*Co. Nos. 70, 219, 255, 380, 481, 504)	4	15	19
Royalties payable (*Co. Nos. 11, 93, 236, 244, 367, 419)	1	8	9
Trade acceptances or drafts payable (*Co. Nos. 154, 172, 297, 302)	2	3	5
Total	523	585	1108
Re: Trade Customers—			
Advance payments received from customers (*Co. Nos. 25, 184, 200, 248, 439, 584)	21	5	26
Progress billings on nongovernment contracts (*Co. Nos. 63, 125, 304, 345, 409, 571)	4	2	6
Additional costs on completed contracts (*Co. Nos. 76, 196)	2	—	2
Deposits for various trade purposes (*Co. Nos. 87, 161, 248, 317, 439, 527)	4	9	13
Deposits for merchandise containers (*Co. Nos. 68, 262, 281, 433, 441, 477)	8	—	8
Credit balances (*Co. Nos. 12, 102, 337, 423, 508, 560)	4	4	8
Total	43	20	63

Number of Companies showing:	1962	1960	1955
Accounts payable trade creditors	600	600	600
Accounts payable trade customers	56	57	70

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

ALDENS, INC.
Current Liabilities:

Due to banks	$16,804,132
Current installments on long term debt	924,400
Merchandise and expense accounts payable	5,324,386
Due customers	1,563,622
Accrued payrolls	1,583,459
Accrued property and franchise taxes	576,786
Accrued federal and state taxes (Note 3)	3,121,915
Sundry payables and accruals	1,181,671
Total Current Liabilities	$31,080,371

ANDERSON, CLAYTON & CO.
Current Liabilities:

Notes and acceptances payable:	
Secured by cotton and other assets (Note 6)	$ 10,917,358
Unsecured	53,519,746
Total Notes and Acceptances Payable	64,437,104
Accounts payable	40,803,659
Accrued liabilities (Note 4)	18,540,062
Total Current Liabilities	$123,780,825
Deferred Liabilities	$ 8,405,267

Note 6: The following assets of the company and its subsidiaries had been hypothecated as of July 31, 1962 as security for the following liabilities or performance of contracts:
*Refer to Company Appendix Section.

Indebtedness on notes and acceptances payable:	
Crop loans, documents in process of collection and trade accounts receivable	$ 4,756,691
Inventories	9,017,491
	13,774,182
Performance of contracts—U.S. government securities	1,105,000
Other indebtedness—foreign government securities	44,825
Total	$14,924,007

CRADDOCK-TERRY SHOE CORPORATION
Current Liabilities:

Trade accounts payable	$ 290,153.43
Current maturity of long-term loan	350,000.00
Accrued royalties and expenses	112,034.88
Employees' deposits	910.00
Accrued payrolls, commissions and unclaimed wages	250,483.52
Employees' income taxes withheld	126,391.30
Income and social security taxes	313,374.00
Dividend on preferred stock, payable January 1, 1963	35,600.00
Total current liabilities	$1,478,947.13

CANADA DRY CORPORATION

Current Liabilities:	
Accounts payable	$ 3,527,936
Dividends payable	640,387
Debentures and notes due within one year (less debentures in treasury)	408,700
United States and Foreign income taxes	2,216,332
Other taxes	1,367,633
Salaries, wages, interest, and other accruals	1,802,603
Total current liabilities (exclusive of an indeterminable amount of container deposits which will be currently returned to customers—see below)	$ 9,963,591
Other Liabilities:	
Twenty Year 4% Sinking Fund Debentures due June 1, 1976 ($530,000 redeemable annually)	$ 9,350,000
4¾% Convertible Subordinated Debentures due July 1, 1981 (sinking fund requirements begin in 1971)	7,138,400
4% Notes, due $63,700 annually to July 1, 1969	382,200
Liability to customers for deposits on returnable containers—estimated	4,149,720
Deferred income taxes	1,389,000
Total other liabilities	$22,409,320

FAIRCHILD STRATOS CORPORATION

Current Liabilities:	
Loans payable to banks (Note 1)	$ 2,600,000
Accounts payable	5,303,623
Accrued wages, salaries and other liabilities	5,192,528
Advances on commercial sales contracts	60,297
Taxes other than federal income taxes	432,723
Total current liabilities	$13,589,171

ROHM & HAAS COMPANY

Current Liabilities:	
Due to foreign banks	$ 275,751
Accounts payable	10,182,959
Accrued salaries and wages	1,913,732
Other accrued liabilities	1,939,873
Provision for taxes based on income, estimated	15,650,082
Total current liabilities	$29,962,397

TWENTIETH CENTURY-FOX FILM CORPORATION

Current Liabilities:	
Notes payable to banks:	
Parent company (repaid in 1963)	$ 9,800,000
Subsidiary companies	5,769,160
	$15,569,160
Current maturities of long-term debt	1,025,000
Current maturities of contractual obligations	4,580,974
Independent producers' and participants' shares payable	12,284,415
Accounts payable and accruals	14,308,928
Federal taxes on income (note 5)	982,647
Other taxes	4,260,636
Advance film rentals and provision for unremittable foreign income (note 1)	1,184,634
Total current liabilities	$54,196,394

*Refer to Company Appendix Section.

LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

There were 376 survey companies that evidenced the many types of liabilities to employees and stockholders as current liabilities in their 1962 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 1962 reports.

Forty-eight 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. 3, 114, 228, 329, 415, 597).

Examples—Liabilities re Employees and Stockholders

Examples from the 1962 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

ALLEGHENY LUDLUM STEEL CORPORATION

Current Liabilities:	
Notes payable—due within one year	$ 1,411,617
Accounts payable—trade	7,228,658
Accrued liabilities:	
Payrolls, royalties and other expenses	3,199,607
Vacation allowances	5,345,781
Taxes, other than Federal taxes on income	2,481,760
	11,027,148
Provision for Federal income taxes, estimated	5,318,670
Total current liabilities	$24,986,093

THE BENDIX CORPORATION

Current Liabilities:	
Notes payable:	
Banks (see Note 3)	$ 58,650,000
Current instalment on long-term note payable (see below)	135,000
Accounts payable	40,138,179
Customers' advances on sales orders:	
United States Government departments or agencies (see Note 4)	8,692,463
Other	2,034,550
Federal taxes on income	20,053,931
State income and franchise, social security, and sundry taxes	7,690,438
Employees' supplemental compensation (including amounts payable after one year)	3,303,157
Accrued payrolls, royalties, and sundry accrued accounts	18,735,542
Total current liabilities	$159,433,260

TABLE 25: LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

Current Liability Description*	Presentation: Separately	Presentation: With Other Items	1962 Total
A: Salaries or wages payable	54	192	246
B: Dividends or declarations payable	131	2	133
C: Payroll taxes withheld	17	61	78
D: Commissions payable	3	33	36
E: Payroll deductions for U. S. bond purchases	—	3	3
F: Deposits — various employee purposes	4	1	5
G: Deposits—salesmen's guarantees	2	2	4
H: Employee balances or accounts payable	—	2	2
I: Additional or other compensation	6	18	24
J: Bonus plan payments	1	7	8
K: Employee benefit plan contributions	19	15	34
L: Employee profit sharing plan	4	6	10
M: Employee savings or thrift plans	3	1	4
N. Vacation pay	6	17	23
Total	250	360	610

Number of Companies showing:	
Liabilities in current liability section only	328
Liabilities in noncurrent liability section only	11
Liabilities in both current and noncurrent liability sections	37
No liabilities—employees, stockholders, etc.	224
Total	600

*Refer to Company Appendix Section—
A: Co. Nos. 10, 163, 248, 312, 411, 591.
B: Co. Nos. 48, 156, 280, 360, 438, 573.
C: Co. Nos. 62, 128, 247, 344, 441, 577.
D: Co. Nos. 64, 162, 210, 333, 420, 496.
E: Co. Nos. 196, 240, 340.
F: Co. Nos. 36, 131, 173, 406, 494.
G: Co. Nos. 161, 213, 503, 583.
H: Co. Nos. 311, 503.
I: Co. Nos. 18, 93, 257, 376, 386, 501.
J: Co. Nos. 74, 131, 203, 278, 368, 463.
K: Co. Nos. 50, 153, 218, 317, 423, 443.
L: Co. Nos. 131, 285, 352, 389, 422, 496.
M: Co. Nos. 1, 3, 208, 250.
N: Co. Nos. 135, 165, 199, 365, 402, 409.

BLUE BELL, INC.

Current Liabilities:

Notes Payable—Banks	$ 1,000,000
Accounts Payable	6,434,680
Employees' Funds Withheld for Taxes, etc.	331,019
Federal and State Income Taxes (less prepayments: 1962 — $838,450; 1961 — $662,000) (Note 1)	1,074,765
Accrued Liabilities: Salaries, Wages, and Commissions	803,373
Bonus to Officers	120,086
Taxes—Other Than on Income	337,228
Interest	51,458
Contribution to Employee's Pension Trust Fund	98,702
Total current liabilities	$10,251,311

BOHN ALUMINUM & BRASS CORPORATION

Current Liabilities:

Trade accounts payable	$1,845,691
Payrolls and other compensation	1,358,610
Payroll taxes and amounts withheld from employees	316,074
Accrued pension costs and other expenses	631,511
Federal taxes on income	2,110,214
Payment due within one year on note payable to insurance company	500,000
Total current liabilities	$6,762,100

BROWN SHOE COMPANY, INC.

Current Liabilities:

Trade accounts, salaries, wages, and commissions; payroll and withholding taxes; contributions to retirement trust and other accounts	$20,350,052
Federal and state taxes on income—estimated	10,032,639
Current maturity of long-term debt	500,000
Total current liabilities	$30,882,691

ELASTIC STOP NUT CORPORATION OF AMERICA

Current Liabilities:

Loan payable—bank	
Accounts payable—trade	$ 804,083.90
Payroll deductions	209,399.58
Payrolls and commissions	1,125,729.75
Mortgage and other obligations—current installments	55,090.14
Dividend payable	188,253.40
Accrued liabilities:	
Payroll and sundry taxes	205,831.63
U.S. and Canadian taxes on income—estimated:	
Prior years	128,584.70
Current year	1,688,409.76
Sundry accruals	422,223.96
Current liabilities	$4,827,606.82

THE ELECTRIC AUTOLITE COMPANY

Current Liabilities:

Accounts payable—trade	$ 8,026,573
Payrolls, including payroll taxes and withholdings from employees	5,004,904
Sundry liabilities and reserves	2,413,492
Federal and Canadian taxes on income, less U.S. Government securities of $1,000,000 in 1962 and $5,000,000 in 1961	1,304,416
Current installments on 3¼% promissory note	2,000,000
Total current liabilities	$18,749,385

THE HARSHAW CHEMICAL COMPANY

Current Liabilities:

Accounts payable—trade and miscellaneous	$3,518,953
Payrolls, taxes withheld, and unpaid profit sharing	563,907
Contributions to retirement plans	—
Deposits for returnable containers	172,199
Accrued taxes (other than taxes on income)	257,740
Federal and other taxes on income—estimated	1,151,809
Sinking fund installment due within one year	350,000
Total current liabilities	$6,014,608

JANTZEN, INC.

Current Liabilities:

Accounts payable	$2,097,243
Notes payable, including current portion of term debt	3,979,126
Withholding taxes, wages and accrued expenses	1,151,643
Federal and state income taxes	842,517
Total current liabilities	$8,070,529

McCALL CORPORATION

Current liabilities:

Accounts payable and sundry accrued liabilities	$ 7,407,127
Accrued payroll and vacations	1,880,556
Taxes	1,044,197
Dividend payable	167,280
Long-term debt due within one year	400,000
Total current liabilities	$10,899,160

NAUTEC CORPORATION

Current Liabilities:

Accounts payable	$1,053,258
Accrued payroll and other expenses	967,092
Payable under acquisition agreement (paid August 1, 1962)	1,269,000
Federal and Canadian income taxes	145,626
Accrued commissions	1,316,148
Total current liabilities	$4,751,124

RHEEM MANUFACTURING COMPANY

Current Liabilities:

Notes payable	$ 1,500,000
Current installments of long-term indebtedness	1,979,000
Accounts payable	4,625,470
Compensation, interest and sundry accruals	3,744,047
Federal income taxes, estimated (Note 2)	869,531
Retirement plans contribution payable to trustee (Note 4)	535,464
	$13,253,512

Note 4: Retirement Plans—The Company maintains pension plans for most of its employes. Employes represented by certain unions and employes of certain subsidiaries do not participate in the plans. Pension expense for the plans amounted to $535,464 in the year 1962. This is the amount estimated on the basis of a 1962 actuarial study as the cost of benefits accruing during the year under the plans plus interest on the estimated unfunded past service cost of $5,700,000.

SNAP-ON TOOLS CORPORATION

Current Liabilities:

Accounts payable	
Trade	$1,042,837
Branch managers	434,450
Payroll deductions	180,131
Income taxes	1,533,867
Accrued liabilities	
Compensation	484,011
Property, payroll and other taxes	189,179
Other	83,250
Dealer and salesmen deposits on consigned tools	698,897
Total current liabilities	$4,646,622

In Noncurrent Liability Section Only

JOHNSON & JOHNSON

Noncurrent Liabilities:

Certificates of Extra Compensation	$3,929,280

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.

Other Liabilities:

Deferred income	$3,225,463
Deferred incentive plan compensation (See Note C)	251,275
Miscellaneous	1,445,362

Note C: Deferred Incentive Plan Compensation—The Key Employees Incentive Compensation Plan, which was approved by the stockholders in 1961, provides that for each year there may be credited to a reserve an amount based upon earnings, which will be available for payment as incentive compensation to employees, such amount being subject to limitations provided in the Plan. The amount to be credited to the reserve, the employees who are to participate and the amount of incentive compensation awards are recommended by the Key Employees Incentive Plans Committee (which consists of three directors not eligible for awards) and are determined by a majority of the members of the Board of Directors who are not eligible to receive awards.

For the year 1962, $550,000 was credited to the incentive compensation reserve and $509,000 was awarded to 106 participants, of which $279,750 has been paid in cash in 1963 and $229,250 contingently credited to be paid in deferred annual instalments upon termination of employment. The balance of $251,275 in the above account at December 29, 1962 represents the deferred incentive awards and the unallocated reserve, less estimated applicable reduction in future Federal income taxes.

BRUNSWICK CORPORATION

Long-Term Liabilities:

Notes payable—unsecured (Note 3)	$156,175,000
Mortgage notes payable (Note 4)	26,287,000
4½% convertible subordinated debentures, due 1981	25,623,000
Deferred compensation (Note 5)	2,733,000
	$210,818,000

Note 5: Deferred Compensation—Under various employee bonus plans, amounts may be set aside each year for distribution to officers and employees as additional compensation for outstanding service. A portion of the amounts so provided is paid in cash each year, and the balance is deferred for payment over a five-year period generally beginning two years from the year provided. The compensation deferred under these plans at December 31, 1962, is payable through 1968, in annual amounts ranging from $58,000 to $672,000.

FEDERATED DEPARTMENT STORES, INC.

Noncurrent Liabilities:

Provision for contingent compensation, net of taxes	$9,359,767

MOHASCO INDUSTRIES, INC.

Other Noncurrent Liabilities:

Long-term rentals on Amsterdam properties (note 3)	$5,048,213
Estimated liability under pension plans	799,486
Deferred Federal income taxes	876,818
Deferred credit (note 1)	—
Other liabilities	372,723
Total other noncurrent liabilities	$7,097,240

OUTBOARD MARINE CORPORATION

Noncurrent Liabilities:

Long-term debt, net of current maturities and sinking fund requirements included above (Note 1)	$17,604,700
Provision for deferred incentive compensation	460,095
Provision in lieu of income taxes on income of foreign subsidiaries	1,486,000
	$19,550,795

In Both Current and Noncurrent Liability Sections

AMERICAN MOTORS CORPORATION

Current Liabilities:	
Accounts payable	$ 74,563,954
Salaries, wages, and amounts withheld from employees	12,435,538
Accrued expenses including excise and miscellaneous taxes	28,207,303
Federal and state taxes on income	23,958,409
Less United States Government securities to be applied in payment of federal taxes	18,197,136
	$ 5,761,273
Total current liabilities	$120,968,068
Noncurrent Liabilities:	
Executive compensation payable after one year, less applicable income taxes	$1,584,000

DURA CORPORATION

Current Liabilities:	
Current installments on long-term debt	$ 920,500
Other notes and contracts payable	80,829
Accounts payable	3,302,602
Accrued payrolls, taxes and sundry	1,712,525
Dividend payable	63,841
Federal income tax, estimated	1,352,217
Total current liabilities	$7,432,514
Noncurrent Liabilities:	
Deferred compensation (less estimated reduction in future income taxes)	$130,589

KELSEY-HAYES COMPANY

Current Liabilities:	
Trade accounts payable	$ 6,105,900
Pay rolls	1,447,396
Taxes withheld from employees	779,421
Property, pay roll, and excise taxes	1,586,852
Other accrued expenses	1,754,348
Dividend payable October 1, 1962	597,375
Federal taxes on income	5,682,439
Total current liabilities	$17,953,731
Noncurrent Liabilities:	
Deferred Incentive Compensation (less estimated reduction in future income taxes)	$298,522

PARKE, DAVIS & COMPANY

Current Liabilities:	
Loans in other countries for current requirements of subsidiaries and branches	$ 8,216,755
Accounts payable and accrued expenses:	
Trade accounts	10,518,659
Salaries, wages, and commissions	3,630,446
Property, payroll, excise, and miscellaneous taxes	4,337,492
Dividend payable in January	3,715,718
Taxes on income—United States and other countries	14,636,433
Total current liabilities	$45,055,503
Deferred Liabilities:	
Awards under Bonus Plan, less related reduction in future income taxes	$ 200,241
United States income taxes on undistributed earnings of subsidiaries in other countries and other deferred taxes	3,890,000
Total deferred liabilities	$4,090,241

*Refer to Company Appendix Section.

ERIE FORGE & STEEL CORPORATION

Current Liabilities:	
Note payable to bank	$ 320,000.00
Accounts payable and accrued expenses:	
Trade accounts	1,269,548.65
Salaries, wages, and commissions and amounts withheld therefrom	732,744.53
Taxes and interest	331,621.68
Employees pension trust	99,566.00
Reserve for relining and repairing furnaces	139,395.50
Federal and state taxes on income—estimated	106,209.96
Current portion of long-term liabilities	500,100.00
Total current liabilities	$3,499,186.32
Other Liability:	
Employees pension trust payable in annual installments to April 30, 1966	$ 578,399.31

JONES & LAUGHLIN STEEL CORPORATION

Current Liabilities:	
Trade accounts	$31,804,000
Wages and salaries	23,597,000
Taxes, less U.S. Government securities of $4,016,000 and $5,904,000	16,297,000
Long-term debt payable within one year	11,186,000
Other current liabilities	8,510,000
Total current liabilities	91,394,000
Noncurrent Liabilities:	
Accrued employee benefits	$3,722,000

INCOME TAX LIABILITY

Table 26 presents the various classifications of income tax liability shown in the current liability section of the balance sheets of the 600 survey companies.

There were 40 survey companies which did not disclose a liability for federal income taxes in their 1962 balance sheets (*Co. Nos. 50, 154, 224, 403, 458, 562). Fourteen of these companies (*Co. Nos. 42, 107, 238, 339, 437, 548) indicated "loss from operations," and fifteen companies (*Co. Nos. 116, 214, 271, 452, 490, 528) referred to operating loss "carry-forward" or "carry-back."

The following examples, selected from the 1962 reports, are representative of the balance sheet presentations of the liability for income taxes. (For further examples, see those following the text on "U.S. Government Securities Used to Offset Federal Income Tax Liability"—Table 28)

HALLIBURTON COMPANY

Current Liabilities:	
Accrued Federal income taxes	$9,346,203

Notes to Financial Statements

Note 2: In accordance with the provisions of the Revenue Act of 1962, the Federal income taxes of the Company and its consolidated subsidiaries have been reduced by $676,980 in recognition of acquisitions or leases of tangible personal property during 1962. This investment tax credit applicable to acquisitions will be recognized over the productive life of the assets acquired and has been included in the accompanying financial statements as an increase in the reserve for depreciation and as an additional provision for depreciation.

TABLE 26: INCOME TAX LIABILITY

Balance Sheet—Current Liability Presentation and Classification	1962	1960	1955
"Federal Income Tax"	204	232	273
Above combined with:			
Other taxes	5	5	9
Other income taxes	7	7	6
Canadian and other taxes	16	9	1
Renegotiation	2	1	9
Redetermination	—	—	1
Nontax items	—	—	3
Total	234	254	302
"Federal and State Income Taxes"	49	51	56
Above combined with:			
Foreign taxes	17	10	15
Foreign and municipal taxes	1	1	1
Municipal taxes	1	1	2
Other taxes	4	5	5
Renegotiation	—	—	3
Total	72	68	82
"Federal and Foreign Income Taxes"	38	45	84
Above combined with:			
Other taxes	—	—	1
Other taxes and renegotiation	1	1	3
Renegotiation	2	4	6
Total	41	50	94
Classification set forth as:			
"Income taxes"	76	66	55
"Foreign income taxes"	1	—	1
"Income and other taxes"	11	9	4
"Income tax, domestic and foreign"	1	1	1
"Income tax, renegotiation, etc."	1	—	3
Total	90	76	64
"Taxes"	43	37	35
"Federal, state and other taxes"	7	3	3
"Federal and state taxes"	3	3	1
"Federal, state, municipal taxes"	4	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 taxes"	63	57	N/A
Total	123	108	50
Number of Companies presenting:			
Current liability for income tax or taxes	560	556	592
Not presenting such liability	40	44	8
Total	600	600	600

N/A—Not available.

BRUNSWICK CORPORATION

Current Liabilities:

Income taxes (Note 2) $28,579,000

Note 2: Income Taxes—The Company and its subsidiaries have consistently followed, for book purposes, the practice of recording income from sales financed by long-term instalment notes receivable when customers take delivery of bowling lanes, automatic pinsetters and other products. This practice, which is known as the "accrual basis", is the income-reporting method followed by most business concerns. Income taxes in the accompanying financial statements have been provided on the basis of book income. Where permitted by income tax regulations, the Company and its subsidiaries follow the instalment basis of reporting income from such sales for income tax purposes, and, as a result, income taxes of $120,000,000 at December 31, 1962, will not be payable until future years.

The current Federal income tax liability of the Company and its domestic subsidiaries has been reduced by an investment credit of approximately $300,000 under the recently enacted tax law. This reduction has been applied to the net book value of plant and equipment, and the benefit will be taken into earnings over the life of the assets on which the investment credit is based.

THE AMALGAMATED SUGAR COMPANY

Current Liabilities:

Accounts payable, notes payable, and accruals, including property and excise taxes	$7,025,291
Federal and state income taxes	2,921,289
Total current liabilities	$9,946,580

BOND STORES, INCORPORATED

Current Liabilities:

Reserve for Federal income taxes—Note C $2,016,487

Note C: The Federal income tax returns of the Corporation have been examined to July 31, 1960. The accompanying financial statements are subject to final determination of Federal, state and local taxes.

BURROUGHS CORPORATION

Current Liabilities:

Estimated income taxes and U.S. government contract redetermination liabilities $16,415,835

COLONIAL STORES INCORPORATED

Current Liabilities:

Federal and State taxes on income (note 4) $3,085,080

Note 4: Federal Taxes on Income—For tax purposes, the company has used accelerated depreciation methods on fixtures and equipment, and transportation equipment acquired new since 1954; however, for general accounting purposes these assets have been depreciated by the straight-line method. As a result, depreciation deductible for income tax purposes has materially exceeded such expense per the books. Income has been charged and deferred Federal taxes on income credited with the estimated tax reductions arising from these differences. Portions of this deferred tax provision will be restored to income in years when depreciation provisions deductible for tax purposes become less than related charges to book income.

Certain differences between general accounting and taxable income arose from the settlement made in 1961 with the Internal Revenue Service, relating to the treatment of certain properties under long-term leases having repurchase options. For income tax purposes, such properties are considered to be owned rather than leased; and depreciation and interest expense are being deducted for tax purposes in lieu of a larger amount of rent expensed on the books. The company has charged deferred Federal taxes on income with the tax prepaid as a result of the above-mentioned differences. The prepaid income tax is being reduced as depreciation and interest charges allowable for Federal income tax purposes become greater than related rent charges per the books.

That portion of the current year's tax reduction resulting from the investment Credit provisions of the Revenue Act of 1962 which represents a permanent tax saving (50% of the total reduction) has been deferred, by charging other income and crediting a special reserve for depreciation, and is being amortized by reducing depreciation expense over the estimated lives of the property which gave rise to the credit.

GENERAL CABLE CORPORATION

Current Liabilities:

Accrued Federal income taxes (Note 4, page 11) $5,946,346

Note 4: Federal income tax liability for all years through 1958 has been determined and all deficiencies have been paid.

P. R. MALLORY & CO., INC.

Current Liabilities:

United States and Canadian taxes on income, estimated (note 3) $4,308,608

Note 3: Federal Income Taxes—The U.S. Treasury Department has concluded an examination of the Company's income tax returns for the years 1959, 1960 and 1961. Adequate provision was made in the years involved to cover the resulting assessments of additional taxes. The Company and its domestic subsidiaries have recorded the Investment Credit, which is provided by the Revenue Act of 1962 for qualifying capital expenditures, as a reduction of Federal income tax liability and as an increase in the allowance for depreciation; the Credit, which amounted to approximately $87,000, will be taken into income ratably over the estimated lives of the respective assets.

CHAS. PFIZER & CO., INC.
Current Liabilities:

Accrued liabilities—Note 3:	
Federal taxes on income	$17,229,427
Foreign, state and local taxes	16,539,755
Other accrued liabilities	16,961,703

Note 3: Taxes—The accompanying financial statements are subject to final determination of federal, foreign, state and local taxes. Federal income tax returns of the Company have been examined by representatives of the Treasury Department through the year 1954 and all assessments through that year have been paid.

For some years prior to 1962, the Company has used significantly shorter depreciable lives for machinery and equipment for book purposes than for income tax purposes; however, for 1962, the Company has availed itself, for income tax purposes, of the new shorter depreciation guidelines authorized by the Treasury Department. As a result, the provision for federal income taxes for 1962 is approximately $2,200,000 less and net income correspondingly greater than would have been the case if tax depreciation were calculated on the depreciable lives used in 1961 and prior years.

It is estimated that income for 1963 will benefit in approximately the same amount as for 1962 as a result of tax depreciation exceeding book depreciation. At the end of 1963, accumulated book and tax depreciation will be substantially the same and therefore, after 1963, this income benefit will no longer be available in material amount.

Pursuant to the Revenue Act of 1962, Pfizer realized an Investment Credit in the aggregate amount of $800,000, of which $35,000 has been applied to current operations and the balance deferred.

ROHM & HAAS COMPANY
Current Liabilities:

Provision for taxes based on income, estimated	$15,650,082

Notes to Financial Statements

Note 2: Income taxes—Federal income taxes of the parent company and domestic subsidiaries for 1962 will be reduced by approximately $620,000 under the investment credit provisions of the Revenue Act of 1962. This amount has been deferred in the accompanying consolidated balance sheet and is being amortized over the productive life of the related property acquired.

The provision for taxes on income is subject to final determination by Federal, state and foreign taxing authorities. Federal income tax returns of the parent company have been examined by the Internal Revenue Service and settled through 1959. Certain of the parent company's business for 1962 is subject to renegotiation. The Renegotiation Board has indicated that the company will not be renegotiated with respect to prior years. It is believed that adequate provision has been made in the accounts as to liability for taxes and that provision will not be required for renegotiation.

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 262 companies that used descriptive terms such as *estimated, provision, reserve,* or *accrued* in conjunction with other words to describe their tax liability. The remaining 298 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 262 in 1962, with the use of the term *reserve* dropping from 48 in 1950 to 15 in 1962.

TABLE 27: INCOME TAX LIABILITY

Primary Descriptive Term:	*1962	1960	1955	1950
Estimated, etc.	103	112	131	109
Provision, etc.	53	63	93	130
Reserve, etc.	15	19	22	48
Accrued, etc.	91	86	101	122
	262	280	347	409
None Used with—				
Federal or U.S. income taxes	240	234	214	
Income taxes	42	27	19	180
Taxes	16	15	12	
Total	560	556	592	589
No income tax liability	40	44	8	11
Total	600	600	600	600

*1962 Descriptive Term Used with:	Estimated	Provision	Reserve	Accrued	Used Alone	1962 Total
Federal income tax	38	19	10	22	145	234
Federal and state income taxes	20	12	1	5	34	72
Federal and foreign income taxes	8	3	1	5	24	41
Income taxes	23	10	1	14	42	90
Taxes	—	5	1	38	16	60
U.S. and other taxes	14	4	1	7	37	63
Total	103	53	15	91	298	560

Examples

The following examples of balance sheet terminology for federal and other income or tax liability have been taken from the survey reports for 1962.

Estimated—(103 Companies):

- Estimated federal taxes on income (*Co. No. 196)
- Estimated federal and foreign income taxes less government securities of $xxx (*Co. No. 138)
- Estimated federal and state taxes on income (*Co. No. 472)
- Estimated federal and foreign taxes on income (*Co. No. 188)
- Estimated income taxes (*Co. Nos. 115, 538)
- Estimated liability for federal and foreign taxes on income (*Co. No. 285)
- Estimated United States and foreign income taxes (*Co. No. 467)
- Estimated taxes on income (*Co. Nos. 84, 195)
- Estimated U.S. and Canadian income taxes (*Co. No. 330)
- Federal taxes on income—estimated (*Co. No. 295)
- Federal income tax(es)—estimated (*Co. Nos. 63, 106)
- Federal taxes on income—estimated, less United States Government securities (*Co. No. 407)
- Federal and state taxes on income—estimated (*Co. Nos. 170, 186, 218)
- Federal, state, and foreign taxes on income—estimated (*Co. No. 200)
- Federal, foreign and state taxes based on income—estimated (*Co. No. 117)

*Refer to Company Appendix Section.

Federal, state and Canadian taxes on income—estimated, less U.S. Government securities: $xxx (*Co. No. 398)
Federal and state income taxes, estimated (*Co. Nos. 46, 234, 390)
Federal taxes on income—estimated, less United States Treasury obligations—$xxx (*Co. No. 402)
Federal and other taxes on income—estimated (*Co. No. 281)
Federal and other taxes based on income—estimated (*Co. No. 514)
Federal and foreign income taxes—estimated (*Co. No. 507)
Income taxes—estimated (*Co. Nos. 87, 261, 550)
Taxes on income—estimated (*Co. Nos. 1, 577)
Taxes on income (estimated), less United States Government securities that may be applied to payment thereof: $xxx (*Co. No. 468)
United States and Canadian taxes on income, estimated (*Co. No. 354)
U.S. Federal income taxes—estimated (*Co. No. 307)
U.S. taxes on income (estimated) (*Co. No. 373)

Provision—(53 Companies):
Provision for federal taxes on income (*Co. Nos. 81, 95, 284, 408, 425, 447)
Provision for federal income taxes (*Co. Nos. 98, 391, 509, 565, 589)
Provision for federal income taxes, estimated (*Co. No. 11)
Provision for federal, state and foreign income taxes (*Co. No. 212)
Provision for federal and foreign income taxes (*Co. No. 222)
Provision for federal and foreign taxes on income (*Co. No. 29)
Provision for income taxes (*Co. No. 236)
Provision for taxes: taxes on income (*Co. No. 276)
Provision for United States and foreign taxes on income (*Co. No. 475)
Provision(s) for taxes (*Co. Nos. 399, 446)
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. 415)
Provision for federal, state and foreign taxes on income (*Co. No. 448)
Provision for United States and Foreign income taxes (*Co. No. 345)
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 (net of marketable securities of $xxx) (*Co. No. 181)
Provision for federal income taxes, less U.S. Government securities of $xxx (*Co. No. 600)
Provision for federal taxes on income, less tax anticipation notes: $xxx (*Co. No. 184)
Provision for federal income taxes (less prepayments) (*Co. No. 66)
Provision for taxes, including taxes on income (*Co. No. 18)

*Refer to Company Appendix Section.

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. 159)

Reserve—(15 Companies):
Reserve for federal income tax(es) (*Co. Nos. 47, 89, 102, 287, 369, 482)
Reserve for federal, state and foreign income taxes (*Co. No. 6)
Reserve for U.S. and Foreign income taxes and renegotiation (*Co. No. 547)
Reserve for taxes on income, less United States Government securities of $xxx (*Co. No. 156)

Accrued—(91 Companies):
Accruals: federal income taxes, less United States treasury notes of $xxx (*Co. No. 43)
Accrued federal taxes on income (*Co. No. 592)
Accrued federal income taxes (*Co. Nos. 72, 246, 358)
Accrued liabilities: federal tax(es) on income (*Co. Nos. 144, 432)
Accrued taxes: federal income (*Co. No. 17)
Accrued interest and taxes (*Co. No. 499)
Accrued liabilities: federal and state taxes, less U.S. Government tax anticipation certificates — $xxx (*Co. No. 171)
Accrued United States income taxes $xxx less United States Government securities (*Co. No. 177)
Accrued federal and foreign taxes on income (*Co. No. 519)
Accrued federal, state, local and foreign taxes (*Co. No. 497)
Accrued federal, state and town taxes (*Co. No. 523)
Accrued taxes: federal taxes on income (*Co. No. 522)
Accrued taxes: United States and foreign income taxes (*Co. No. 428)
Accrued taxes: U.S. and foreign taxes on income (*Co. No. 45)
Accrued accounts: federal, state, and local taxes (*Co. No. 136)
Accrued federal and Canadian income taxes (*Co. No. 454)
Accrued accounts: federal taxes on earnings, less U.S. Treasury obligations, $xxx (*Co. No. 481)
Accrued accounts: federal income, less U.S. Government securities—$xxx (*Co. No. 551)
Accrued federal income tax (*Co. No. 165)
Accrued liabilities: federal and state income taxes (*Co. No. 443)
Accrued taxes, including federal income taxes (*Co. No. 168)
Accrued federal, state and other taxes (*Co. No. 232)
Accrued income taxes: U.S. federal and state (*Co. No. 310)
Accrued federal and foreign taxes on income (*Co. No. 529)
Taxes, payable and accrued: federal taxes on income (*Co. No. 160)
Taxes payable and accrued (*Co. Nos. 269, 342)
Taxes accrued (*Co. No. 13)
Tax accruals (*Co. No. 166)

Federal or U.S. income taxes—(240 Companies):
Federal income tax(es) (*Co. Nos. 31, 51, 133, 202, 361, 541)

Federal taxes on income (*Co. Nos. 14, 323, 456, 512)
Federal income tax(es) payable (*Co. Nos. 333, 508)
Federal and state income taxes (*Co. Nos. 314, 360)
Federal, state, and Canadian taxes on income (*Co. Nos. 209, 252, 324)
Federal and foreign income taxes, net after government tax notes of $xxx (*Co. No. 25)
Federal, state and other taxes (*Co. No. 34)
Federal and state taxes (*Co. No. 469)
Federal, state and local taxes (*Co. No. 466)
Federal and other income taxes (*Co. No. 435)
Federal and foreign taxes on income and renegotiation, less $xxx U.S. tax anticipation notes (*Co. No. 233)
Federal and foreign income taxes (*Co. Nos. 320, 588)
Federal and foreign taxes on income (*Co. Nos. 7, 393)
Federal taxes on income, less U.S. Government securities of $xxx (*Co. No. 85)
Federal, state and foreign taxes (less $xxx of foreign government securities) (*Co. No. 473)
Federal and state taxes on income, less United States Government securities in the amount of $xxx to be used in payment thereof (*Co. No. 167)
Federal, Canadian, and state taxes on income (*Co. No. 569)
Federal income tax, less U.S. Treasury bills of $xxx (*Co. No. 336)
United States taxes on income, less U.S. Treasury securities; $xxx (*Co. No. 229)
United States income taxes (*Co. Nos. 411, 493)
United States and foreign taxes on income (*Co. Nos. 197, 464)
United States and foreign income taxes (*Co. Nos. 122, 194)
United States and Canadian income taxes (*Co. Nos. 248, 417)
United States, Canada, and other taxes on income (*Co. No. 239)
United States taxes less U.S. Treasury securities—$xxx (*Co. No. 265)
United States and Canadian taxes on income (*Co. No. 296)
U.S. and Canadian income taxes (*Co. No. 255)
U.S. and foreign income taxes (*Co. No. 76)

Income taxes—(42 Companies):
Domestic and foreign taxes on income (*Co. No. 442)
Income taxes (*Co. Nos. 341, 531)
Income and social security taxes (*Co. No. 173)
Income and other taxes, less tax anticipation notes, $xxx (*Co. No. 74)
Income taxes payable (*Co. Nos. 440, 516, 594)
Income, excise, state gasoline, and other taxes payable (*Co. No. 504)
Income taxes and other taxes payable (*Co. No. 596)
Taxes on income (*Co. Nos. 150, 438)
Taxes on income payable to United States and Canada (*Co. No. 510)

Taxes—(16 Companies):
Accounts and taxes payable (*Co. No. 20)
Taxes (*Co. Nos. 178, 235)
Taxes payable (*Co. No. 70)
Taxes, less U.S. Government securities of $xxx (*Co. No. 318)
Local, state and federal taxes, less United States securities of $xxx (*Co. No. 557)

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

*Refer to Company Appendix Section.

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 203 survey companies in 1962, 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.

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

Number of Companies with U.S. Government Securities presenting—	1962	1960	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)	27	24	28
Treasury notes	2	—	10
Treasury notes, and bills or certificates	2	3	4
Treasury tax notes or certificates	2	1	4
Treasury tax anticipation notes, certificates, or bills	1	—	8
Treasury bills	2	3	4
Total	36	31	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)	23	47	78
Treasury notes	1	4	7
Treasury notes, and bill or certificates	—	2	3
Treasury tax notes or certificates	1	—	9
Treasury tax anticipation notes, certificates, or bills	4	6	9
Treasury bills	2	2	5
Total	31	61	111
All Government securities as Current Assets with securities identified as:			
U.S. Government securities (or similar terms)	112	130	169
Treasury notes	7	1	4
Treasury bills	15	17	13
U.S. Government or treasury bonds	2	2	4
Total	136	150	190
Number of Companies with no U.S. Government Securities presenting:			
Federal income tax liability	360	322	233
No Federal income tax liability	37	36	8
Total	397	358	241
Total	600	600	600

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

ARMSTRONG CORK COMPANY
Current Liabilities:

Federal income tax, estimated	$12,958,184
Less U.S. Treasury tax securities	6,912,230
	$6,045,954

BEATRICE FOODS CO.
Current Liabilities:

Federal taxes on income, less United States Government securities $6,855,577.90 and $5,850,949.28 at respective dates	$329,248.57

INLAND STEEL COMPANY
Current Liabilities:

Federal taxes on income, less U.S. Government securities and accrued interest—$30,365,371 at December 31, 1962 and $15,988,486 at December 31, 1961	$4,352,313

JONES & LAUGHLIN STEEL CORPORATION
Current Liabilities:

Taxes, less U.S. Government securities of $4,016,000	$16,297,000

OXFORD PAPER COMPANY
Current Liabilities:

United States and Canadian income taxes	$2,555,120
Less United States Government securities	*2,535,715*
	$ 19,405

REMINGTON ARMS COMPANY, INC.
Current Liabilities:

Federal taxes on income	$3,392,500
Less—U.S. Government securities	3,392,500

REPUBLIC STEEL CORPORATION
Current Liabilities:

Federal taxes on income, less U.S. Government securities (1962—$3,714,323; 1961—$13,794,179)	$7,635,708

WEYERHAEUSER COMPANY
Current Liabilities:
Provision for Federal income taxes $22,391,416
Less—U.S. Government securities segregated therefor *21,600,000*

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

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.
Current Assets:
United States Government securities, at cost (approximate market), and certificates of deposit $16,805,969
Current Liabilities:
Federal taxes on income.............. $ 8,163,782
Less—U.S. Government securities.... $(8,163,782)

THE CLEVELAND CLIFFS IRON COMPANY
Current Assets:
U.S. Government and other short-term securities—at cost and accrued interest (approximate market) $22,429,213
Current Liabilities:
Federal taxes on income—estimated ($2,969,294 in 1962 and $2,458,064 in 1961) less U.S. Government securities applied .... —

COPPERWELD STEEL COMPANY
Current Assets:
U.S. Government obligations and certificates of deposit $3,522,211
Current Liabilities:
Accrued liabilities:
Federal and state taxes, less U.S. Government tax anticipation certificates—1962, $1,490,213 .... $1,846,969

LIBBEY-OWENS-FORD GLASS COMPANY
Current Assets:
U.S. Government securities, at cost and accrued interest (quoted market $33,133,875.00) $32,655,131.02
Current Liabilities:
Estimated federal taxes on income $21,640,000.00
Less U.S. Government tax notes 19,873,000.00 $1,767,000.00

THE NEW YORK AIR BRAKE COMPANY
Current Assets:
United States Government and State securities—at cost and accrued interest (approximate market) $2,406,043
Current Liabilities:
Federal taxes on income—estimated $1,252,335
Less United States Government securities (1961—$900,000).... 1,200,000 $52,335

UNITED STATES STEEL CORPORATION
Current Assets:
United States Government and other marketable securities, at cost (approximate market) $407,499,131
Current Liabilities:
Accrued taxes, less United States Government securities of $76,800,000 at December 31, 1962 and $87,600,000 at December 31, 1961 .... $297,646,191

UNION BAG-CAMP PAPER CORPORATION
Current Assets:
U.S. Government securities (at cost) $337,887
Current Liabilities:
Accrued accounts:
Federal income taxes, less U.S. Government securities, 1962 — $4,999,023; 1961 $13,290,266 .... $6,995,915

All Government Securities Presented as Current Assets

ABBOTT LABORATORIES
Current Assets:
United States Government and other marketable securities—at cost (approximately market) $21,683,703
Current Liabilities:
Taxes on income—estimated $8,027,236

AMERICAN CHAIN & CABLE COMPANY, INC.
Current Assets:
Government securities $1,488,909
Current Liabilities:
Provision for income taxes $3,048,023

BROWN SHOE COMPANY, INC.
Current Assets:
United States Treasury Bills—at cost (approximate market value) $2,497,448
Current Liabilities:
Federal and state taxes on income—estimated $10,032,639

CITP PRODUCTS CORPORATION
Current Assets:
U.S. Treasury Bills, at cost $8,483,329
Current Liabilities:
Federal income taxes $5,237,588

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The various types of short-term borrowing and long-term indebtedness presented in the 1962 balance sheets of the 600 companies included in the survey are summarized in Table 29.

The annual reports of these companies disclose that 76 had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 524 companies, 32 presented short-term borrowing only; 281 disclosed only long-term indebtedness, and 211 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 94 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 (2 companies), revolving credit (36 companies), or simple credit agreements (56 companies).

Four companies disclosed that they had entered into credit agreements subsequent to the end of the accounting period and ten companies reported that borrowings under credit agreements were repaid during the year.

Examples from the 1962 reports illustrating the presentation of short-term borrowing in the current liability section, and of long-term indebtedness in the noncurrent liability section of the balance sheet, including indebtedness secured by collateral, are shown below.

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

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

	Current Liability	Noncurrent Liability
Balance Sheet Description*	Short-term**	Long-term
A: Notes payable	184	371
B: Loans payable	35	46
C: Bonds payable	—	29
D: Accounts payable (nontrade)	2	2
E: Debentures	2	106
F: Sinking fund debentures	—	144
G: Equipment contracts	1	18
H: Purchase money obligations	2	25
I: Real estate obligations	—	2
J: Mortgages payable	2	77
K: Contracts payable	8	15
L: Other long-term liabilities	—	22
M: Owed by—subsidiaries	20	78
N: Owed to—unconsolidated subsidiaries or affiliates	5	6
Total	261	941

Number of Companies presenting:	
Short-term borrowing only	32
Short-term borrowing and long-term indebtedness	211
Long-term indebtedness only	281
Neither short-term borrowing nor long-term indebtedness	76
Total	600

*Refer to Company Appendix Section—
A: Co. Nos. 72, 151, 248, 331, 429, 537.
B: Co. Nos. 10, 183, 221, 374, 482, 556.
C: Co. Nos. 42, 153, 267, 318, 468, 590.
D: Co. Nos. 124, 402, 489, 532.
E: Co. Nos. 30, 139, 283, 379, 489, 575.
F: Co. Nos. 48, 194, 247, 320, 412, 511.
G: Co. Nos. 2, 130, 209, 238, 486, 527.
H: Co. Nos. 50, 126, 196, 302, 456, 535.
I: Co. Nos. 382, 467.
J: Co. Nos. 84, 161, 278, 319, 431, 594.
K: Co. Nos. 179, 204, 281, 371, 404, 540.
L: Co. Nos. 13, 161, 303, 449, 516, 585.
M: Co. Nos. 98, 202, 261, 384, 416, 544.
N: Co. Nos. 182, 237, 414, 443, 468, 486.

**Excluding items set forth in the current liability section which represent the portion of long-term indebtedness payable within one year.

SHORT-TERM BORROWING

Notes Payable

BEECH AIRCRAFT CORPORATION
Current Liabilities:
Notes payable—Note C $9,000,000

Note C: Notes Payable—Notes payable of $9,000,000 at September 30, 1962, represented borrowings, by the Company, of $4,500,000 from banks under a $14,000,000 line of credit extending to December 1, 1962, and $4,500,000 in commercial paper. The proceeds of the loans are being used to finance certain installment sales, floor plan contracts, and lease agreements of a subsidiary, which is jointly and severally liable with the Company for the repayment of the loans.

THE COLORADO MILLING & ELEVATOR COMPANY
Current Liabilities:
Notes payable $13,000,000

NATIONAL COMPANY, INC.
Current Liabilities:
Note payable, bank $100,000

UNITED MERCHANTS AND MANUFACTURERS, INC.
Current Liabilities:
Notes and advances payable—banks and bankers $66,354,558

Loans Payable

ALLIED MILLS, INC.
Current Liabilities:
Notes payable, short term loans $4,400,000

AMERICAN HOME PRODUCTS CORPORATION
Current Liabilities:
Loans payable to banks $4,863,877

BOOTH FISHERIES CORPORATION
Current Liabilities:
Bank loans $1,350,000

THE INTERNATIONAL SILVER COMPANY
Current Liabilities:
4½% bank loans payable $6,000,000

Revolving Credit Agreement

GENERAL PLYWOOD CORPORATION
Current Liabilities:
Loans payable (Note 3) $6,292,950

Note 3: At October 31, 1962, the Company and a subsidiary have a revolving credit arrangement with a commercial lending institution and bank expiring in 1967, but which is terminable under certain conditions (without penalty) at the Company's option beginning in February, 1965. During the term of the credit arrangement, (1) the Company is committed to borrow sums based on the amount of its trade receivables available as acceptable collateral for such loans, and (2) the Company and the subsidiary are permitted to borrow sums based on the amounts of their inventories available as acceptable collateral for such loans. In addition to the assignment of receivables and inventories, all of the subsidiary's common stock is assigned as collateral under the credit arrangement, and all of the property, plant and equipment of the Company and the subsidiary now owned or subsequently acquired is, or will be, assigned as collateral. At October 31, 1962, loans of $6,242,950 are owed to the aforesaid lenders, of which $6,042,322 is outstanding under the revolving credit arrangement. Substantially all of the receivables, inventories, and property, plant and equipment shown in the balance sheet at October 31, 1962 are assigned as collateral for the loans, and the Company and the subsidiary are individual guarantors of the total indebtedness. Among other things, the loan agreements prohibit reacquisitions of outstanding capital stock or other distributions to shareholders other than the payment of regular dividends on the preferred stock of the subsidiary (held by minority interests).

V-Loan

CONTINENTAL MOTORS CORPORATION
Current Liabilities:

Notes payable to banks under V-Loan Agreement (Note C)	$8,400,000

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 80% of the Corporation's net earnings subsequent to October 31, 1960, plus $500,000, a total of $3,786,739 at October 31, 1962. 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 ($2,056,280), a total of $19,056,280. At October 31, 1962, earnings retained for use in the business in the amount of $1,146,739 were free from the foregoing dividend restrictions.

Contracts Payable

ARDEN FARMS CO.
Current Liabilities:

Notes and contracts payable, partially secured	$11,488,278

DURA CORPORATION
Current Liabilities:

Other notes and contracts payable	$80,829

GENERAL BAKING COMPANY
Current Liabilities:

Notes and contracts payable due *within* one year	$1,246,694

Owed by Subsidiaries

ABBOTT LABORATORIES
Current Liabilities:

Borrowings by subsidiaries and branches located outside the United States	$10,429,805

ELECTROLUX CORPORATION
Current Liabilities:

Notes of subsidiary payable to bank	$1,110,000

PFAUDLER PERMUTIT, INC.
Current Liabilities:

Notes payable	$ 500,000
Notes payable by foreign subsidiaries	1,971,072

Owed to Unconsolidated Subsidiaries

FRUEHAUF TRAILER COMPANY
Current Liabilities:

Due to subsidiary not consolidated	$2,843,775

OTIS ELEVATOR COMPANY
Current Liabilities:

Payable to subsidiaries—not consolidated	$957,275

REYNOLDS METALS COMPANY
Current Liabilities:

Other current liabilities (including payables to unconsolidated subsidiaries and other associated and related companies: 1962—$2,834,182; 1961—$5,507,057)	$5,959,142

LONG-TERM INDEBTEDNESS

Noncurrent Liabilities

AMERICA CORPORATION

Long-term debt (less amounts due currently)—(note 4)	$7,394,375

Note 4: Long-term debt—

	Due Within One Year	Due After One Year
12% Promissory Note due on April 22, 1964, the interest for which is reimbursed by Gibbs Shipyards, Inc. and is secured by 500 shares of Gibbs Shipyards, Inc. and 14,000 shares of common stock and warrants to purchase 14,000 shares of common stock of Universal American Corporation at $13.75 per share (see note 7)	—	$1,318,000
5⅞% Promissory Note—annual payment of $250,000 or 20% of consolidated net earnings, whichever is less, from June 1, 1964, and annual payments of $300,000 from December 1, 1963, with unpaid balance due December 1, 1973, secured by stock of major consolidated subsidiary companies with restrictions as to minimum working capital requirements and payment of dividends to America Corporation	$300,000	5,719,000
Notes on equipment purchased under conditional sales contracts, due monthly	56,507	88,193
5¼% note payable to bank in minimum annual installments of $32,500 commencing in 1963 secured by gas wells	32,500	269,182
	$389,007	$7,394,375

BURROUGHS CORPORATION
Long-Term Liabilities (Note 3):

4⅜% sinking fund debentures due July 1, 1983 (minimum annual retirement—$1,000,000) less $1,000,000 payable within one year	$24,000,000
4½% convertible subordinated sinking fund debentures due December 1, 1981, convertible into common stock at $38.96 per share (minimum annual retirement of $1,200,000 commencing in 1966)	29,867,900
3⅜% sinking fund debentures due June 1, 1977 (minimum annual retirement—$835,000) less $106,000 purchased for retirement and $729,000 payable within one year	19,155,000
5¼% bank loan payable at various dates through May 20, 1965 less $1,400,000 payable within one year	2,100,000
Mortgage loan payable	1,013,000
	$76,135,900

Note 3: Under the conversion provisions of the 4½% debenture issue, 766,629 shares of the unissued common stock of the Company are reserved for the exchange of these debentures.

CONSOLIDATED FOODS CORPORATION

Long Term Debt, less payments due within one year (Note 4)	$28,941,413

Note 4: Long-term debt—

Obligations were outstanding at June 30, 1962, as follows:

Consolidated Foods Corporation:	
Promissory notes, 5¼%, due June 1, 1963/1981	$27,400,000
Deferred payments under agreement for purchase of The Lawson Milk Company, payable over two years	1,707,604
Unsecured notes to suppliers of materials, payable over five years	420,522
Subsidiary companies:	
Promissory note, 5¼%, due June 1, 1968	456,000
Serial debentures, 3½%, due April 1, 1962/1970	451,000
Conditional sales contracts for purchase of fixtures and equipment, payable in monthly installments with a maximum remaining life of five years:	
Consolidated Foods Corporation	56,643
Subsidiary companies	96,828
	$30,588,597
Less amounts payable within one year	1,647,184
Net total payable after one year	$28,941,413

The agreement relating to the 5¼% promissory notes of the Corporation provides that on or before April 30, 1963, the Corporation may borrow an additional $5,000,000 on the same terms. In addition, there is a revolving credit agreement with a group of banks, under which they are committed to lend a maximum of $15,000,000 on a short term basis, loans outstanding at December 31, 1962, to be converted to term bank loans, payable over a five year period with interest ranging from 4½% to 5% per annum. At June 30, 1962, there were no loans outstanding under this agreement.

The aggregate annual requirements for fixed and sinking fund payments on long term debt each year for the five fiscal years following June 30, 1962, are as follows: in 1963 $1,647,184, in 1964 $1,440,713, in 1965 $631,782, in 1966 $628,471, and in 1967 $724,447. There are also contingent payments on indebtedness of a subsidiary, based on its earnings.

CROWN ZELLERBACH CORPORATION

Long-term debt, net of installments due within one year (note 4) $82,182,000

Note 4: *Long-term debt*—Long-term debt totals $87,200,000 of which $5,018,000, maturing within one year, is included in current liabilities. Unsecured notes aggregating $78,313,000 bear interest at rates from 3% to 5%, bonds secured by mortgages totaling $8,887,000 bear interest at rates of 4½% and 5%.

Payments of long-term debt during the next five years will be as follows:

1963	$5,000,000	1965	$4,800,000
1964	7,200,000	1966	4,800,000
1967	$4,800,000		

HOWE SOUND COMPANY

Long-term debt—Note C $23,211,847

Note C: *Long-term debt*—

6% Promissory Notes, issued under Note Agreement dated June 27, 1960, due in semi-annual installments of $625,000 payable June 1965 to December 1976	$15,000,000
Non-interest bearing mortgage notes (subordinated to the 6% Promissory Notes), due January 1964, except for an undeterminable amount which, under certain circumstances, may become payable prior thereto	7,256,000
Contractual obligations payable $179,782 in 1963, $293,055 in 1964, $145,466 in 1965, and $40,617 in 1966 and 1967	699,537
4% mortgage note payable in quarterly installments of $17,500 (interest included) to April 1968	317,313
Sundry long-term obligations ($205,219 due in 1963)	382,172
	$23,655,022
Less portion included as current liability	443,175
	$23,211,847

McKAY MACHINE COMPANY

Long-Term Debt:

Notes payable—Bank and others, less amount due within one year (Note 4) .. $2,937,500

Note 4: *Notes payable and long-term debt*—A long-term loan commitment of $5,000,000 (supplemented in 1962 from $4,000,000 in 1961) at 5% interest has been secured from banks to finance the building program. At December 31, 1962, $2,900,000 had been borrowed against the commitment. Principal payments in quarterly installments of $62,500 commence November 1963. Additional payments shall be made commencing in 1964 equal to fifty percent (50%) of the amount by which McKay's net profit after taxes for its fiscal year, plus depreciation, exceeds the sum of $780,000. At the end of seven years the unpaid principal balance is due.

The Company is also indebted to the Wean Engineering Company on a note for $100,000 at 4½% interest. The note is payable on demand, but subordinate to notes payable to banks.

STUDEBAKER CORPORATION

Long-term debt—Note D:

5% secured notes payable	$16,500,000
Revolving credit notes	25,000,000
Other	6,309,952

Note D: *Long-term debt*—The 5% secured notes are payable in annual installments of $1,650,000 beginning in 1964. Substantially all of the properties of the Corporation at South Bend, Indiana, with a net carrying amount of approximately $17,000,000 at December 31, 1962, have been pledged as collateral. Additional collateral consists of the capital stock of two wholly-owned consolidated subsidiaries, Studebaker of Canada, Limited and Mercedes-Benz Sales, Inc., which had combined net assets of $15,608,566 at December 31, 1962. The Corporation agrees, among other things, to maintain consolidated net current assets of at least $25,000,000.

Under the terms of the agreement covering the revolving credit notes, the Corporation may borrow up to a maximum amount of $25,000,000 until January 31, 1964, after which such amount is reduced to $17,500,000 until January 29, 1965 (date of maturity). Interest is at rates ranging from 4½% to 5½% per annum depending upon the prime commercial rate. The Corporation agrees, among other things, to maintain consolidated net current assets of at least $48,000,000 and consolidated current assets of not less than one and one-half times consolidated current liabilities, and to limit cash dividends on Common Stock in any year to an amount which, when added to cash dividends on Preferred Stock, would not exceed 50% of consolidated net income for such year. After any such Common Stock dividends, consolidated net current assets must be at least $60,000,000. In each determination of consolidated net current assets under this agreement, amounts payable on the revolving credit notes are considered a current liability.

Other long-term debt consists of indebtedness of Trans International Airlines, Inc. (consolidated subsidiary), incurred in connection with equipment purchase contracts ($5,023,833—principally payable in 1965) and non-interest bearing indebtedness of $1,286,119 incurred in connection with business acquisition contracts. The business acquisition contracts are payable in annual installments dependent upon earnings of the acquired divisions or subsidiaries. Certain marketable securities and properties with a carrying amount of approximately $357,000 at December 31, 1962, have been pledged as collateral on an acquisition contract.

J. J. NEWBERRY CO.

Long-Term debt, less amounts due within one year (note 4) $31,464,768

Note 4: *Long-term debt*—

The detail of long term debt is:

Mortgages payable on real estate (in January, 1963 extended to 1968)	$ 1,111,497
2.90% Sinking Fund Notes due August 15, 1968 (sinking fund $550,000 per annum)	5,700,000
3⅛% Promissory Notes due in semi-annual installments (presently about $23,000 per annum) to 1975	653,271
3¾% Sinking Fund Notes due May 15, 1976 (sinking fund $500,000 per annum)	8,500,000
5¼% Notes due October 1, 1981 (subordinated to all short and long term loans; payable $1,033,000 starting October 1, 1967)	15,500,000
	$31,464,768

BOTH SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

BELDING HEMINWAY COMPANY, INC.

Current Liabilities:

Notes payable—banks	$ 1,300,000
Accounts payable (including $52,198 and $119,393, respectively, due to affiliated companies)	4,063,518
Accrued expenses and other liabilities	1,069,245
Reserve for Federal income taxes (Note C)	1,165,971
Total current liabilities	7,598,734
Long Term Debt:	
5⅜% Note payable—due 1976 (Note D)	3,500,000
First Mortgage Sinking Fund 3½% Bonds due September 1, 1964, and First Mortgage Sinking Fund 4% Bonds due March 1, 1975, less installments of $74,000 included among current liabilities (Note E)	237,000
Total Liabilities	$11,335,734

Note D: The 5⅜% Note payable is due in annual installments of $290,000 from 1965 to 1975 and $310,000 in 1976. The loan agreement contains, among other matters, requirements as to consolidated working capital and restrictions on the declaration of dividends (other than stock dividends) and reduction of outstanding capital stock; as at December 31, 1962, approximately $1,355,000 of consolidated Capital and Earned Surplus is free of such restrictions.

Note E: The indenture (as modified) relating to the First Mortgage Sinking Fund Bonds provides, among other matters, for payments aggregating $74,000 per year to 1964, $16,000 per year to 1974 and $3,000 in 1975; the sinking fund payments are required to be made semi-annually plus interest. The mortgage indebtedness is collateralized by (1) a wholly-owned subsidiary's fixed assets which are leased to the Company; (2) the subsidiary's lease with the Company; (3) a $315,00 note receivable by the subsidiary from an affiliate which leases a warehouse to the Company; (4) the affiliate's lease with the Company; and (5) all of the capital stock of the affiliate.

CORN PRODUCTS COMPANY

Current liabilities:

Notes and drafts payable	$ 20,783,081
Accounts payable and accrued items	50,866,125
Provision for income and other taxes	35,411,956
Dividends payable	7,764,832
Total current liabilities	$114,825,994
Non-current liabilities	$ 21,293,944
Long-term debt:	
Subordinated debentures, 4⅝%, redeemable October 1, 1978 to October 1, 1983	$ 39,697,900
Other	8,536,558
	$48,234,458

GENERAL SIGNAL CORPORATION

Current Liabilities:

Bank—advance payments against sale of conditional sales agreements	$ —
Notes payable to bank	417,690
Installments payable on long-term debt	66,668
Accounts payable and accrued expenses	3,019,280
Accrued payrolls, vacations, and deferred compensation	1,428,382
Federal taxes on income	1,118,081
Total current liabilities	$6,050,101
Long-Term Debt, Less Current Maturity:	
4¾% notes payable to bank, due January 15, 1965	—
Notes payable to bank, due in installments to June 30, 1968 (interest at varying rates)	555,000
4¼% mortgage payable, due in installments to July 1, 1968	164,986
	$ 719,986

HART SCHAFFNER & MARX

Current Liabilities:

Notes payable	$ 4,500,000
Current maturities of long-term debt	596,668
Accounts payable	8,577,172
Accrued expenses	2,458,024
Federal and state income taxes	1,625,448
Total current liabilities	$17,757,312
Long-Term Debt, less current maturities:	
4½% note payable, due June 1, 1972	5,055,000
Advances and loans, extending to 1977	712,506
	$ 5,767,506

INDEBTEDNESS SECURED BY COLLATERAL

GIDDINGS & LEWIS MACHINE TOOL COMPANY

Current Liabilities:

Notes payable banks	$2,350,000
Accounts payable and accrued liabilities	1,389,819
Federal income taxes (Note 3)	425,913
Long-term debt due within one year	300,000
Total current liabilities	4,465,732
Long-Term Debt due after one year (Note 4)	$3,800,000

Note 4: *Long-Term Debt—Restriction on Dividends and Other Payments*—The long-term notes are secured by mortgages on substantially all of the Company's real estate; $900,000 is due in annual installments of $300,000 from December 1, 1963 with interest at 4¼% per annum and $3,200,000 is due in annual installments of $400,000 beginning December 1, 1966 with interest at 4¾% per annum. A prepayment to be applied in inverse order of maturities is due on each December 1 in an amount equal to 20% of net income of the preceding year in excess of $1,000,000.

CROWN CENTRAL PETROLEUM CORPORATION

Current Liabilities:

Long-term debt — due within one year (Note B)	$1,400,000	
Accounts payable and acruals	9,333,382	
Federal taxes on income — estimated	120,747	
Total current liabilties		$10,854,129
Long-Term Debt (Note B)		$5,700,000

Note B: Long-term debt at December 31, 1962, consists of the following:

	Payable	
	Within One Year	After One Year
4.7% notes secured by deeds of trust dated November 30, 1954, as supplemented and amended by supplemental deeds of trust dated July 1, 1957, April 1, 1958, and January 1, 1961, due in quarter-annual installments of $150,000	$ 600,000	$3,300,000
5¼% notes under credit agreement dated January 1, 1961, due in quarter-annual installments of $200,000	800,000	2,400,000
	$1,400,000	$5,700,000

The deeds of trust securing the 4.7% notes cover specific oil and gas properties in Louisiana and Texas and 3,000 shares of capital stock of Crown-Rancho Pipe Line Corporation (a wholly-owned subsidiary).

EVANS PRODUCTS COMPANY

Current Liabilities:

Notes payable:	
Unsecured	$ 4,462,006
Secured	7,853,572
Payments due within one year on long-term debt	1,323,941
Trade accounts payable	6,635,962
Pay rolls, pay roll taxes, and amounts withheld from employees	1,269,036
Accrued taxes, interest, and other expenses	1,615,960
United States and Canadian taxes on income	246,893
Total current liabilities	$23,407,370
Long-Term Debt (Note C)	$10,632,745

Note C: *Long-Term Debt*—Long-term debt outstanding at December 31, 1962, and the amounts payable within one year included in current liabilities are summarized as follows:

	Classified as	
Evans Products Company:	Long-term Debt	Current Liabilities
(1) Secured notes, 5½%	$6,969,794	$ 668,000
Subsidiaries:		
(2) Evans Harbor Products Co.:		
(a) Mortgage note, 6%	2,978,920	
(b) Bank loan, 6%	600,000	200,000
(c) Supply contract	84,031	72,000
(3) Evans Products Company Limited, 6% bank loan		134,850
(4) West Branch Industries, Inc.:		
(a) Obligations for purchase of property, 5½%		149,091
(b) Ten-year 5% Debentures		100,000
Total Evans Products Company and Subsidiaries	$10,632,745	$1,323,941

(1) The secured notes (original principal amount $10,000,000), with detachable warrants for 180,000 shares of Common Capital Stock (exercisable at $20.00 a share to expiration date on April 15, 1969), are payable in semiannual installments of $334,000 to February 15, 1974. An additional payment may be required on each February 15, based on timber cut during the preceding year. The Company's standing timber and deposits on timber-cutting contracts are pledged as collateral for these notes.

The indenture provides, among other covenants, that the Company will not pay dividends on its Common Capital Stock (except stock dividends) or purchase shares of such stock after December 31, 1958, in an aggregate amount which will exceed $1,000,000 plus consolidated net earnings of the parent and certain domestic subsidiaries subsequent to that date, and that the consolidated working capital of those companies will be maintained at not less than $12,000,000. At December 31, 1962, none of the earnings retained for use in the business was available for payment of dividends.

(2) (a) The note is payable in semiannual installments of $300,000 beginning April 1, 1965. Plywood manufacturing facilities carried at $944,000 and rights to certain leases and patents are pledged as collateral.

(b) The note is payable in quarterly installments of $50,000 to October 27, 1966. The collateral for the note is a mortgage on certain plywood manufacturing facilities carried at $534,000.

(c) The supply contract provides for payment for materials over a specified period with a minimum of $72,000 payable within one year.

(3) This obligation was paid on January 2, 1963.

(4) These obligations will be paid by April 30, 1963, under an arrangement for sale of the related property.

DETROIT STEEL CORPORATION

Current Liabilities:

Notes payable to banks	$ 5,400,000
Trade accounts payable	4,620,451
Wages payable and amounts withheld from employees	899,603
Contributions to pension plans—Note E	595,450
Accrued interest, taxes, and miscellaneous liabilities	2,639,220
Federal income taxes	2,690,464
Sinking fund requirement of long-term debt due within one year—Note C	2,000,000
Total current liabilities	$18,845,188
Long-Term Debt (exclusive of payments due within one year)	
First Mortgage Sinking Fund 4⅞% Bonds, due October 1, 1970—Note C	$14,000,000

Note C: First Mortgage Sinking Fund 4⅞% Bonds and Retained Earnings Restriction—The mortgage indenture provides for a sinking fund for retirement of the bonds into which the Corporation is to pay $2,000,000 in cash or principal amount of bonds on or before August 20th of each year. The requirement of August 20, 1963, has been classified with current liabilities.

Substantially all of the Corporation's property, plant, and equipment, and its ore contracts are mortgaged or pledged as security for the bonds.

H. K. PORTER COMPANY, INC.

Long-Term Debt (per attached detail)	$38,675,159
Details of Long-Term Debt:	
Parent company:	
5¼% promissory notes—payable April 1, 1976, but subject to annual prepayments of $2,000,000 from April 1, 1963 through 1975	$33,000,000
5% promissory notes—payable $450,000 annually from November 15, 1964 through 1967	1,800,000
Swiss subsidiary—5¼% promissory notes—payable $502,200 annually from July 1, 1963 through 1968 (secured by capital stock of a French subsidiary)	3,013,559
French subsidiary—5.1785% promissory notes—reductions required in varying amounts through November 7, 1967 (secured by notes receivable pledged)	2,857,957
Sundry indebtedness of the French and other foreign subsidiaries—various interest rates and maturities through 1982	854,539
	41,526,055
Less Amounts Due Within One Year (current portion)	2,850,896
Long-term Debt (non-current portion)	$38,675,159

UNIVERSAL AMERICAN CORPORATION

Current Liabilities:

Loans and current maturities of long-term liabilities	$ 6,360,314
Accounts payable	8,621,603
Billings in excess of costs plus profits on uncompleted contracts	1,718,328
Federal income taxes	10,714,226
Accrued salaries, taxes and expenses	7,126,049
Total current liabilities	34,540,520
Long-Term loans and bonds due 1964-1976	27,037,197
Total liabilities	$61,577,717

Notes to Financial Statements

Note 7: Loans and Bonds

A summary of loans and bonds payable at December 31, 1962 follows:

	Current	Long-Term
5% note, payable June 29, 1964	$ —	$15,000,000
5½% note, payable June 29, 1964	—	3,000,000
6% note, payable April 30, 1963 secured by stock of a subsidiary	2,307,900	—
4¼% note, payable November 1, 1967; minimum annual payment, $500,000	500,000	2,000,000
6% note, payable 1965-1967 in six semi-annual instalments, five at $100,000 and the last at $1,500,000	—	2,000,000
4½% convertible subordinated debentures, convertible into common stock at $17.75 per share to April 1, 1966 and thereafter at higher prices, due April 1, 1976	—	1,358,000
6% debenture bonds, payable 1963-1966 in varying installments	515,000	525,000
Mortgage bonds and equipment contracts payable 1963-1972 secured by land, buildings and equipment	745,240	1,239,466
Sundry notes and loans	2,292,174	1,914,731
Totals	$6,360,314	$27,037,197

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 cricumstances there may be a remaining difference which it would be acceptable to show in a credit

TABLE 30: DEFERRED INCOME—DEFERRED CREDITS

Balance Sheet Presentation	1962	1960	1955
With Related Asset:			
Unearned finance charge (*Co. Nos. 193, 213, 263, 362, 451, 503)	13	10	8
Unearned interest (*Co. Nos. 113, 132, 189, 279)	4	4	1
Advances or payments on uncompleted contracts (*Co. Nos. 97, 199, 215, 414, 557, 574)	10	4	—
Profit on sales or installment contracts (*Co. Nos. 515, 591)	2	—	—
In Current Liability Section:			
Billings on uncompleted contracts (*Co. Nos. 63, 125, 345, 376, 409, 571)	6	3	1
Metal treatment charge (*Co. No. 36)	1	1	2
Rent on leased equipment, films, or meters (*Co. Nos. 5, 549)	2	1	1
Customer service prepayment (*Co. Nos. 5, 119, 194, 367, 394, 501)	6	5	7
"Deferred credit"	—	1	1
"Deferred income" (*Co. No. 137)	1	2	1
Unearned deposits or royalties (*Co. No. 248)	1	1	—
Above Stockholders' Equity Section:			
Customer service prepayment (*Co. Nos. 290, 560)	2	2	—
Discount on reacquired securities	—	—	1
Government contract income (*Co. No. 346)	1	1	1
Magazine subscription income (*Co. Nos. 183, 365, 374, 544)	4	5	5
Premium on debentures issued (*Co. No. 249)	1	1	1
Profit on sales or installment contracts (*Co. Nos. 70, 141, 338, 472, 474, 534)	12	8	9
Profit on fixed assets sold (*Co. Nos. 168, 339, 530)	3	9	4
Rentals on leased equipment, films, meters; rent (*Co. Nos. 32, 98, 119, 221, 560, 597)	9	6	7
Deferred or unearned royalties, deposits or contract prepayments (*Co. Nos. 195, 309, 428, 496)	4	4	3
Unearned finance charges	—	2	3
Unearned interest (*Co. No. 560)	1	2	3
Unfinished voyage revenue (*Co. No. 558)	1	1	1
"Deferred credits" (*Co. Nos. 18, 117, 153, 436, 499, 516)	15	20	20
"Deferred income" (*Co. Nos. 26, 375, 397, 452, 500, 544)	16	10	12
Equity in net assets of subsidiary over cost (*Co. Nos. 21, 186, 204, 283, 296, 570)	15	10	—
Various other (*Co. Nos. 192, 236, 468, 533)	4	4	3
Total	134	117	95
Number of Companies presenting Deferred Income items in:			
Current asset section	25	16	8
Current asset section and *above* stockholders' equity section	2	2	1
Noncurrent asset section	1	1	—
Current liability section	14	13	12
Above stockholders' equity section	74	69	63
	116	101	84
Not presenting deferred income items	484	499	516
Total	600	600	600

*Refer to Company Appendix Section.

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.

In recent years there has been a considerable increase in the number of companies disclosing deferred income or deferred credits in their annual financial reports, as may be observed from Table 30. There has also been a similar increase in the number of items presented. Figures for the year 1962 indicate that 116 companies disclosed 134 items. The first table on the subject published by *Accounting Trends and Techniques* covered the year 1952. For that year the statistics show that 70 companies presented an aggregate of 78 items. Since then the increase has been over 65 per cent in each category. The various items which account for such increases may be observed from the table. However in respect to "Advances or payments on uncompleted contracts" and "Billings on uncompleted contracts," reference is made to *Accounting Research Bulletin No. 45* for a discussion of the accounting problems in relation to *Long-term Construction-type Contracts.*

Some of the varying descriptions given by the companies in referring to these accounts, as detailed in Table 30, are given in the examples which follow:

With Related Current Assets

ALLIED STORES CORPORATION

Current Assets:

Cash	$ 25,858,354
Trade accounts and notes receivable:	
Customers—Note B	96,564,344
Suppliers and others	7,703,592
Merchandise inventories—Note C	104,315,948
Prepaid expenses	5,350,239
Total current assets	$239,792,477

Note B: Accounts and notes receivable—customers—

Regular accounts	$ 52,127,699
Installment accounts and notes	11,165,749
Equity in installment accounts sold (1962—$18,859,703; 1961—$26,201,885)	2,263,164
Revolving credit accounts	33,028,577
Equity in revolving credit accounts sold (1962—$23,149,252; 1961—$35,163,882)	2,777,910
	$101,363,099
Less allowances for losses on collection and for deferred carrying charges	4,798,755
	$ 96,564,344

DEERE & COMPANY

Current Assets:

Trade receivables:	
Accounts—Dealers and other	$199,434,780
Notes—Farmers, dealers, and other, less unearned interest of $2,269,453 in 1962 and $3,034,539 in 1961	32,921,928
Total	232,356,708
Less reserves for returns and allowances and doubtful receivables	12,000,000
Trade receivables—net	$220,356,708

DRESSER INDUSTRIES, INC.

Current Assets:

Inventories—at lower of cost (principally average cost) or replacement market	
Finished products and parts	$29,336,265
In-process products and parts	17,726,977
Raw materials and supplies	13,001,806
	60,065,048
Less applicable advances from customers on contracts	1,338,918
	$58,726,130

SYMINGTON WAYNE CORPORATION

Current Assets:

Accounts receivable—note 2	$10,511,683

Note 2: Accounts receivable may be summarized as follows:

Trade	$10,526,271
Other	162,095
Deduct provisions for	
Uncollectible accounts	(149,078)
Unearned finance charges	(27,605)
	$10,511,683

In Noncurrent Asset Section

STANDARD OIL COMPANY (INDIANA)

Investments and Sundry Assets:

Investments held for operating purposes—at cost	$51,434,516
Long-term receivables and sundry assets (including at December 31, 1962, installment notes receivable of $131,185,000 from sale, in 1960, of certain gas and oil properties less deferred income of $118,793,000)	44,028,930

In Current Liability Section

CARRIER CORPORATION

Current Liabilities:

Accounts payable and accrued expenses	$30,855,347
Dividends payable	1,024,334
Federal and state taxes on income	2,556,000
Progress billings, product guarantees, etc.	8,691,885
Current portion of long-term debt	2,150,000
Total current liabilities	$45,277,566

DICTAPHONE CORPORATION

Current Liabilities:

Notes payable	$ 560,000
Accounts payable	1,726,499
Accrued salaries, taxes and other expenses	1,854,007
United States and foreign income taxes	1,206,712
Deferred income, maintenance contracts	2,083,099
Total current liabilities	$7,430,317

LINK-BELT COMPANY

Current Liabilities:

Progress billings on uncompleted contracts	$921,614

THE NATIONAL CASH REGISTER COMPANY

Current Liabilities:

Customers' deposits	$ 2,944,292
Customers' service prepayments	20,849,235

TWENTIETH CENTURY-FOX FILM CORPORATION

Current Liabilities:

Advance film rentals and provision for unremittable foreign income	$1,184,634

Above Stockholders' Equity Section

THE AMERICAN HARDWARE CORPORATION

Deferred credits:

Unamortized excess of equity in net assets of subsidiaries over cost of investment (Note 1)	$1,549,039
United States income taxes (Note 5)	158,510
Total deferred credits	$1,707,549

Note 1: The consolidated financial statements include the accounts of the Company and all subsidiaries.

The Company's equity in the net assets of The Hill Corporation (Hill) and Savage Arms Corporation (Savage), which are 66-2/3% owned, when acquired, exceeded the related cost of investment by approximately $2,200,000. In consolidation, this amount is being transferred to income over a ten-year period which commenced January 1, 1960.

Hill, under the terms of a purchase agreement, is required to pay the former stockholders of National Refrigeration Mfg., Inc. (National) an additional sum not in excess of $367,267 based on the earnings of National over the next eight years. The excess of the total purchase price over the net assets acquired is being amortized by charges to income over a ten-year period which commenced January 1, 1961.

BURROUGHS CORPORATION

Deferred Rental Income from Assigned Leases, net of federal income taxes	$4,308,546

GENERAL ELECTRIC COMPANY

Remainder of premium received from 1956 sales of debentures	$785,622

THE HOBART MANUFACTURING COMPANY

Deferred Credits:	
Excess of equity acquired over cost of investment in subsidiaries	$ 566,599
Customers' service contracts, etc.	884,634
Total deferred credits	$1,451,233

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Deferred Income (proceeds from sales of production payments to be credited to income over period of production—after taxes)	$1,360,000

LOCKHEED AIRCRAFT CORPORATION

Deferred Income (Note 4)	$14,406,000

Note 4: Deferred income at December 30, 1962 includes a deferred investment credit (provided by the Revenue Act of 1962) of $832,000 resulting from the acquisition and lease of equipment. This amount will be amortized over the productive life of the related equipment.

The balance of the deferred income arises 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. This amount of deferred income will be taken into income in future years as deliveries are made under the contracts.

ROHM & HAAS COMPANY

Deferred Income on Instalment Notes Receivable	$757,487

TIME INCORPORATED

Deferred Income:	
Unearned portion of paid subscriptions	$53,443,000
Other	3,064,000
	$56,507,000

UNITED FRUIT COMPANY

Deferred Income (revenue on account of unfinished voyages, etc.)	$2,888,819

UNITED WHELAN CORPORATION

Deferred Credit—Note C	$287,360

Note C: *Deferred Credit*—On April 15, 1960, the Corporation acquired all of the outstanding capital stock of Charles Stores Company, Incorporated. The excess of the underlying book equity as at the date of acquisition over the Corporation's investment therein (less costs applicable principally to closed stores) has been treated in the Corporation's consolidated financial statements as a "Deferred Credit." The latter is being credited to income ratably over five years from April 15, 1960, such period representing the approximate weighted average of the then remaining terms of the subsidiary's store leases.

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 1962 survey reports. Only 113 of the 532 survey companies presenting consolidated financial statements disclosed the existence of minority interests in the consolidated subsidiary companies.

Examples—Minority Interests

The balance sheet and income statement presentations of the minority interests in consolidated subsidiary companies are illustrated in the following examples selected from the 1962 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

ANDERSON, CLAYTON & CO.

Consolidated Balance Sheet	
Capital Stock and Surplus of Subsidiaries Applicable to Minority Interests	$4,312,696
Earnings Statement Presentation	
Income before minority interests	$9,829,423
Income applicable to minority interests	357,246
Net income (Note 1)	$9,472,177

BURLINGTON INDUSTRIES, INC.

Consolidated Balance Sheet	
Minority Stockholders' Interests in subsidiary companies	$8,588,822
Earnings Statement Presentation	
Profit before taxes based on income and minority interests	$83,306,037
Provision for Taxes Based on Income:	
Federal income taxes	40,623,549
Foreign taxes	1,071,560
State taxes	3,428,350
	45,123,459
Less Net Earnings of subsidiary companies applicable to minority interests	716,619
Net Earnings Before Special Items	$37,465,959

DECCA RECORDS INC.

Consolidated Balance Sheet	
Minority interest in subsidiary companies (other than preferred stock)	$4,125,427
Income Statement Presentation	
Net income before minority interest	6,236,063
Minority interest in net income and dividends	620,782
Net income	$5,615,281

HARSCO CORPORATION

Consolidated Balance Sheet	
Minority interest in capital of foreign subsidiaries	$2,786,886
Income Statement Presentation	
Income before other charges	$8,271,101
Other charges, net:	
Equity of minority interest in income of subsidiaries	863,170
Foreign branch income remitted in excess of amounts deferred	(219,687)
	$ 643,483
Net income	$7,627,618

TABLE 31: MINORITY INTERESTS

Balance Sheet Presentation	1962	1960	1955
Above Stockholders' Equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 6, 186, 229, 384, 467, 507)	101	94	60
Minority interest in capital stock and surplus (*Co. Nos. 53, 56, 255, 452, 573)	5	6	11
Minority interest in capital stock (*Co. Nos. 204, 472)	2	7	5
Within Stockholders' Equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 177, 277, 499)	3	3	3
Total	111	110	79
Income Statement Presentation			
In separate last section:			
After current tax estimate (*Co. Nos. 71, 188, 210, 326, 460, 509)	31	30	30
Before current tax estimate (*Co. Nos. 147, 204)	2	2	2
With current tax estimate (*Co. Nos. 527, 566)	2	2	1
Listed among operating items (*Co. Nos. 11, 168, 222, 341, 452, 514)	34	35	20
Within Earned Surplus section of Combined Income and Earned Surplus statements	—	—	2
Total	69	69	55
Consolidated Financial Statements with Minority Interest set forth in:			
Balance sheet only	44	46	27
Balance sheet and income statement	67	64	52
Income statement only	2	3	3
Accompanying footnotes only	—	2	1
	113	115	83
Not referred to in report	419	401	376
	532	516	459
Nonconsolidated Financial Statements with:			
Subsidiary companies	21	20	42
No subsidiary companies	47	64	99
Total	600	600	600

*Refer to Company Appendix Section.

KIMBERLY-CLARK CORPORATION
Consolidated Balance Sheet
Minority interest in subsidiary company $3,262,983
Earnings Statement Presentation
Costs and Expenses:
Portion of earnings applicable to minority interest $412,689

MONSANTO CHEMICAL COMPANY
Statement of Consolidated Financial Position
(In Thousands)
Minority interests in subsidiary companies...... $30,268
Income Statement Presentation
Costs and Expenses:
(In Thousands)
Minority interests $1,600

PARKE, DAVIS & COMPANY
Consolidated Balance Sheet
Minority interest in subsidiaries $1,814,538
Earnings Statement Presentation
Costs and Expenses:
Net earnings applicable to minority interest in subsidiaries.... $144,743

H. H. ROBERTSON COMPANY
Consolidated Balance Sheet
Minority interest in consolidated subsidiaries .. $927,738
Income Statement Presentation
Costs and Expenses:
Minority interest in net income of consolidated subsidiaries $205,875

TEXACO INC.
Consolidated Balance Sheet
Equity of minority interest in subsidiaries... $48,577,873
Income Statement Presentation
Costs and Expenses:
Minority interest in net income $2,321,155

Within Stockholders' Equity Section

CROWN ZELLERBACH CORPORATION
Consolidated Balance Sheet
Stockholders' Equity
Minority interest in Canadian subsidiaries.. $5,243,000

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, foreign exchange losses, insurance purposes, employee benefits, and in connection with properties (apart from accumulated depreciation, etc., as classified in Table 18).

With regard to the reserves in general covered in the following pages, the survey showed that in 1962 a change was apparent in approximately 54 per cent of the reserves but the offsetting charge or credit to the reserve was not disclosed. About 9 per cent showed no dollar change; approximately 22 per cent of the changes were made through the income account; 10 per cent through liability accounts; only in 4 per cent of the cases was the adjustment made through retained earnings. The remaining one per cent of changes were distributed over various accounts.

The following tables presented 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 the 1962 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 and Terminology Bulletins—Final edition—1961* (Chapter 6), concluded the discussion as follows:

> 7. The committee is therefore of the opinion that reserves such as those created:
> (a) for general undetermined contingencies, or
> (b) for any indefinite possible future losses, such as, for example, losses on inventories not on hand or contracted for, or
> (c) for the purpose of reducing inventories other than to a basis which is in accordance with generally accepted accounting principles, or
> (d) without regard to any specific loss reasonably related to the operations of the current period, or
> (e) in amounts not determined on the basis of any reasonable estimates of costs or losses
>
> are of such a nature that charges or credits relating to such reserves should not enter into the determination of net income.
>
> 8. Accordingly, it is the opinion of the committee that if a reserve of the type described in paragraph 7 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 1962 only 31 companies or 5 per cent reported reserves for contingencies.

As disclosed in Table 32, such reserves were usually shown either above the stockholders' equity section (25 reserves in 1962), or within the stockholders' equity section of the balance sheet (6 reserves in 1962). 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 1962, the annual reports, in most cases, did not disclose the accounts to which the related entries were made. Examples of operation and elimination of contingency reserves as presented in the 1962 annual reports are provided below.

TABLE 32: CONTINGENCY RESERVES

Balance Sheet Presentation*	1962	1960	1955	1950
Among: *Current Liabilities*	—	—	1	2
A: Above: *Stockholders' Equity*	25	35	42	107
B: Within: *Stockholders' Equity*	6	12	29	46
Total	31	47	72	155
Terminology Used				
Reserve	24	37	55	125
Provision	2	2	1	3
Various other terms	5	8	16	27
Total	31	47	72	155
Number of Companies with:				
Contingency reserves	31	47	72	155
No contingency reserves	569	553	528	445
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 20, 21, 30, 70, 161, 188, 203, 255, 588, 590; B: Co. Nos. 173, 210, 233, 579.

Reserves Maintained

ALCO PRODUCTS, INCORPORATED
Above Stockholders' Equity

Reserves:	
Deferred income taxes	$ 640,000
Deferred incentive compensation awards (Note 5)	603,069
Self-insurance under Workmen's Compensation laws and operating reserves	409,680
Reserve for contingencies	323,000
	$1,975,749

PEDEN IRON & STEEL CO.
Within Stockholders' Equity

Stockholders' Equity:	
Capital Stock—Common—Authorized—200,000 shares of no par value issued—200,000 shares (including 2,971 shares in treasury)	$ 4,000,000
Reserve for contingencies	400,000
Retained earnings	5,949,700
	10,349,700
Less cost of 2,971 shares in treasury	61,982
Total stockholders' equity	$10,287,718

TWENTIETH CENTURY-FOX FILM CORPORATION
Above Stockholders' Equity

Reserve for Contingencies $3,992,581

Notes to Financial Statements

Note 8: Contingent Liabilities and Lease Commitments—

(a) The companies were contingently liable at December 29, 1962 under pending lawsuits and claims, including anti-trust suits for substantial amounts. Liability has been denied and the amounts, if any, which may ultimately be paid are indeterminable.

(b) The companies were contingently liable with respect to certain guarantees as follows:

Bank loans of major customers	$431,000
Bank loans of independent producers on pictures made for distribution by the company	—
Obligation of non-consolidated foreign theatre circuits	140,000
Notes discounted	194,000
	$765,000

(c) The companies are obligated under long-term leases upon real property which expire between 1966 and 2060 with annual minimum rentals of approximately $1,830,000.

UNITED SHOE MACHINERY CORPORATION
Within Stockholders' Equity

Surplus appropriated for contingencies	$ 1,988,483
Decreased during year by transfers to provision for pensions and unappropriated consolidated earned surplus.	
Consolidated earned surplus—unappropriated	51,001,221
Statement of consolidated earned surplus—unappropriated:	
Balance at beginning of year	$52,760,239
Net income for the year	8,494,737
Transfer from surplus appropriated for contingencies	434,586
	61,689,562
Dividends paid in cash (preferred, 1962 and 1961, $1.50 per share; common, 1962 and 1961, $2.75 per share	6,688,341
Transfer to allowances for depreciation-lease machinery	4,000,000
	10,688,341
Balance at end of year	$51,001,221

Reserves Eliminated

H. J. HEINZ COMPANY

Earned surplus: (1961 Report)	
Reserved for future inventory price decline, possible loss in foreign assets and other contingencies	$ 5,000,000
Unappropriated	85,598,210

Earned surplus, and reserve for possible foreign exchange losses shown in 1962 report (contingency reserve eliminated)

	1962	1961
Earned surplus	$100,621,003	$89,259,571
Above Stockholders' Equity		
Reserve for possible foreign exchange losses	$700,672	$1,338,639

Editor's Note: The "Reserve for possible foreign exchange losses" was not separately shown in 1961.

SPRAGUE ELECTRIC COMPANY
Within Stockholders' Equity

	1962	1961
Retained earnings:		
Appropriated for contingencies	$ —	$ 300,000
Unappropriated (Note 5)	22,641,901	20,647,844

Statement of Income

Net income before special item		$6,432,900
Special item:		
Additional federal income taxes prior years (Note 3)	$439,075	
Interest thereon, net of federal income tax effect of $243,407	224,683	
	$633,758	
Less: Transfer from appropriated retained earnings	300,000	363,758
Net income before minority interest		6,069,142
Minority interest		2,823
Net income after all costs and taxes and minority interest		$6,066,319

EMPLOYEE BENEFIT RESERVES

There were 118 employee benefit reserves shown by 105 of the 600 survey companies in their 1962 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 1962. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (108 reserves in 1962); five items were classified as current liabilities, and five reserves were presented within the stockholders' equity section.

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. 42, 121, 147, 163, 222, 596) and in some reports the related charges were found in the income statement (*Co. Nos. 8, 22, 140, 420, 474, 494). An extensive list of references to those survey companies which indicated reserves for employee benefits in their 1962 reports is provided at the foot of Table 33. Related information and examples of income statement presentations are provided in Section 3, Table 5.

The examples which follow illustrate the various types of employee benefit reserves and their disclosure in the financial statements:

TABLE 33: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation*	1962	1960	1955	1950
A: Among: *Current Liabilities* for—				
Incentive compensation plan	1	2	2	1
Profit sharing, welfare or benefit plans	1	2	2	3
Pension plan not funded	2	1	2	1
Pension plan — past and current service costs	1	5	1	—
B: Above *Stockholders' Equity* for—				
Deferred or contingent compensation plan	27	22	13	6
Incentive compensation plan	14	10	8	2
Bonus plan	7	6	7	6
Profit sharing plan	1	2	2	1
Retired employee benefits	9	11	2	3
Welfare or benefit plans	10	5	8	11
Employment contract	—	1	1	1
Severance pay	3	3	—	—
Supplemental unemployment benefits	1	2	—	—
Pension or Retirement Plans:				
Pension plan costs	31	33	33	34
Past service costs	1	1	5	14
Past and current service costs	—	2	3	5
Future service costs	1	1	—	1
Former plan liability	2	1	—	1
Annuity costs	1	1	6	5
C: Within: *Stockholders' Equity* for—				
Employment contract	1	1	1	2
Pension plan costs	2	2	—	—
Deferred compensation	2	2	—	—
Total	118	116	96	97
Terminology Used				
Reserve	63	68	56	75
Provision	14	13	14	13
Various other terms	41	35	26	9
Total	118	116	96	97
Number of Companies with:				
Employee benefit reserves	105	104	84	82
No employee benefit reserves	495	496	516	518
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 222, 240, 392, 409, 506; B: Co. Nos. 42, 150, 228, 382, 425, 582; C: Co. Nos. 173, 284, 367, 373.

Deferred or Contingent Compensation Plans

CITY STORES COMPANY
Above Stockholders' Equity

Reserves—Note G	$2,090,707

Note G: *Reserves*—The reserves are provided for the following:

Restoration of leased properties	$ 441,899
Termination of store operations	474,334
Excess rentals	598,676
Deferred compensation	575,798
	$2,090,707

Reserve for termination of store operations represents the estimated expense to be incurred at vacated stores, less amounts included in current liabilities.

Reserve for deferred compensation includes $149,583 which had shown in current liabilities last year and $170,947 representing the liability assumed by a new subsidiary.

DRAVO CORPORATION
Above Stockholders' Equity

Other Liabilities and Reserves:	
Repairs and self-insured risks	$ 600,000
Deferred income taxes	1,192,000
Deferred compensation	158,000
Minority interest	274,460
Total other liabilities and reserves	$2,224,460

W. T. GRANT COMPANY
Above Stockholders' Equity

Reserves:	
For uninsured risks	$1,400,000
For repainting stores	1,505,579
For deferred contingent compensation—Note B	697,562
Total reserves	$3,603,141

Note B: The amount shown for the reserve for deferred contingent compensation at January 31, 1962 represents (a) to the extent that allotments are contingently distributable in Common Stock of the Company an amount equivalent to the cost to the Company of 33,800 shares of its Common Stock held for this purpose; and (b) the total remaining in participants' contnigent cash allotments. For the year ended January 31, 1962, the amount charged to earnings for this plan was $100,000.

*Refer to Company Appendix Section.

LIGGETT & MYERS TOBACCO COMPANY
Above Stockholders' Equity

Reserve:	
For deferred contingent compensation (net of estimated future income tax reductions)	$246,806

THE MAY DEPARTMENT STORES COMPANY
Above Stockholders' Equity

Reserve for deferred contingent compensation (Note F)	$1,013,604

Note F: Deferred Contingent Compensation—Certain employment contracts of the Company provide for payment of compensation in annual installments after termination of employment, provided conditions set forth in the contracts are met. Since the amount of this compensation will be deductible for federal income tax purposes when paid, the reserve has been provided in the amount of the estimated net cost to the Company after giving effect to federal taxes on income.

Incentive Compensation Plans

ALCO PRODUCTS, INCORPORATED
Above Stockholders' Equity

Reserves:	
Deferred income taxes	$ 640,000
Deferred incentive compensation awards (Note 5)	603,069
Self-insurance under Workmen's Compensation laws and operating reserves	409,680
Reserve for contingencies	323,000
	$1,975,749

Note 5: In accordance with the provisions of the Incentive Compensation Plan, no credit was made to the Incentive Compensation Reserve in respect to the year 1961. On March 27, 1962 the Incentive Compensation Committee of the Board of Directors directed that no awards be made from the previous year's balance in the reserve of $59,243 and that it be carried forward for future years.

CLUETT, PEABODY & CO., INC.
Above Stockholders' Equity

Reserves for accumulated compensation awards	$1,860,311
Income Statement	
Less: Provision for compensation awards	$ 461,900
Net interest expense	758,603
Provision for unrealized loss on foreign exchange	312,818
Income applicable to minority interest	144,314
	$1,677,635

Notes to Financial Statements

Note 5: Compensation Awards—The accompanying statement of consolidated income and earned surplus includes for 1962 a credit of $247,000 for the estimated future tax reduction applicable to the 1962 provision for compensation awards. In 1961 no effect was given to any estimated future tax reduction applicable to the provision for that year.

OTIS ELEVATOR COMPANY
Above Stockholders' Equity

Reserves:	
For pensions (Note 3)	$ 119,263
Incentive compensation reserve (Note 4)	2,242,680
Incentive compensation contingent reserve (Note 4)	$9,482,499
Less: Treasury stock, at cost (1962; 74,176 shares	3,935,779
	5,546,720
General reserve	1,354,991
Total reserves	$9,263,654

Note 4: Incentive Compensation Reserves—The Incentive Compensation Committee of the Board of Directors during 1962 allocated $736,840 as Incentive Compensation to officers and managerial employees for the year 1961. Of this amount, $300,296 was paid in cash and the balance by contingent allotments of common stock of the Company (5,744 shares at $76.00 per share).

The Board of Directors has, for the year 1962, appropriated the sum of $769,000 to the Incentive Compensation Reserve. This, plus the $1,473,680 balance remaining from appropriations for prior years, makes up the $2,242,680 Incentive Compensation Reserve.

The balance of $9,482,499 in the Incentive Compensation Contingent Reserve represents the value of 154,534 shares of the Company's common stock previously allotted contingently to officers and managerial employees for distribution over a period of years following retirement plus dollar amounts equivalent to dividends from date of allotment.

The amount by which future Federal income taxes are expected to be reduced on account of distributions from the Incentive Compensation Reserve and the Incentive Compensation Contingent Reserve is included as a deferred charge on the Balance Sheet.

RADIO CORPORATION OF AMERICA
Above Stockholders' Equity

Other Liabilities:	
Long term debt (Note 2)	$255,261,000
Incentive plan awards payable, and unawarded balance (1962, $729,000; 1961, $518,000) (Note 3)	7,390,000
Deferred federal taxes on income, related to depreciation	12,104,000
Total other liabilities	$274,755,000

Note 3: RCA Incentive Plans—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 1962 the credit calculated by the Independent Public Accountants as required by the Plan.

Net Profit for Year, not including the gain on sale of Whirlpool Corporation stock	$51,535,000
Add: Provision for incentive award	4,700,000
Interest on long-term debt	10,090,000
Incentive Plan Net Earnnigs	66,325,000
Less: 5% of Capital Employed ($698,560,000)	34,928,000
Incentive Plan Base	$31,397,000
Maximum Credit to Incentive Reserve Based on Earnings, not including the gain on sale of Whirlpool Corporation stock—15% of Incentive Plan Base	$ 4,710,000
Maximum Credit to Incentive Reserve Based on Dividends—25% of dividends paid in year ($37,155,000)	$ 9,289,000

For 1962 the maximum credit as computed above was $4,710,000 and the Incentive Committee directed that $4,700,000 be credited to the Incentive Reserve. This credit, together with $518,000 credited to the Incentive Reserve in previous years but unawarded and carried forward for awards in subsequent years, made a total of $5,218,000 available for awards for 1962 of which the Incentive Committee determined that $4,489,000 be awarded for 1962. The consolidated balance sheet at December 31, 1962 includes in accounts payable and accruals the portions of incentive awards which are payable in cash within one year. The remainder of the incentive awards, payable in cash and RCA Common Stock, is included in awards payable. Payment of any deferred installment is contingent under the earning out provision of the Plan.

Bonus Plans

E. I. du PONT de NEMOURS & COMPANY
Above Stockholders' Equity

Bonus awarded in cash—payable beyond one year	$49,855,336
"B" bonus fund—unawarded balance	$ 2,455,340

Financial Review

Bonus Plans—Bonus Plans have been an important factor in the company's progress for many years by providing incentives for outstanding service. The company's three Bonus Plans are discussed below.

Awards under Plan "A" may be granted for conspicuous service of any nature regardless of the company's earnings; awards in cash, aggregating $639,956, were granted to 162 employees in 1962.

Awards Under Plan "B"—
Awards under Plan "B" may be granted to employees who have contributed most in a general way to the company's success by their ability, efficiency, and loyalty. The maximum amount available for awards is dependent upon the company's earnings as defined in the Plan. Such awards for 1962, aggregating $39,094,530, were made in cash to 9,878 employees in February, 1963.

Awards Under Plan "C"—
Awards under Plan "C" were granted to 51 employees in February, 1963. in substitution for awards which otherwise would have been made under Plan "B". The awards consisted of 19,620 dividend units accompanied by stock options to purchase 26,160 shares of the company's common stock at $245.00 per share (market price on date of option grant) and 5,280 dividend units not accompanied by stock options.

A dividend unit entitles the recipient to receive until his death or the 85th anniversary of his birth, whichever is later, cash payments equal to the dividends paid on one share of the company's common stock. The related dividend units terminate proportionately upon exercise of the stock options.

Awards Equivalent to Bonus—
Awards equivalent to bonus—reimbursable to the company—may be granted to employees engaged in work under our contract with the Atomic Energy Commission. The awards for 1962 included 186 dividend units accompanied by stock options to purchase 248 shares of the company's common stock.

J. J. NEWBERRY CO.

Above Stockholders' Equity

Reserve for incentive stock bonus plan, etc. (Note 3)	$315,591

Note 3: *Common Stock—Options and Bonus Plan*—An employees' restricted stock option plan provides that each year for which it is declared effective, each person in the employ of the Company since the beginning of the preceding year is to be granted an option to purchase one share of common stock for each full $300 of his compensation during that year. Options are exercisable prior to December 31 in the year granted at 85% of the fair market value on the date of purchase. During 1962 options for 17,516 shares, including 11,054 shares subscribed for but not issued were exercised at an average price of $32.29. The number of shares available for 1963 for which the Board of Directors has again declared the plan effective is 102,649.

Provision for the incentive stock bonus plan for 1962 was limited to an amount equal to dividends on 6,799 shares previously allotted to participants of the plan; the Board of Directors has reserved 6,799 shares of common stock held in the treasury for purposes of the plan. The Company has the right to amend or discontinue the plan at any time, but may not retroactively reduce credits to the participants.

ROHM & HAAS COMPANY

Above Stockholders' Equity

Unawarded bonus fund, net of taxes	$465,486

Notes to Financial Statements

Note 3: *Unawarded Bonus Fund*—On April 17, 1962 the stockholders approved the adoption of a bonus plan for salaried employees which replaced an informal plan in use for many years. Charges to earnings for the year in connection with this plan and unawarded bonus fund as of December 31, 1962 are as follows:

Provision based on 1961 earnings	$ 665,400
Provision based on 1962 earnings	884,600
	1,550,000
Awarded in 1962	580,237
Unawarded bonus fund	969,763
Less estimated future income tax reduction	504,277
Unawarded bonus fund, net of taxes	$ 465,486

Of the balance of $969,763 unawarded as of December 31, 1962, approximately $900,000 will be awarded to employees on March 1, 1963.

Pensions, Retirement Benefits, and Annuities

ACF INDUSTRIES, INCORPORATED

Above Stockholders' Equity

Reserve for pensions not funded—Note 5	$5,534,000

Note 5: *Special Adjustments of Earned Surplus*—During the year the Company sold its investment in 214,500 shares of Republic Aviation Corporation common stock. Also, during the year the Company announced its intention of closing and disposing of the Berwick plant. These transactions are not related to the Company's normal business operations and the results thereof, less estimated present and future federal income tax effects, have been charged to earned surplus:

Profit on sale of Republic Aviation Corporation stock	$(3,772,000)
Estimated loss on disposition of Berwick plant assets not transferrable to other ACF locations	2,405,000
Estimated pensions and retirement benefits to be paid in future years to Berwick plant employees, less portion already funded. Payable 1963—$384,000, 1964—$269,000, 1965—$286,000, 1966—$262,000, 1967—$257,000, etc.	5,918,000
Other expenses of closing the Berwick plant (primarily transferring equipment and personnel to other ACF locations)	1,655,000
	$ 6,206,000

ACME STEEL COMPANY

Non-Current Liabilities:

Deferred compensation, net of Federal income taxes	$ 342,873
Unfunded pensions of retired employees, net of Federal income taxes	525,367
Future Federal income taxes	4,342,203
	$5,210,443

Financial Review

Employment Costs: ...Pension costs in 1962 were $2,111,000 compared with $1,865,000 in 1961. The increase was due in part to larger benefits negotiated in the 1962 labor agreement. However, part of the increase also came from the use of new actuarial tables and cost methods, as recommended by the pension consultants in computing our trust payments.

Contributions for the current year are equal to normal cost plus interest on the unfunded accrued liability. This represents the minimum amount that may be contributed under plans approved by the Internal Revenue Service.

Future obligations under pension plans cannot be predicted with positive accuracy. Changing economic conditions that affect the earning ability of the funds and variable actuarial factors can have a material effect on such estimates.

As of December 31, 1962, the potential unfunded past service costs of the pension and disability plans of the Company and its subsidiaries was estimated by our actuaries to be $22,821,000. The increase over the $15,100,000 estimated at the end of 1961 results from the new benefits negotiated in 1962, plus the adoption of more conservative assumptions upon which future obligations are calculated. These changes include a reduction from 4% to 3½% in the estimated interest which would be earned on invested funds, revised mortality tables, reduction in assumed retirement age, and updating of other factors, such as employee turnover and salary progression rates.

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY

Above Stockholders' Equity

Reserves:

Self-insurance	$ 808,518
Retirement payments (Note 1)	755,000
	$1,563,518

Note 1: Under the Retirement Benefit Plan, the companies made retirement payments during the year ended June 30, 1962 directly to retired employees for services rendered prior to July 1, 1956. The consolidated statement of income for the current fiscal year includes a charge of $242,328, 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 $8,300,000, 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 $493,144, all of which was charged to operations.

THE AMERICAN SUGAR REFINING COMPANY

Above Stockholders' Equity

Reserves for pension fund—Note 3	$4,638,657

Note 3: *Pensions*—Pension costs charged against income were $1,494,430 in 1962 and $1,541,611 in 1961, 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 $4,638,657 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 $1,800,000 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.

AMERICAN STORES COMPANY
Above Stockholders' Equity

Provision for:	
Deferred income taxes, estimated, applicable to accelerated depreciation deducted for tax purposes	$3,730,000
Employees' retirement income benefits	368,048
	$4,098,048

THE COLORADO FUEL AND IRON CORPORATION

Other Liabilities and Reserves:	
Long-term debt	$68,306,700
Pensions	20,883,374
Operating reserves	8,095,139
Other deferred items	49,321
	$97,334,534

Notes to Financial Statements

Pensions: The pension liability at December 31, 1962, plus the amounts funded, exceeds the amounts charged to operations since inception of the plan by $16,782,454. This amount is included in the statement of financial position as a cost allocable to future periods.

Charges are being made to operations either on the basis of averaging over the next ten years the estimated funding requirements for employees retired or who may be expected to retire during that period if the present plan continues in effect, or in the case of John A. Roebling's Sons Division in an amount equivalent to current service costs plus interest on unfunded past service costs determined on an insured plan basis. Charges were also made to operations in the current year to cover the additional and accelerated funding requirements created in the permanent closing of plants.

GIMBEL BROTHERS, INC.
Above Stockholders' Equity

Pension and deferred contingent compensation	$3,072,169

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)	4,480,093
Unappropriated	55,777,385
	$61,307,478

NATIONAL STEEL CORPORATION
Above Stockholders' Equity

Reserves:	
General operating purposes, including pensions	$21,433,282
Prior years' federal taxes on income	5,258,315
Deferred federal taxes on income — Note E	1,100,000
Rebuilding and repairs	8,771,189
Total reserves	$36,562,786

Notes to Financial Statements

Note H: *Pensions*—Amounts provided by charges against income for pension costs under the various pension plans of the companies aggregated approximately $11,600,000 in 1962 and $10,400,000 in 1961.

PITTSBURGH PLATE GLASS COMPANY
Above Stockholders' Equity

Accumulated Provisions for:	
Maintenance and repairs	$5,465,000
Insurance and unfunded and uninsured pensions	3,952,000
Foreign operations	543,000
Total accumulated provisions	$9,960,000

Notes to Financial Statements

Pensions and Retirement Plans: The Company has non-contributory pension plans covered by agreements with a number of labor unions, contributory retirement plans covered by group annuity contracts, and a voluntary plan under which the Company, in its sole discretion, grants pensions, retirement allowances, or relief. With the exception of the voluntary plan, the plans are insured or are being funded through a trustee. The contributory retirement plan applicable to most salaried employees was revised and became a non-contributory plan on December 24, 1962. Total pension costs charged to income in 1962 amounted to $5,266,000.

STANDARD OIL COMPANY (NEW JERSEY)
Above Stockholders' Equity

Annuity, insurance, and other reserves	$449,172,000

Financial Review

Annuity, insurance, and other reserves totaling $449,172,000 at December 31, 1962, consisted of $288,148,000 for annuities, $53,926,000 for marine and fire insurance, $68,684,000 for employee service and separation allowances required in foreign countries, and $38,414,000 for other purposes. The consolidated companies' liabilities under annuity plans were, in general, fully covered either through funds deposited with trustees and insurance companies or by book reserves.

F. W. WOOLWORTH CO.
Above Stockholders' Equity

Reserves:	
For self-insurance to cover fire and flood damage risks on contents of stores in the U.S.	$4,015,626
For U.S. employees' sick benefits	300,000
For German employees' pensions	2,447,039
Total reserves	$6,762,665

Other Employee Benefit Reserves

ALAN WOOD STEEL COMPANY
Above Stockholders' Equity

Reserves:	
Rebuilding and repairs	$637,538
Workmen's compensation, supplemental unemployment benefits, etc.	914,343

THE ANACONDA COMPANY
Above Stockholders' Equity

Other Liabilities, Reserves, etc.:	
Deferred payments on property purchased	$ 8,620,647
Reserve for workmen's compensation insurance and employee termination benefits	4,218,156
	$12,838,803

GENERAL MOTORS CORPORATION
Above Stockholders' Equity

Reserves:	
Employes benefit plans	$ 26,210,769
Contingent credits under Stock Option Plan	27,000,000
General reserve applicable to foreign operations	141,667,396
Miscellaneous	23,299,129
Total reserves	$218,177,294

THE SEEBURG CORPORATION
Above Stockholders' Equity
Reserve for contingent profit-sharing agreements (Note 5) $380,962

Note 5: Reserve for Contingent Profit-sharing Agreements—The contingent profit-sharing plan, under which provisions were discontinued in 1958, specifies that the amounts accrued are payable to the officers who participated, over approximately five years following death or retirement, provided that profits during each of the years are above specified minimum amounts.

UNITED FRUIT COMPANY
Above Stockholders' Equity
Provision for severance and death benefit payments (net after taxes) $7,934,400

WM. WRIGLEY JR., COMPANY
Stockholders' Equity Section
Accumulated earnings retained for use in the business $64,959,792
Notes to Financial Statements

Note: Included in accumulated earnings retained for use in the business at both the beginning and end of each year is $2,000,000 which has been appropriated for guarantees under employment assurance contracts.

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 1962 (together with comparative statistics for prior years). Fifty companies disclosed 58 such reserves. In most instances they were placed above the stockholders' equity section of the balance sheet (33 reserves in 1962). Some companies (*Co. Nos. 172, 208, 220, 237, 290, 453) did not disclose the reserve directly on the balance sheet, but gave pertinent information in the notes or in the financial review.

TABLE 34: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation*	1962	1960	1955	1950
A: With: *Related Assets* for—				
Foreign investment	11	9	4	—
Foreign losses	9	4	1	—
B: Above *Stockholders' Equity* for—				
Foreign exchange	7	7	7	11
Foreign investments	6	3	4	5
Foreign losses	2	3	2	3
Foreign operations	11	9	4	3
Unremitted foreign profits	3	3	4	2
Foreign statutory requirements	4	3	3	5
C: Within: *Stockholders' Equity* for—				
Foreign investment	1	1	1	2
Foreign losses	1	1	1	1
Unremitted foreign profits	—	—	—	2
Foreign statutory requirements	3	5	5	7
Total	58	48	36	41
Terminology Used				
Reserve	44	38	29	39
Various other terms	14	10	7	2
Total	58	48	36	41
Number of Companies with:				
Foreign activity reserves	50	42	31	33
No foreign activity reserves	550	558	569	567
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 126, 212, 220, 273, 348, 469, 501, 549, 557, 588; B: Co. Nos. 148, 200, 251, 265, 280, 379, 421, 442, 487, 547; C: Co. Nos. 45, 120, 172, 290.

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. 1, 33, 140, 177, 265, 479).

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 1962 reports are given below.

Reserves for Foreign Investment and Foreign Exchange

ABBOTT LABORATORIES
Above Stockholders' Equity
Reserve applicable to international operations—Note A..................... $1,430,000

*Refer to Company Appendix Section.

Note A: *International Operations*—The consolidated financial statements include the accounts of all subsidiaries in accordance with the practice consistently followed by the Company. The accounts of subsidiaries located outside the United States have been translated into United States dollars as follows: net assets at rates in effect at December 31, 1962, except inventories, property and equipment at rates in effect at the time of acquisition; accounts in the income statement at average rates for the year.

The accounts of subsidiaries and branches located outside the United States reflected in the consolidated balance sheet of the Company and its subsidiaries are set forth in the following manner:

	Thousands of Dollars		
	Total Assets	Liabilities	Net Assets
Latin America	$23,949	$ 7,750	$16,199
Europe and Africa	18,911	11,471	7,440
Pacific and Far East	8,108	3,242	4,866
Canada	4,149	975	3,174
Total—1962	$55,117	$23,438	$31,679
Total—1961	$49,377	$18,832	$30,545

A reserve has been provided out of 1962 overseas earnings and unrealized exchange gains. This reserve consists of $800,000 that has been set aside for deferred income taxes expected to be incurred upon further transfers of such earnings to the United States and $630,000 for exchange or other adjustments arising from international operations. The transfer of funds from certain subsidiaries and branches located outside the United States may be subject to restrictive regulations of the respective governments. The amounts which may be subject to these regulations are considered to be insignificant.

CHRYSLER CORPORATION
Above Stockholders' Equity

International operations reserve, for currency devaluation, exchange restrictions, and other extraordinary risks $26,000,000

CROWN ZELLERBACH CORPORATION
Above Stockholders' Equity

Reserves for self-insurance and decline in conversion value of Canadian assets (Note 1) $3,809,000

Note 1: *Basis of Reporting*—The accompanying financial statements comprise the consolidated accounts of Crown Zellerbach Corporation and all of its majority-owned subsidiaries.

The amounts for Canadian companies are taken into the statements at parity of exchange with provision made for the decline in Canadian exchange by establishing a reserve through a charge to income.

H. J. HEINZ COMPANY
Above Stockholders' Equity

Reserve for possible foreign exchange losses (Note 1) $700,672

Note 1: *Principles of Consolidation*—In the fiscal year ended May 2, 1962, the net unrealized loss on foreign exchange has been charged against the reserve for possible foreign exchange losses. Such reserve, representing the net excess of unrealized gains over unrealized losses on foreign exchange heretofore included in consolidated income, has been transferred from earned surplus. The financial statements for the fiscal year ended May 3, 1961 have been restated to reflect such change. The effect of this change was to increase consolidated net income for the fiscal years ended May 2, 1962 and May 3, 1961 by $637,967 and $467,263, respectively, and to decrease earned surplus at April 27, 1960 by $1,805,902. In future years, unrealized gains on foreign exchange will be credited to the reserve and unrealized losses on foreign exchange will be charged to the reserve to the extent available.

Reserve for Foreign Losses

THE B. F. GOODRICH COMPANY
Above Stockholders' Equity

Reserves:

For purchase contracts, foreign losses, sales adjustments and other purposes ... $14,932,960

AMERICAN HOME PRODUCTS CORPORATION
Above Stockholders' Equity

Reserves:

Contingent liabilities, including possible additional taxes of prior years $5,817,915

Foreign losses and exchange adjustments 3,000,000

Financial Review

Schedule of Net Foreign Assets as of December 31, 1962 and Foreign Net Income for the Year Ended December 31, 1962

Locations:	Net Assets	Net Income
Canada	$ 9,798,790	$1,694,204
England, India, Western Europe	12,088,813	2,849,075
Latin America	21,891,511	2,083,238
Australia, New Zealand, South Africa, Far East	3,826,124	853,307
	47,605,238	7,479,824
Provision for foreign losses and exchange adjustments	3,000,000	2,314,418*
	$44,605,238	$5,165,406

*The provision of $2,314,418, charged to 1962 consolidated net income, brought the balance in the reserve for foreign losses and exchange adjustments to $3,000,000 at December 31, 1962. This reserve had been charged during 1962 with exchange conversion adjustments of $1,814,418.

FRUEHAUF TRAILER COMPANY

Investments and Other Assets (Note B) ... $59,295,555

Note B: *Investments and Other Assets*—Investments and other assets are summarized below:

Investments in and amounts due from subsidiaries (Note A):	
Investments in:	
Fruehauf Trailer Finance Company (100% owned)—at equity in net assets	$30,304,371
Subsidiaries outside of the United States and Canada—at cost	1,303,021
Amounts due from:	
Fruehauf Trailer Finance Company, subordinated to certain obligations of that subsidiary	14,563,461
Subsidiary outside of the United States and Canada	655,300
	$46,826,153
Less provision for exchange and other losses on subsidiaries outside the United States and Canada	200,000
	$46,626,153
Trailers leased to customers—at lower of cost or appraised value, less accumulated depreciation of $7,837,211 at December 31, 1962 (Note C)	9,881,690
Miscellaneous accounts and investments	2,787,712
Total	$59,295,555

Reserves for Operations and Unremitted Foreign Profits

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
Above Stockholders' Equity

Reserve for foreign operations $14,864,505

HARSCO CORPORATION
Above Stockholders' Equity

Reserves:

Deferred foreign income tax	$473,569
Unremitted foreign income	504,775
	$978,344

Notes to Financial Statements

Note 1: *Basis of Consolidation*—The net income of foreign branches and foreign subsidiaries for 1962 was approximately $3,200,000 (including income from foreign investments), a substantial part of which has been remitted to the United States. Because of currency restrictions, income of a foreign branch is being included in the statement of income as remitted to the United States.

MERCK & CO., INC.
Above Stockholders' Equity

Reserve applicable to foreign operations ... $5,000,000

Notes to Financial Statements

Net income of consolidated foreign subsidiaries and branches, as translated into U. S. dollars and included in consolidated net income, amounted to $7,433,000 in 1962 and $9,024,000 in 1961. 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 $2,307,-000 in 1962 and $6,567,000 in 1961. 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.

PEPSI-COLA COMPANY
Above Stockholders' Equity

Reserve for foreign activities	$2,963,354

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, and (b) losses arising from devaluation of foreign currencies. The adjustment for 1962 represents dividends received in excess of current earnings less charges for amortization of goodwill, $350,697, plus devaluation losses (other than Canadian) of $402,053.

UNITED STATES RUBBER COMPANY
Above Stockholders' Equity

Reserves:	
Foreign activities	$17,838,255
Retirement allowances	9,908,175
Insurance	3,800,199
Total reserves	$31,546,629

Notes to Financial Statements

Principles of Consolidation: *Foreign Activities*—All subsidiary companies which are more than 50 per cent owned are included in the consolidated statements.

Restricted earnings of foreign operations are excluded from net income and credited to the reserve for foreign activities.

Fixed assets and long term liabilities of foreign subsidiaries are stated in United States dollars on the basis of rates of exchange prevailing at December 31, 1957 or at dates of acquisition for subsequent additions. All other foreign assets and liabilities are stated on the basis of rates of exchange prevailing at the close of the year. Cumulative gains resulting from the conversion of net current assets are carried in the reserve for foreign activities; current losses are charged to such reserve, or, if no reserve is available, to consolidated income. Sales and earnings are stated at monthly average rates of exchange.

Net assets located outside the United States were $88,611,014 at the end of 1962.

The Reserve for Foreign Activities at December 31, 1962 consisted of $10,248,666 restricted earnings of foreign operations and $7,589,589 representing principally the excess of certain foreign subsidiaries' net assets over cost thereof at date of acquisition.

Deferred charges include $652,585 representing a net excess of cost over net assets at date of acquisition for certain subsidiaries consolidated in 1961 and 1962.

Reserves for Foreign Statutory Requirements

AMERICAN SMELTING AND REFINING COMPANY
Within Stockholders' Equity

Earnings Employed in the Business (Note 8)	$219,456,346

Note 8: *Earnings Employed in the Business*—This caption includes $2,131,700 (1961—$1,918,900) in legal reserves on the books of Mexican and South American subsidiaries to comply with the laws of the respective countries.

STANDARD OIL COMPANY (NEW JERSEY)
Above Stockholders' Equity

Long-term debt	$829,767,000
Deferred credits	274,160,000
Annuity, insurance, and other reserves	449,172,000
Equity of minority shareholders in affiliated companies	325,443,000

Financial Review

Annuity, insurance, and other reserves totaling $449,172,000 at December 31, 1962, consisted of $288,148,000 for annuities, $53,926,000 for marine and fire insurance, $68,684,000 for employee service and separation allowances required in foreign countries, and $38,414,000 for other purposes. The consolidated companies' liabilities under annuity plans were, in general, fully covered either through funds deposited with trustees and insurance companies or by book reserves.

CALIFORNIA PACKING CORPORATION
Within Stockholders' Equity

Earnings retained for use in the business:	
Appropriated for contingencies in respect of assets and obligations in foreign countries	$ 5,000,000
Unappropriated	56,694,372
	$164,694,372

OWENS-ILLINOIS GLASS COMPANY
Above Stockholders' Equity

Reserves and Other Credits:	
Reserve for rebuilding furnaces	$10,920,244
Deferred U.S. and foreign income taxes	7,473,913
Reserves for service indemnities for foreign employees, etc.	343,936
	$18,738,093

UNITED MERCHANTS AND MANUFACTURERS, INC.
Above Stockholders' Equity

Other noncurrent items and deferred income (Note F)	$5,697,263

Note F: *Other Noncurrent Items and Deferred Income*—The items included in this caption consist of deferred income on installment sales of capital assets ($109,700); unearned service and rental income, commissions and interest ($1,556,678); reserves for compensation payable by foreign subsidiaries under applicable foreign laws on death or dismissal of employees ($2,731,629); and debentures, notes and mortgages payable, etc., principally of subsidiary companies, ($1,299,256).

Note A: *Foreign Subsidiary Companies*—The assets and liabilities of foreign subsidiaries included in the accompanying consolidated balance sheet as at June 30, 1962, are summarized as follows:

Current Assets	$46,642,514
Current Liabilities	28,555,068
Net Current Assets	18,087,446
Other Assets	1,619,645
Property, Plant and Equipment, less reserves	24,323,549
Deferred Charges	1,300,750
	45,331,390
Other Noncurrent Items and Deferred Income	3,967,932
Net Assets Exclusive of Intercompany Accounts with Parent and Subsidiaries	$41,363,458

Statutory reserves of South American subsidiaries as at June 30, 1961 and June 30, 1962, in the aggregate amounts of $749,310 and $828,245, respectively, are included in Earned Surplus in the

Net income of foreign subsidiaries included in the accompanying consolidated statement of income amounted to $1,243,382 after deducting $4,980,327 loss arising from translation of their financial statements to United States dollars.

There was a decline, from July 1, 1962 to September 21, 1962, in foreign rates of exchange used in translating the accounts of certain foreign subsidiaries. If the rates of exchange in effect on September 21, 1962 were applied at June 30, 1962, the stated amount of net assets of foreign subsidiaries would decrease by approximately $750,000.

The Brazilian government instituted a profit remittance law, effective September 5, 1962, which imposes certain limitations on remittances of profits and repatriation of capital from Brazil. Based on information presently available, management is of the opinion that anticipated remittances from that country will not be materially affected by the provisions of the new law. Investments in other foreign countries are subject to exchange regulations, but, within certain limitations, the transfer of funds from these countries is not restricted at the present time.

GUARANTEE OR WARRANTY RESERVES

Accounting Research Bulletin No. 43 (Chapter 3) issued by the committee on accounting procedure of the American Institute of Certified Public Accountants discusses the nature of current liabilities and states among other things, "As a balance-sheet category, the classification is intended to include obligations for items which have entered into the operating cycle, such as . . . collections received in advance of the delivery of goods or performance of services[2]; . . .

[2]Examples of such current liabilities are obligations resulting from advance collections on ticket sales, which will normally be liquidated in the ordinary course of business by the delivery of services. On the contrary, obligations representing long-term deferments of the delivery of goods or services would not be shown as current liabilities. Examples of the latter are the issuance of a long-term warranty. . . ."

Table 35 discloses the various types of guarantee or warranty reserves or liabilities presented by the survey companies. Twenty-six such reserves were disclosed in the balance sheets of 24 of the 600 survey companies in the 1962 reports. Fifteen of the reserves were shown in the balance sheets among current liabilities, directly or in the notes, and 10 were shown above the stockholders' equity section.

Certain companies (*Co. Nos. 6, 91, 222, 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.

TABLE 35: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation*	1962	1960	1955	1950
A: Among: *Current Liabilities* for—				
Product guarantee	3	4	2	3
Product warranty	4	6	3	3
Service guarantee	2	1	2	2
Service warranty	1	—	—	—
"Guarantee"	3	4	1	2
Contract completion	2	2	2	3
B: Above: *Stockholders' Equity* for—				
Product guarantee	5	5	11	12
Product warranty	1	—	1	3
Service guarantee	—	—	1	1
Service warranty	1	—	—	1
"Guarantee"	—	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	26	26	31	43
Terminology Used				
Reserve	10	15	21	29
Provision	5	2	5	6
Various other terms	11	9	5	8
Total	26	26	31	43
Number of Companies with:				
Guarantee or warranty reserves	24	23	30	41
No guarantee or warranty reserves	576	577	570	559
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 91, 125, 249, 367, 389, 588; B: Co. Nos. 6, 105, 266, 315, 476, 537; C: Co. No. 284.

Reserves for Product Guarantee or Warranty

BALDWIN-LIMA-HAMILTON CORPORATION
Above Stockholders' Equity
Reserves:
Product guarantees and other expenses $660,000

THE FLINTKOTE COMPANY
Current Liabilities:
Reserves for self-insurance and product guarantees $1,361,670

THE GARRETT CORPORATION
Current Liabilities:
Trade accounts payable—including estimated liability under price redetermination contracts and product warranty ... $11,552,789

MOTOROLA, INC.
Current Liabilities:
Product and service warranties $1,178,234

*Refer to Company Appendix Section.

RHEEM MANUFACTURING COMPANY
Above Stockholders' Equity
Estimated warranty costs on discontinued products and other long-term liabilities .. $1,380,819

STUDEBAKER CORPORATION
Current Liabilities:

Accounts payable and accrued expenses	$54,099,541
Notes payable to bank and others	1,328,386
Reserve for product warranty	2,660,118
Current payments on long-term debt	2,002,240
Total current liabilities	$60,090,285

Reserves for Service Guarantee or Warranty

HUPP CORPORATION
Above Stockholders' Equity
Reserve for service warranty $585,000

SONOTONE CORPORATION
Current Liabilities:
Provision for service guarantees and sundry liabilities $334,998

Reserves for Contract Completion

THE BABCOCK & WILCOX COMPANY
Current Liabilities:
Provision for additional costs on contracts.. $2,794,944

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
Current Liabilities:
Excess of billings on shipbuilding contracts over expenditures and estimated profits recorded thereon (Note 1) $836,872

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 $2,250,000 at December 31, 1962 and $3,725,000 at December 31, 1961, of which $725,000 was applied as direct contract price adjustments in 1962.

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.

INSURANCE RESERVES

There were 69 insurance reserves shown by 60 of the 600 survey companies in their 1962 annual reports. Table 36 discloses the various types of insurance reserves together with their balance sheet presentation.

Of the 69 reserves disclosed, 66 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 1962, disclosed the accounts to which the related charges or credits were made.

Examples illustrating the presentation in the financial statements of insurance reserves follow:

TABLE 36: INSURANCE RESERVES

Balance Sheet Presentation*	1962	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**	2	2	5	7
Self-insurance	19	20	18	22
Workmen's compensation self-insurance	8	12	18	34
Workmen's compensation**	3	1	7	5
Workmen's compensation	7	14	14	13
General insurance**	—	—	2	1
General insurance	16	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	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	69	85	112	151
Terminology Used				
Reserve	65	80	98	136
Provision	2	2	5	7
Various other terms	2	3	9	8
Total	69	85	112	151
Number of Companies with:				
Insurance reserves	60	73	102	128
No insurance reserves	540	527	498	472
Total	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 80, 232; B: Co. Nos. 20, 94, 179, 293, 302, 310, 396, 499, 539, 575; C: Co. No. 124.
**With cash or securities segregated therefor.

Self-Insurance Reserves

ALLIED MILLS, INC.
Above Stockholders' Equity
Reserve for self-insurance, etc. $643,732.48

UNION OIL COMPANY OF CALIFORNIA
Above Stockholders' Equity
Allowance for self-insured risks $4,354,189

THE PROCTER & GAMBLE COMPANY
Above Stockholders' Equity

Reserves:	
Self-insured risks	$ 4,026,920
Foreign exchange fluctuations	1,900,000
Deferred income taxes	27,907,281
Total reserves	$33,834,201

CARNATION COMPANY
Within Stockholders' Equity

Investment of Stockholders, represented by:	
First preferred stock, 3¾% cumulative, $100 par value—	
Authorized 50,000 and 120,496 shares at respective dates	
Outstanding, none at end of 1962; 28,720 shares (excluding shares in treasury) at end of 1961	—
Common stock, $5.50 par value—	
Authorized, 2,500,000 shares	
Outstanding (excluding 58,107 shares in treasury), 2,301,456 and 2,235,803 shares at respective dates	$ 12,658,008
Other capital (transferred from retained earnings in connection with stock dividends)	27,025,322
Reserve for insurance (provided from income)	5,000,000
Retained earnings, excluding amounts transferred to capital; $26,227,000 is subject to dividend restrictions at December 31, 1962 under provisions relating to senior securities	77,952,735
	$175,768,686

LONE STAR CEMENT CORPORATION
Above Stockholders' Equity

Non-Current Accounts with Foreign Subsidiaries:	
Self-insurance deposit	$ 103,454
Other	—
	$ 103,454
Reserves:	
Self-insurance	$3,214,888
Contingent management compensation	439,492
Other	136,508
	$3,790,888

Noncurrent Assets:

Special Funds and Other Investments:	
Self-insurance funds—cash and investments	$3,109,812
Other investments	6,429,900
	$9,539,712

Workmen's Compensation Reserves and Self-Insurance Reserves

THE AMERICAN SHIP BUILDING COMPANY
Above Stockholders' Equity

Reserves:	
For workmen's compensation and public liability insurance	$200,000
For insurance on floating equipment and cargo loss	51,550
Total reserves	$251,550

Noncurrent Assets:

Investments and Other Assets:	
United States Treasury Bonds on deposit in connection with workmen's compensation guarantees—at cost, quoted market $216,897 (1961—$171,759)	$247,000
Miscellaneous securities, accounts receivable, and advances	365,020
Total investments and other assets	$612,020

CONSOLIDATED LAUNDRIES CORPORATION
Above Stockholders' Equity

Reserves:	
Deferred income taxes	$595,397
Workmen's compensation insurance	75,000
Contingencies	80,000
Total Reserves	$750,397

Noncurrent Assets:

Investments and Other Assets:	
United States and municipal bonds on deposit with State of New York Workmen's Compensation Board—at cost	$161,810
Unconsolidated Canadian subsidiary — at cost after adjustment for undistributed net income since acquisition	187,217
Other receivables	227,547
Total Investments and Other Assets	$576,574

GENERAL ANILINE & FILM CORPORATION
Above Stockholders' Equity

Provision for workmen's compensation self-insurance	$264,536

MOTOR WHEEL CORPORATION
Above Stockholders' Equity

Reserve:	
For workmen's compensation (self-insurer)	$100,000

Fire Insurance Reserves

STANDARD OIL COMPANY (NEW JERSEY)
Above Stockholders' Equity

Long-term debt	$829,767,000
Deferred credits	274,160,000
Annuity, insurance, and other reserves	449,172,000
Equity of minority shareholders in affiliated companies	325,443,000

Financial Review (Page 23)

Annuity, insurance, and other reserves totaling $449,172,000 at December 31, 1962, consisted of $288,148,000 for annuities, $53,926,000 for marine and fire insurance, $68,684,000 for employee service and separation allowances required in foreign countries, and $38,414,000 for other purposes. The consolidated companies' liabilities under annuity plans were, in general, fully covered either through funds deposited with trustees and insurance companies or by book reserves.

Other Insurance Reserves

ALLIED CHEMICAL CORPORATION
Above Stockholders' Equity

Reserves:	
Pensions	$55,187,077
Deferred Income Tax	25,430,425
Insurance	803,465
	$81,420,967

ST. JOSEPH LEAD COMPANY
Above Stockholders' Equity

Reserves:	
Injury claims and workmen's liability insurance	$737,417
Employees life insurance and retirements	356,101
Fire insurance (see contra)	329,550
Other Assets:	
Securities on deposit with Governmental agencies	$964,575
Cash and marketable securities—Fire Insurance Fund (see contra)	329,550

STANDARD OIL COMPANY OF CALIFORNIA
Above Stockholders' Equity
Reserves—General Insurance and Benefits . . $35,017,000

UNITED STATES SMELTING REFINING AND MINING COMPANY
Above Stockholders' Equity

Reserves for Contingencies:	
For insurance	$ 402,654
For development (Note 2)	4,210,373
For employers' liability insurance and for other purposes	1,518,578
Total reserves for contingencies	$6,131,605

UNITED STATES STEEL CORPORATION
Above Stockholders' Equity
Reserves for insurance, contingencies and accident and hospital expenses (*details on page 35*) . . . $117,132,123

Page 35: 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 $67,132,123, provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

Reserves	Reserve for insurance	Reserve for contingencies	Accident and hospital	Total other
	Dollars in Millions			
Balance December 31, 1961	$50.0	$57.7	$ 9.4	$117.1
Additions charged income	3.0	—	21.9	24.9
Deductions	3.0	—	21.9	24.9
Balance December 31, 1962	$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 obsolescences; these accumulations and annual charges are discussed in Section 3, although two companies (*Co. Nos. 203 and 463) are included in this section, Table 37.

This table discloses in a comparative summary for the years 1962, 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-four survey companies presented 60 reserves in their 1962 reports. The reserves were presented most frequently above the stockholders' equity section of the balance sheet (27 reserves in 1962), but a similar number were also presented with the related assets this year.

In instances where there were increases or decreases in these reserves during 1962 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, 111, 222, 296, 297).

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

ALLIS-CHALMERS MANUFACTURING COMPANY
Above Stockholders' Equity
Reserves:
Estimated expenses in discontinuing certain products and facilities . . . $20,355,000
Notes to Financial Statements

Note 5: Extraordinary Charge to Earnings Retained and Used in the Business—During the year, the Company undertook programs to dispose of its plant in Terre Haute, Indiana, and to discontinue the steam turbo-generator and related steam condenser business at its plant in West Allis, Wisconsin. The latter program contemplates completion of the sales order backlog and phasing out of the business over a two and one-half year period. Accounting recognition has been given to losses and expenses both incurred and anticipated in connection with these programs, by an extraordinary charge of $20,850,000 (net of anticipated federal income taxes) to earnings retained, which includes:

Costs and expenses incurred during the year for separation payments and other closing costs	$ 495,000
Provisions for anticipated losses and expenses—	
Possible loss on disposals and abandonments of certain facilities	3,545,000
Costs and expenses related to discontinued operations	16,810,000
	$20,850,000

ARMOUR AND COMPANY

Plant and equipment:	
Land, at cost	$ 15,898,303
Buildings, machinery and fixed equipment, at cost	249,716,351
Accumulated depreciation	(126,385,454)
Refrigerator cars, delivery equipment, tools, etc., at cost less accumulated depreciation	9,183,841
Revaluation of certain facilities in respect of anticipated replacement or relocation	(3,994,795)
	$144,418,246

ASSOCIATED BREWING COMPANY

Property, plant and equipment:	
At cost (Note C):	
Buildings	$ 6,547,955
Machinery and equipment	10,836,069
	17,384,024
Less, Accumulated depreciation	9,314,172
	8,069,852
Land	600,534
	8,670,386
At estimated realizable value (Note D):	
Facilities held for disposition	478,978
Total property, plant and equipment, net	$ 9,149,364

Note D: No provision for federal income taxes was made in the statements of income for the years ended December 31, 1962 and 1961 because of unused net operating loss carry overs. At December 31, 1962 net operating loss carry overs amounted to approximately $800,000 as follows:

Available to December 31,	Approximate Amount
1963	$485,000
1964	9,000
1966	31,000
1967	275,000
Total	$800,000

In addition, the facilities held for disposition as shown on the annexed balance sheet are carried at amounts less than their tax basis.

*Refer to Company Appendix Section.

TABLE 37: PROPERTY RESERVES

Balance Sheet Presentation*	1962	1960	1955	1950
A: With: *Related Fixed Assets* for—				
Revaluation of property	4	6	2	7
Loss on property	19	16	5	3
Extraordinary depreciation	—	—	5	10
Purpose not stated	—	1	1	—
Intangible drilling costs	—	1	1	—
Obsolescence of property	1	—	—	—
Miscellaneous	3	—	1	1
B: Among: *Current Liabilities* for—				
Furnace rebuilding, relining	1	2	1	—
Miscellaneous	—	—	—	1
C: Above: *Stockholders' Equity* for—				
Loss on property	2	—	—	—
Furnace rebuilding, relining	7	7	9	13
Glass tank renewal	1	1	1	1
Plant rehabilitation	1	—	3	1
Repairs, painting, maintenance	8	8	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	1	—	3	10
D: Within: *Stockholders' Equity* for—				
Revaluation of property	1	2	2	4
Loss on property	—	1	1	1
Plant contingencies	—	—	1	—
Higher plant replacement costs	3	4	6	13
Steamship replacements	—	—	1	—
Property replacement	—	1	—	—
Miscellaneous	1	—	—	1
Total	60	59	62	97
Terminology Used				
Reserve	37	37	44	65
Provision	9	5	4	8
Various other terms	14	17	14	24
Total	60	59	62	97
Number of Companies with:				
Property reserves	54	53	53	81
No property reserves	546	547	547	519
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 59, 122, 126, 142, 211, 222, 382, 388, 547.
B: Co. No. 218.
C: Co. Nos. 61, 169, 178, 199, 340, 402, 416, 567, 592.
D: Co. Nos. 284, 374, 589.

SWIFT & COMPANY
Above Stockholders' Equity
Reserve for costs of closing plants (net after income taxes) $8,138,486
Letter to Stockholders

Page 3: The net cost of plant closings for the year has been charged to the reserve set up for this purpose, reducing it to $8,138,486.

CONSOLIDATION COAL COMPANY
Properties—Note C:

Coal lands and real estate	$112,273,221
Plants and equipment	252,645,610
	$364,918,831
Less reserves for depreciation, depletion, etc.	177,794,734
Net properties	$187,124,097

Note C: *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.

Repairs, Furnace Rebuilding, and Leased Property Restoration

ALAN WOOD STEEL COMPANY
Above Stockholders' Equity
Reserves:

Rebuilding and repairs	$637,538
Workmen's compensation, supplemental unemployment benefits, etc.	914,343

AMERICAN-SAINT GOBAIN CORPORATION
Above Stockholders' Equity
Reserves net of estimated future income tax effect:

Furnace repairs	$ 752,503
Pensions (Note 2)	444,082
Total Reserves	$1,196,585

CITIES SERVICE COMPANY
Above Stockholders' Equity
Reserves:

Prior years' and deferred taxes on income	$37,070,715
Maintenance and other operating reserves	3,171,155
	$40,241,870

W. T. GRANT COMPANY
Above Stockholders' Equity
Reserves:

For uninsured risks	$1,400,000
For repainting stores	1,505,579
For deferred contingent compensation—Note B	697,562
Total reserves	$3,603,141

HUNT FOODS AND INDUSTRIES, INC.
Above Stockholders' Equity
Reserve for renewal of glass tanks $1,447,572

PITTSBURGH PLATE GLASS COMPANY
Above Stockholders' Equity
Accumulated Provisions for:

Maintenance and repairs	$5,465,000
Insurance and unfunded and uninsured pensions	3,952,000
Foreign operations	543,000
Total accumulated provisions	$9,960,000

ERIE FORGE & STEEL CORPORATION
Current Liabilities:

Note payable to bank	$ 320,000.00
Accounts payable and accrued expenses:	
Trade accounts	1,269,548.65
Salaries, wages, and commissions and amounts withheld therefrom	732,744.53
Taxes and interest	331,621.68
Employees pension trust	99,566.00
Reserve for relining and repairing furnaces	139,395.50
Federal and state taxes on income—estimated	106,209.96
Current portion of long-term liabilities	500,100.00
Total current liabilities	$3,499,186.32

Moving Expenses

BROWN & SHARPE MANUFACTURING COMPANY
Above Stockholders' Equity

Reserve for possible moving expenses (see comments page 1)	$200,000

Page 1: The year 1962's earnings reflect, significantly, a $200,000 appropriation from these earnings for possible moving expenses. The Company is presently studying the feasibility of relocating its machine tool, industrial product and B & S pump manufacturing facilities in a modern, single-story plant that would be constructed in the suburban town of North Kingstown, Rhode Island. Although studies are still far from complete, the Directors at their regular February meeting thought well enough of the plan to appropriate funds as a reserve for expenses which will certainly be considerable, should they eventually be incurred.

JOHN MORRELL & CO.
Above Stockholders' Equity

Revenue for losses and expenses anticipated in connection with relocation and closing of processing and marketing facilities—(Net of income taxes)	$519,951

Letter to Stockholders

As explained in our 1961 Annual Report, shareholders' equity was reduced in that year by the amount of $1 million to provide a special reserve for expenses to be incurred in connection with a program of discontinuing or revising the operations of several unprofitable units. At October 28, 1961 the unused balance of this reserve was $961,022. During 1962 this program was continued, and the balance of the reserve at October 27, 1962 was $519,951. Charges to the reserve during the year resulted from the closing of our Roberts & Oake unit in Chicago, reflecting the cost of severance pay, loss on the disposal of the property, etc. It is with pleasure that we can report to shareholders that a second unit which had been operating unprofitably during 1960 and 1961, and which we had contemplated closing, has operated on a profitable basis during 1962; and we are confident that the plant can be operated on a satisfactory basis in forthcoming years. It is contemplated that during 1963 two of our smaller units will be closed; and it is estimated that the charges to the reserve for this purpose during 1963 will not exceed $50,000. In accord with this, it does not appear that the full amount of the reserve will be used, but it has not been deemed advisable to restore any balance to shareholders' equity at this time.

Higher Plant Replacement Cost

BRISTOL-MYERS COMPANY
Within Stockholders' Equity

Earnings Retained in the Business:	
Appropriated	$ 8,486,198
Set aside for estimated increase in replacement cost of property, plant and equipment	
Unappropriated	49,841,023

THE B. F. GOODRICH COMPANY

Shareholders' Equity:		
Common Stock—$10 par value:		
Authorized 10,000,000 shares, issued 9,165,555 shares (Excludes 5,596 shares held by the Company) — Note B	$ 91,655,550	
Capital in excess of par value of shares —Note B	38,491,758	
Income retained in the business.. Note C:		
Appropriated for increased replacement cost of facilities	33,000,000	
Unappropriated	279,084,071	
	$312,084,071	
Total shareholders' equity	$442,231,379	

TAX RESERVES

The 1962 annual reports of the 600 survey companies disclosed 334 tax reserves in the balance sheets of 282 companies. This is a significant increase over the number of tax reserves shown in 1960 (208 reserves by 185 companies), which in turn was a substantial increase over the number of tax reserves reported in 1955 and 1950. Table 38 presents more detailed comparisons.

As stated in the 1961 edition of *Accounting Trends and Techniques* the increase in the use of such reserves in 1960 over 1955 and 1950 was due mainly to the adoption of new depreciation methods which were recognized for tax purposes in the Internal Revenue Code of 1954. This resulted in the creation of new reserves for "future taxes" and/or deferral of tax benefits, where the liberalized depreciation rates permitted under the Code, were used for tax purposes only. Bulletin No. 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").

The latest (1962) increase in the use of tax reserves stems primarily from two sources: (1) the adoption for income tax purposes of *New Depreciation Guidelines and Rules* issued by the United States Treasury Department's Internal Revenue Service as Revenue Procedure 62-21, effective July 12, 1962, and (2) the application of the investment credit accounting, also for tax purposes, as provided for in the Revenue Act of 1962. Frequently, under both these procedures, currently taken tax benefits are deferred for corporate accounting and reporting purposes. The accounting principles board of the American Institute of Certified Public Accountants has dealt with the accounting for *New Depreciation Guidelines and Rules* in its *Interpretive Opinions Bulletin No. 1,* also with *Accounting for the "Investment Credit"* in its *Opinions Bulletin No. 2,* which is the subject of the succeeding chapter.

Tax reserves were presented most frequently above the stockholders' equity section of the balance sheet (308 reserves in 1962). 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. 45, 77, 237, 294, 330, 367, 442)	134
Offsetting entry within retained earnings account (*Co. Nos. 3, 56, 200, 419)	4
No dollar change from previous year	10
Offsetting entry for "Guidelines" and "Investment Credit," to various accounts	81
Change in the tax reserve account apparent, but the entry not disclosed	101
Other accounts	4
Total number of tax reserves	334

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

AMERICAN HOME PRODUCTS CORPORATION
Above Stockholders' Equity

Reserves:	
Contingent liabilities, including possible additional taxes of prior years	$5,817,915
Foreign losses and exchange adjustments	3,000,000

CITIES SERVICE COMPANY
Above Stockholders' Equity

Reserves:	
Prior years' and deferred taxes on income	$37,070,715
Maintenance and other operating reserves	3,171,155
	$40,241,870

GIMBEL BROTHERS, INC.
Current Liabilities:

Accounts payable	$17,304,648
Employees' compensation	5,782,582
Federal income taxes (See Note 1):	
Current year	8,409,450
Deferred and prior years (See Note 2)	5,349,700
Other taxes	5,548,127
Long-term debt—portion due within one year	1,694,768
Miscellaneous	6,241,583
Total current liabilities	$50,330,858

Note 2: Deferred federal income taxes result from the adoption and consistent use by the Company, for federal income tax purposes only, of accelerated depreciation and the installment method of reporting income from certain installment type credit sales. In

*Refer to Company Appendix Section.

TABLE 38: TAX RESERVES

Balance Sheet Presentation*	1962	1960	1955	1950
A: With: *Related Assets* for—				
Deferred tax on installment sales	—	1	1	1
Amortization of emergency facilities	—	1	1	1
New depreciation methods	6	1	—	—
Miscellaneous	3	3	1	—
B: Among: *Current Liabilities* for—				
Prior years' taxes	4	5	7	3
Tax contingencies	2	2	—	3
Deferred tax:				
On installment sales	3	2	1	1
Re amortization of emergency facilities	—	—	2	—
New depreciation methods	6	3	—	—
Taxes	—	—	—	1
Future taxes	1	1	—	—
C: Above: *Stockholders' Equity* for—				
Prior years' taxes	2	4	9	20
Tax contingencies	6	7	7	13
Future taxes (1954 Internal Revenue Code and 1962 "Guidelines")	61	67	9	—
Taxes	2	4	1	5
Foreign taxes	13	6	—	—
Deferred tax:				
On installment sales	17	9	1	2
On mine development costs	4	4	2	—
Re amortization of emergency facilities under Certificates of Necessity	13	19	29	1
On undistributed earnings of consolidated foreign subsidiaries	10	6	—	—
New depreciation methods (1954 Internal Revenue Code and 1962 "Guidelines")	180	61	7	—
D: Within: *Stockholders' Equity* for—				
Tax contingencies	—	2	1	1
Taxes	1	—	1	—
Total	334	208	80	52
Terminology Used				
Reserve	79	75	49	37
Provision	10	6	3	5
Various other terms	245	127	28	10
Total	334	208	80	52
Number of Companies with:				
Tax reserves	282	185	73	50
No tax reserves	318	415	527	550
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 53, 246, 351, 361, 572, 574, 575.
B: Co. Nos. 6, 113, 160, 210, 380, 459.
C: Co. Nos. 2, 79, 129, 163, 266, 274, 402, 436, 457, 555.

addition, accruals for federal income taxes remaining after payments of amounts shown on the tax returns are continued pending final review and determination.

PARAMOUNT PICTURES CORPORATION
Current Liabilities:

Notes payable (see Note F)	$ 2,669,000
Accounts payable and accrued expenses	9,301,000
Owing to outside producers and owners of royalty rights	5,572,000
United States and Canadian taxes on income, estimated (see Note G)	6,924,000
Total current liabilities	$24,466,000

Note G: *Income Taxes*—The company has made provision for 1962 Canadian and foreign taxes aggregating $1,907,000; no United States income tax is due for the year and, because of foreign tax credits utilized in prior years, no significant refund of prior years' taxes can be claimed. An amount of $548,000 has been deemed the tax attributable to the profit on sales of investments and other assets and has been deducted therefrom and the balance of $1,359,000 has been set out separately in the statement of income.

The company's tax returns for the years 1953-1960 are being examined by the Internal Revenue Service. During 1962, the company was informed by the Service that it will propose several important adjustments as a result of the examination of the three earliest years, including revision of the company's long-established film amortization practices in effect through 1959. The amount of additional taxes resulting from these adjustments will not be known until the revenue agent's report is received but it is believed that the additional assessment may be substantial. Although the company intends to vigorously protest any such assessment, it was considered prudent to make a provision for possible assessment of prior years' income taxes of $5,000,000 which has been charged to retained earnings.

PENNSALT CHEMICALS CORPORATION
Above Stockholders' Equity

Deferred Federal Income Taxes (Note 8)	$4,061,920

Note 8: *Deferred Federal Income Taxes*—The Company may be held to have realized a capital gain on the transfer in prior years of certain real properties to a pension trust on which a tax, not exceeding approximately $1,900,000, 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 $318,447 is included in the provision for federal income taxes in 1962.

Deferred federal income taxes resulting from prepayment 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 $327,322 for 1962.

PHOENIX STEEL CORPORATION
Above Stockholders' Equity
Reserves:

Tax contingencies—prior years	$6,310,974
Other reserves	636,903

Reserve for Tax Contingencies—Prior Years: Consolidated tax returns of the affiliated group for the years 1945 to 1956 inclusive and the year 1958, and certain separate tax returns of subsidiaries, have been examined and proceedings with the Internal Revenue Service relating to these years are in progress. On March 7, 1963, statutory notices for these years, proposing deficiencies totaling $5,545,000 were received. The proposed deficiencies are based principally on a change in method of valuing inventories for income tax purposes, made by the Company and its subsidiaries in 1946 and followed consistently to date. The proposed deficiencies do not exceed those proposed in preliminary reports of examination received in earlier years, and are adequately provided for, together with related interest in the reserve for tax contingencies. The Company intends to contest the deficiencies and in the opinion of its Tax Counsel, the Company's position with respect to the change in method of valuing inventories should be sustained.

By agreement with Republic Industrial Corporation, dated April 1, 1957 pertaining to the spin-off of that corporation on May 31, 1957, part of the proposed deficiencies, if any, are chargeable to Republic.

Tax returns for the year 1957 and years subsequent to 1958 are subject to review.

Deferred Tax on Installment Sales

ALDENS, INC.
Above Stockholders' Equity

Federal Income Tax Deferred (Arising from election by the Company in 1961 to report income from credit sales on the installment basis for Federal income tax purposes) (Note 3)	$4,250,000

Note 3: *Provision for Federal Taxes on Income*—Federal income tax returns of Aldens, Inc. and its finance and retail division subsidiaries have been reviewed by the Internal Revenue Service through January 31, 1960. Federal income tax returns of Greatway Corporation and subsidiaries are being reviewed by the Internal Revenue Service; no material adjustments have been proposed.

Provision for federal taxes on income deducted on the consolidated statement of income was computed on the accrual basis and includes the tax deferral resulting from the Company's election to report installment credit sales on the installment basis for federal income tax purposes. The amount shown for federal income tax deferred at January 31, 1961 has been segregated from accrued federal taxes.

ASSOCIATED DRY GOODS CORPORATION
Above Stockholders' Equity

Deferred Federal Income Taxes (Note B)	$5,008,300

Note B: *Deferred federal income taxes*—Deferred federal income taxes represent provisions for future taxes on income in connection with (1) additional depreciation taken on an accelerated basis for income tax purposes only, and (2) the deferment for tax purposes of gross margin on installment sales.

DETROIT STEEL CORPORATION
Above Stockholders' Equity

Reserve for Future Federal Income Taxes—Note B	$17,597,000

Note B: *Property, Plant, and Equipment, Reserve for Future Income Taxes, and Investment Credit*—For financial reporting the Corporation has followed the policy of amortizing the costs of facilities acquired under Certificates of Necessity over the estimated normal service lives of the facilities, with deferment of the income-tax benefit realized from the five-year amortization of the facilities for federal income-tax purposes. A substantial portion of the facilities so acquired have become fully amortized for income-tax purposes and, as a result, the provisions for depreciation for 1962 and 1961 were $1,414,456 and $591,221 greater, respectively, than the amounts deductible for income-tax purposes. The estimated taxes applicable thereto of $735,000 and $310,000, respectively, have been charged against the reserve for future federal income taxes with corresponding reductions in the income taxes charged to operations.

FEDDERS CORPORATION
Above Stockholders' Equity

Deferred federal income tax (Note 4)	$3,501,352

Note 4: *Deferred federal income tax*—Deferred federal income tax arises primarily from the use of the instalment method of reporting income for tax purposes commencing September 1, 1961. Under the instalment method, the tax on profits from instalment sales is payable when the profit is realized by collection of the account. The deferred federal income tax includes $819,000 which represents a refund arising from the deferral for tax purposes of profits on instalment sales. For financial statement purposes, the Company continues to prepare its statements on the accrual basis and includes the profit on instalment sales in income at the time of sale, and the provision for federal income tax thereon is charged against income concurrently.

W. T. GRANT COMPANY
Current Liabilities:

Accounts payable and accrued expenses	$54,461,145
Federal taxes on income—Note C	8,388,685
Total current liabilities	$62,849,830

Note C: In accordance with the practice followed since 1946, gross profits on installment sales are reflected in the Company's financial statements when such sales are made, whereas for federal income tax purposes, such gross profits are reported as income when collections are received. Adequate provision has been made for income taxes and such provision is included in the liability for federal taxes on income.

PITTSBURGH PLATE GLASS COMPANY

Above Stockholders' Equity

Deferred Credits:	
Deferred income tax	$25,000,000
Other	1,827,000
Total deferred credits	$26,827,000

Notes to Financial Statements

Deferred Income Taxes: Depreciation for income tax purposes on certain facilities currently exceeds normal depreciation as recorded in the accounts. To offset the effect of this difference, deferred income taxes of $2,800,000 have been included in the 1962 tax provision. In later years, when depreciation recorded in the accounts will exceed that deductible for tax purposes, the amount so deferred will be credited to income. At the end of 1962, accumulated tax deferrals amounted to $25,000,000, of which $3,500,000 resulted from adoption of the new depreciation guideline procedures and $21,500,000 resulted from accelerated amortization of emergency facilities.

THE YOUNGSTOWN SHEET AND TUBE COMPANY

Above Stockholders' Equity

Reserve for future federal income taxes (Note 4)	$50,660,000

Note 4: *Depreciation and Provision for Future Federal Income Taxes*—During 1962 the Company made changes in computing depreciation as more fully explained on pages 5 and 6 of the accompanying report to shareholders. These changes, after the effect of federal income taxes, reduced 1962 net income by approximately $2,100,000.

As also explained on those pages the reserve for future federal income taxes was credited with $4,625,000, by a charge to 1962 income for income tax reductions in respect of the excess of tax depreciation over book depreciation and the investment tax credit.

Pursuant to a closing agreement with the Treasury Department, the Company, as a shareholder in Erie Mining Company, in computing taxable income currently is taking deductions (principally for necessity certificate amortization) which are greater than the charges for Erie's costs. In 1962 the Company's share (35%) of such deductions resulted in a reduction in current federal income taxes of $4,275,000, which has been taken as a charge against current income and credited to the reserve for future federal income taxes which will be available to absorb the relative increase in future federal income taxes.

Deferred Taxes re Amortization of Emergency Facilities under Certificates of Necessity

BEAUNIT MILLS, INC.

Above Stockholders' Equity

Federal income taxes relating to accelerated amortization of facilities under certificate of necessity (Note 4)	$1,882,500

Note 4: For federal income tax purposes, the Company elected to amortize the certified portion of the cost of its Coosa Pines Plant No. 2 under a certificate of necessity over the five fiscal years ended March 31, 1958. In its accounts, the Company records depreciation on these assets on the basis of estimated service lives. During the five year amortization period, the reduction in income taxes payable resulting from the excess of such tax amortization over book depreciation ($592,500 per year) was charged to income and credited to deferred income. For the year ended March 31, 1962, $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.

CUTLER-HAMMER, INC.

Above Stockholders' Equity

Long Term Debt and Reserves:	
Long term debt (Note 5)	$5,922,742
Reserve for possible inventory losses and other contingencies	1,500,000
Reserve for deferred federal taxes on income (Note 2)	2,257,832
Total long term debt and reserves	$9,680,574

Note 2: Depreciation charges included in costs and expenses amounted to $2,976,118 in 1962 and $3,045,158 in 1961. A portion of these charges are not deductible for Federal income tax purposes as they represent depreciation computed at normal rates on the cost of certain facilities covered by a necessity certificate which was amortized for tax purposes in prior years. The additional income taxes resulting from the non-deductible portion of the depreciation, amounting to $132,219 in 1962 and $135,591 in 1961, have been charged to the reserve for deferred Federal taxes on income.

Deferred Taxes re New Depreciation Methods

BAUSCH & LOMB INCORPORATED

Above Stockholders' Equity

Deferred federal income taxes (Note 4)	$318,041

Note 4: *Properties and Federal Income Taxes*—The Company and its subsidiaries computed depreciation in 1960 and 1961 on most of their assets acquired in those years under the sum of the years-digits method. In 1962, the Company changed its practice so that all of its properties are depreciated under the straight-line method. However, the sum of the years-digits method has been continued for tax purposes, and the resultant reduction of $259,000 in federal income taxes payable has been provided as deferred taxes in the financial statements. The effect of this change was to increase 1962 net earnings by approximately $150,000.

The investment credit provided by the Revenue Act of 1962 reduced the current federal income tax liability by $119,000. Of this amount approximately one half has been reflected as an increase in net income and the balance has been deferred as a provision for future taxes.

BROCKWAY GLASS COMPANY, INC.

Above Stockholders' Equity

Reserve for future income taxes—Note 2	$1,245,100

Note 2: *Reserve for Future Income Taxes*—Under the Revenue Act of 1962 the Company is allowed an "investment tax credit" of $118,500 which was used to reduce federal income taxes currently payable. Of this amount the Company reduced the current provision for income taxes $57,000 (the over-all economic benefit based on current tax rates) and credited the reserve for future income taxes for $61,500.

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 $674,500 during the year ended September 30, 1962, which resulted in a reduction in income taxes currently payable of $361,500. This amount has been charged against income by inclusion in the provision for income taxes and credited to the reserve for future 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.

COMMERCIAL SOLVENTS CORPORATION

Above Stockholders' Equity

Long-Term Debt and Deferred Items:	
Long-term debt, less current installments	$28,748,750
Deferred federal and foreign income taxes	6,602,180
Deferred income	1,000,000
Total long-term debt and deferred items	$36,350,930

Notes to Financial Statements

Federal and Foreign Income Taxes: For income tax purposes, depreciation has been computed on approved accelerated methods, including the bases set forth in the guidelines issued in 1962 by the U.S. Internal Revenue Service, as contrasted with the straight-line method over estimated useful lives used in the financial statements. As a result, payment of approximately $1,560,000 of the income taxes charged against 1962 earnings has been deferred to future years when the deductions allowable for income tax purposes will be correspondingly less than the amounts then includable in the financial statements.

The provision for Federal and Foreign income taxes relates to earnings before special charge and therefore does not include the reduction of $1,001,442 attributable to that charge. Prior years' losses of Northwest Nitro-Chemicals Ltd. reduced the 1962 provision for Federal and Foreign income taxes by $468,000.

CONTINENTAL CAN COMPANY, INC.

Above Stockholders' Equity

	(*In Thousands*)
Reserves:	
Deferred income taxes	$27,846
Other	3,332
	$31,178

Notes to Financial Statements

Taxes: For Federal income tax purposes, the Company computes depreciation on fixed assets acquired after January 1, 1954 using accelerated methods and also now uses the new useful life guidelines issued in 1962 by the U. S. Treasury Department for eligible machinery and equipment. This reduced income taxes currently payable on 1962 earnings by approximately $11,105,000 and such amount has been included in the provision for taxes on income charged against earnings and credited to reserve for deferred income taxes. The increase in the reserve for deferred income taxes for the year 1961 amounted to $4,947,000.

The investment tax credit allowed under the Revenue Act of 1962 amounted to $2,175,000 of which 48% ($1,044,000) was used to reduce the 1962 provision for Federal income tax and 52% ($1,131,000) was added to reserve for deferred income taxes.

MIRRO ALUMINUM COMPANY

Above Stockholders' Equity

Provision for deferred federal income taxes and deferred compensation (Note 3)	$1,199,807

Note 3: During 1962 the U. S. Treasury Department authorized depreciation to be deducted for Federal income tax purposes on the basis of industry practices. The company has adopted the permissible lives for Federal tax purposes while continuing the rates previously in use for financial reporting purposes. In recognition of the additional depreciation allowable for tax purposes, provision for deferred Federal income taxes has been made in the amount of $570,000.

As a result of the investment credit allowances granted in 1962, the company's current tax liability has been reduced approximately $42,000. This investment credit is included with accumulated depreciation and is being reflected in income before provision for income taxes over the lives of the property.

THE PROCTER & GAMBLE COMPANY

Above Stockholders' Equity

Reserves:	
Self-insured risks	$ 4,026,920
Foreign exchange fluctuations	1,900,000
Deferred income taxes	27,907,281
Total reserves	$33,834,201

Notes to Financial Statements

Note 5: Depreciation on the straight-line basis was $25,309,088 for 1962 and $24,970,469 for 1961. A tax reduction of $7,699,276 in 1962 resulting from the use of alternative methods of depreciation for tax purposes has been offset by an additional provision for taxes on income. The reserve for deferred income taxes, as shown in the balance sheet, reflects the cumulative tax reduction to date and will be held for possible use in future years when depreciation charges for tax purposes may be lower than the straight-line charges made on the books.

Deferred Taxes re Undistributed Earnings of Consolidated Foreign Subsidiaries

KOPPERS COMPANY, INC.

Above Stockholders' Equity

Deferred income taxes, principally on foreign earnings (Note 1)	$1,906,104

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, 1962, exceeds the carrying value of the Companies' investment therein by $95,000. The Companies' equity in the net income of these companies for 1962 after significant deductions for foreign exchange losses amounted to $65,000. During the year dividends of $602,054 were received and taken into consolidated income.

OUTBOARD MARINE CORPORATION

Above Stockholders' Equity

Deduct:	
Long-term debt, net of current maturities and sinking fund requirements included above (Note 1)	$17,604,700
Provision for deferred incentive compensation	460,095
Provision in lieu of income taxes on income of foreign subsidiaries	1,486,000
	$19,550,795

ABBOTT LABORATORIES

Above Stockholders' Equity

Reserve applicable to international operations—Note A	$1,430,000

Note A: *International Operations*—The consolidated financial statements include the accounts of all subsidiaries in accordance with the practice consistently followed by the Company. The accounts of subsidiaries located outside the United States have been translated into United States dollars as follows: net assets at rates in effect at December 31, 1962, except inventories, property and equipment at rates in effect at the time of acquisition; accounts in the income statement at average rates for the year.

The accounts of subsidiaries and branches located outside the United States reflected in the consolidated balance sheet of the Company and its subsidiaries are set forth in the following summary:

	Thousands of Dollars			
	Total Assets	Current Assets	Liabilities	Net Assets
Latin America	$23,949	$11,370	$ 7,750	$16,199
Europe and Africa	18,911	9,523	11,471	7,440
Pacific and Far East	8,108	3,478	3,242	4,866
Canada	4,149	2,580	975	3,174
Total—1962	$55,117	$26,951	$23,438	$31,679
Total—1961	$49,377	$26,564	$18,832	$30,545

A reserve has been provided out of 1962 overseas earnings and unrealized exchange gains. This reserve consists of $800,000 that has been set aside for deferred income taxes expected to be incurred upon further transfers of such earnings to the United States and $630,000 for exchange or other adjustments arising from international operations. The transfer of funds from certain subsidiaries and branches located outside the United States may be subject to restrictive regulations of the respective governments. The amounts which may be subject to these regulations are considered to be insignificant.

ANDERSON, CLAYTON & CO.

Within Stockholders' Equity

Capital Stock and Surplus:	
Common stock:	
Authorized 5,000,000 shares of a par value of $21.80 each; issued and outstanding 3,260,147 shares	$ 71,071,205
Surplus:	
Capital	6,617,932
Earned (Notes 1 and 4):	
Appropriated for contingent tax liability	6,715,045
Unappropriated, per accompanying statement	116,816,943
	$201,221,125
Less treasury stock—at cost	3,270,645
Total capital stock and surplus	$197,950,480
	$396,583,268

Note 4: The company and its subsidiaries have made full provision as of July 31, 1962, 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, 1962, this appropriation for theoretical tax liability amounted to $6,715,045 as compared with $5,599,969 as of July 31, 1961, an increase of $1,115,076 for the current year.

Other Tax Reserves

THE FLINTKOTE COMPANY
Above Stockholders' Equity
Deferred taxes on income (Note 3) $7,552,996

Note 3: Depreciation for book purposes is provided on the straight-line method and for certain assets is less than depreciation claimed for federal income tax purposes. 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.

McGRAW-HILL PUBLISHING COMPANY, INC.
Above Stockholders' Equity
Reserve for deferred federal income taxes (Note 2) $4,285,752

Note 2: It has been the consistent policy of the Company to reflect subscription income and the cost of securing subscriptions at the time the subscriptions are secured and the cost incurred. Federal income tax provisions in the income statement are based upon the income reported therein. Since subscription income is reported for Federal income taxes on a deferred basis over the life of the subscriptions, Federal income tax credits applicable to unexpired subscriptions are carried on the balance sheet as "Reserve for Deferred Federal Income Taxes."

THE PITTSTON COMPANY
Above Stockholders' Equity
Deferred Income Taxes $4,026,956
Notes to Financial Statements

Note 2: *Federal Taxes on Income*—Returns filed by the Company for 1959 and 1960 are in the process of being audited by the Treasury Department. The Company's return for 1958 and those filed by its principal subsidiaries for the year 1960 and all prior years have been audited and settled.

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

The 1962 provision for income taxes includes $2,363,878 of deferred income taxes arising from variances between tax and book depreciation plus an insignificant amount representing 52% of the 7% investment credit.

TEXAS GULF SULPHUR COMPANY
Above Stockholders' Equity
Deduct reserves for:
Deferred federal income taxes $12,350,000
Uninsured risks 342,033
Notes to Financial Statements

Note 4: *Deferred Federal Income Taxes*—The Company has deferred to future periods the tax benefit 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.

XEROX CORPORATION
Above Stockholders' Equity
Deferred income taxes (Note 4) $1,093,000

Note 4: *Patents and Patent Licenses*—. . . It is the policy of the Company to provide for amortization of the cost of the patents purchased, and of the cost of the patents which issue from the patent applications purchased, over their average useful life (14.28 years from January 1, 1959 in the case of the U.S. patents purchased), and the financial statements reflect amortization as a charge to operations. The additional costs recorded annually are amortized over the remaining years of average useful life. For tax purposes, the Company is amortizing the original estimated cost over 11.18 years from January 1, 1959, and annual additions over the remaining life for tax purposes, as a result of a settlement with the Internal Revenue Service during 1961. Deferred income taxes resulting from the excess of tax amortization over book amortization ($405,000 in 1962) are being charged to consolidated income.

INVESTMENT CREDIT

The Revenue Act of 1962 provides a credit against income taxes otherwise payable. Generally, under the law, up to 7 per cent of the cost of certain depreciable assets purchased and put in service during the year is allowed as a credit against Federal income taxes.

The objective of the investment credit is as has been stated, to encourage modernization and expansion of the nation's productive facilities and thereby improve the economic potential of the country.

The accounting principles board of the American Institute of Certified Public Accountants issued *Opinion No. 2* in December, 1962—*Accounting for the "Investment Credit"*—with the following recommendation:

> 13. We conclude that the allowable investment credit should be reflected in net income over the productive life of acquired property and not in the year in which it is placed in service.
>
> 14. A number of alternative choices for recording the credit on the balance sheet has been considered. While we believe the reflection of the allowable credit as a reduction in the net amount at which the acquired property is stated (either directly or by inclusion in an offsetting account) may be preferable in many cases, we recognize as equally appropriate the treatment of the credit as deferred income, provided it is amortized over the productive life of the acquired property.

Notwithstanding the above recommendation, however, it was recognized that:

> 7. A refinement of the tax reduction concept advocates that 48% of the investment credit (the maximum extent to which the credit normally can increase net income, assuming that the income tax rate is 52%) should be recorded as a reduction of tax expense of the year in which the credit arises; the balance of 52% should be deferred to subsequent accounting periods, as provided in Chapter 10(b) of *Accounting Research Bulletin No. 43,* because of the statutory requirement that the basis of the property be reduced for tax purposes by the amount of the investment credit.

It is reported that The Securities and Exchange Commission will accept either method, provided the procedure is adequately disclosed.

A study of the 600 survey reports has been made to determine to what extent the provisions of the Act have been used and the accounting treatment employed. Both balance sheet and income accounts are involved.

Of the 296 companies referred to in the tabulation as not referring to investment credit, it should be mentioned that about half this number are fiscal-year companies whose fiscal years ended prior to the passage of the Act. The others, for various reasons, were unable to avail themselves of its provisions in the current year.

The following tabulation shows the accounting treatment in the accounts of the 600 survey companies, with extensive references at the foot of the tabulation.

Number of Companies:	
(A) Adopting the recommended productive life method	158
(B) Adopting the 48-52 per cent method (48 per cent of the investment credit taken into income in the year in which the credit arises; 52 per cent deferred to subsequent accounting periods)	98
(C) Referring to investment tax credit but not disclosing accounting method	48
	304
Not referring to investment credit	296
Total	600

Number of companies including the tax credit:	
(D) with reserve for deferred taxes	99
(E) with reserve for depreciation	123
(F) with deferred income	19
	241
not disclosing the account credited	63
Total	304

A: *Co. Nos. 118, 171, 205, 208, 226, 277, 346, 434, 440, 442.
B: *Co. Nos. 3, 61, 88, 104, 110, 131, 207, 225, 384, 408.
C: *Co. Nos. 4, 60, 105, 111, 153, 339, 437, 449, 472, 592.
D: *Co. Nos. 136, 161, 223, 249, 267, 310, 445, 479, 586, 588.
E: *Co. Nos. 12, 29, 31, 97, 117, 206, 233, 246, 433, 451.
F: *Co. Nos. 203, 344, 399, 409, 417, 463, 465, 486, 519, 555.

Examples of the treatment of the investment credit are given below.

Recommended Productive Life Method

AMERICAN METAL CLIMAX, INC.
Above Stockholders' Equity

Other Liabilities:	
Notes payable (page 23)	$ 9,970,000
Reserves, deferred credits, etc. (page 23)	9,650,000
	$19,620,000

Notes to Financial Statements
Page 23: Reserves, Deferred Credits, Etc.—

Reserves for pensions for United States hourly paid employees	$3,210,000
Reserves for workmen's compensation self-insurance	460,000
Miscellaneous reserves	700,000
Federal income tax, deferred	4,320,000
Investment tax credit, deferred	440,000
Other non-current liabilities	520,000
	$9,650,000

Financial Review

Investment Tax Credit and Depreciation: The Revenue Act of 1962 provides for a credit against income tax up to 7% of the cost of certain machinery and equipment acquired in 1962 and subsequent years. For AMAX this credit amounted to about $450,000 in 1962, but under accepted accounting practice, the benefit to income of this credit will be spread over the life of the applicable plant and equipment. Therefore its effect on AMAX 1962 income is nominal.

*Refer to Company Appendix Section.

In 1962 the Treasury Department released new guidelines and rules for computing depreciation. We used these guidelines where they resulted in immediate reduction in taxes payable. This reduced our current tax payments by about $1,000,000. Concurrently, we shortened the depreciable lives of certain classes of plant and equipment, reducing 1962 income by nearly $400,000.

BATES MANUFACTURING COMPANY
Above Stockholders' Equity

Deferred federal taxes on income (Note 4) . . $374,000

Note 4: Federal Income Taxes—In its 1962 Federal income tax return the Company will take advantage of the provisions of the "Depreciation Guidelines and Rules" issued recently by the Internal Revenue Service by deducting significantly more depreciation expense than has been deducted on the books. The effect will be to postpone until future years the payment of approximately $374,000 of taxes. In accordance with recommended accounting practice, the normal amount of Federal taxes based on book profits has been provided in the statement of earnings, and the $374,000 set aside in a deferred income tax account.

The Company also has deferred taking into current income the "7% Investment Credit" on fixed assets acquired in 1962. This credit will be amortized over the lives of the assets concerned.

CANNON MILLS COMPANY
Noncurrent Assets:

Plant Property (at cost) (Note 1)	$86,157,425
Less reserves for depreciation and obsolescence (Note 2)	50,261,115
Plant property—net	$35,896,310

Note 1: The Company has elected to account for an investment credit provided by the Federal Revenue Act of 1962 over the expected productive lives of the related assets and has accordingly applied the credit of $496,234 to reduce the cost basis of the qualifying assets.

GIDDINGS & LEWIS MACHINE TOOL COMPANY
Noncurrent Assets:

Property, plant and equipment, at cost (Note 2):	
Buildings, machinery and equipment	$14,341,948
Less accumulated depreciation and amortization	8,929,826
	$ 5,412,122
Land	271,119
Net property, plant and equipment	$ 5,683,241

Note 2: Investment Credit—The investment credit allowed the Company by the Revenue Act of 1962 has been accounted for by reducing the cost of qualified property additions and the income tax liability otherwise payable. This credit, amounting to $76,685, will be taken into income over the productive lives of the related facilities through reduced depreciation charges.

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
Above Stockholders' Equity

Deferred Items:	
Balance of investment credit under the Revenue Act of 1962 to be applied in reduction of future depreciation charges	$264,685
Provision for future income tax payments resulting from the additional current depreciation taken for income tax purposes	743,312
Total deferred items	$989,997

Financial Review

The 7% investment credit provided in the Revenue Act of 1962 amounts to about $250 thousand on the Company's purchases of qualified property during 1962. The resulting reduction in the payment of Federal income taxes for that year of about $250 thousand (and similar reductions in subsequent years) will be applied to reduce the depreciation charges over the lives of the property, since the Act requires that the credits be applied against the depreciable cost of the property for income tax purposes. The effects of this will be to reduce depreciation charges on the property in the future by the application of the credits, and thus, at the present tax rate, to cause the payment as income taxes of 52% of the credits and to result in minor increases in net profits equal to 48% of the credits.

Forty-eight Fifty-two (48-52) Per Cent Method

AIR REDUCTION COMPANY, INCORPORATED
Above Stockholders' Equity

Deferred income taxes (Note G)	$17,307,123

Note G: Federal Income Taxes—The Revenue Act of 1962 provides for an investment credit, based on the cost of certain property additions, which reduced the Company's Federal income taxes for 1962 by $1,861,000. The Company has provided $986,000 for the related estimated deferred income taxes which will be payable in future years, and the estimated permanent tax saving of $893,000 is reflected in net income.

In 1962, the Company adopted, for income tax purposes only, revised depreciation rates under guidelines and rules established by the U. S. Treasury Department. The resulting reduction of $3,833,660 in Federal income taxes for 1962 has no effect on net income since an equivalent amount has been provided for the estimated deferred income taxes which will be payable in future years.

ANCHOR HOCKING GLASS CORPORATION
Above Stockholders' Equity

Reserve for deferred federal income taxes (Note 2)	$564,501

Note 2: Reserve for Deferred Federal Income Taxes—Effective as of January 1, 1962 the corporation revised its methods of computing depreciation for federal income tax purposes in accordance with procedures issued by the U. S. Treasury Department during the year. This change has had no effect on net income reported for 1962 as an amount equal to the resulting reduction in current federal income tax liability has been provided as a reserve for deferred federal income taxes, thus reflecting the potential liability for future income taxes allocable to such years as may reflect greater depreciation charges to reported income than are allowable for federal income tax purposes.

The investment tax credit for new equipment under the Revenue Act of 1962 reduces federal income taxes currently payable by $372,000. Net income for 1962 includes $178,000, or 48% of the investment credit, and the remaining 52% has been provided as a reserve for deferred federal income taxes payable over the estimated service lives of the equipment additions.

FOREMOST DAIRIES, INC.
Above Stockholders' Equity

Deferred federal income tax	$2,733,847

Notes to Financial Statements

Note 3: Federal Income Taxes—The Company's investment tax credit for 1962 amounted to approximately $450,000. The part which represents a permanent tax reduction ($216,000) has been reflected in income in the current year as a reduction of tax expense. The remainder is being accounted for as a deferred income tax liability and accordingly will have no effect on net income of 1962 or future years.

GRANITE CITY STEEL COMPANY
Above Stockholders' Equity

Deferred federal income taxes (Note 2)	$22,475,000

Note 2: Investment credit—Under provisions of the Revenue Act of 1962, the company is entitled in 1962 to an investment credit of approximately $470,000 which is a reduction of the current provision for federal income taxes. An amount of $244,000 has been provided for income taxes which will be payable in future years because the law requires application of the investment credit against the tax basis of the property. The balance of $226,000, representing the permanent tax savings, is included in net income for the year.

Investment Tax Credit Reported But Accounting Method Not Disclosed

THE UNITED PIECE DYE WORKS
Noncurrent Assets:

Property, plant, and equipment (Note 6)	$5,111,091

Note 6: Property, Plant and Equipment—

Land, buildings, machinery, equipment, furniture, fixtures and leasehold improvements at cost	$8,757,076
Less: accumulated depreciation reserves	3,622,295
	$5,134,781
Less: reserve for investment credit	23,690
	$5,111,091

O'SULLIVAN RUBBER CORPORATION
Above Stockholders' Equity

Deferred income—Investment tax credit	$3,737

RADIO CORPORATION OF AMERICA
Above Stockholders' Equity

Other Liabilities:	
Long term debt	$255,261,000
Incentive plan awards payable, and unawarded balance (1962, $729,000; 1961, $518,000)	7,390,000
Deferred federal taxes on income, related to depreciation	12,104,000
Total other liabilities	$274,755,000
Noncurrent Assets:	
Plant and Equipment:	
Land and buildings	$160,275,000
Machinery and equipment, including equipment leased to customers	327,299,000
Total at cost, less investment tax credit; 1962, $1,294,000	487,574,000
Less: Accumulated depreciation	223,184,000
Net plant and equipment	$264,390,000

J. P. STEVENS & CO., INC.
Above Stockholders' Equity

Other noncurrent items and deferred credit (Note D)	$1,173,263

Note D: The Company estimates that it is entitled to an investment tax credit of approximately $1,330,000 under the Revenue Act of 1962, and has applied the credit in the accompanying consolidated financial statements as a reduction of the expenditures for fixed assets or as a deferred credit in respect of leased assets, to the extent appropriate in each case.

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 1962 and their balance sheet presentation are shown in Table 39. There were 165 such reserves shown by 138 companies in their 1962 annual reports.

This seventeenth edition of *Accounting Trends and Techniques* is the fourth 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, and the examples relative thereto.)

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*	1962	1960	1955	1950
A: With: *Related Assets* for—				
Loss on investments	23	28	2	—
Discounts	36	30	N/A	N/A
Returns and/or allowances	17	18	N/A	N/A
Other	15	8	—	1
B: Among: *Current Liabilities* for—				
Appraisal claims	3	4	1	—
Discontinued operations	—	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	1	5	1	3
Price redetermination refund	1	1	—	—
Other	3	2	—	2
C: Above: *Stockholders' Equity* for—				
Discontinued operations	8	3	2	—
Deposits refundable	1	1	2	1
Estimated claims payable	2	1	1	1
Litigation pending	3	1	3	1
Loss on receivables	—	—	1	2
Preferred stock retirement	—	—	1	2
Sales returns or allowances	2	3	2	1
"General" and "Sundry" purposes	25	32	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	2	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	165	167	75	71
Terminology Used				
Reserve	88	98	61	57
Provision	12	14	6	3
Various other terms	65	55	8	11
Total	165	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. 60, 126, 249, 293, 296, 329, 429, 436, 477, 504, 538, 579.
B: Co. Nos. 6, 21, 126, 179, 188, 196, 211, 269, 293, 557.
C: Co. Nos. 11, 45, 93, 141, 143, 153, 158, 171, 305, 331, 387, 578.
D: Co. Nos. 121, 123, 284, 367.
N/A—Not Available.

Loss on Investments

AMERICAN OPTICAL COMPANY

Noncurrent Assets:

Investments and advances, at cost:	
Nonconsolidated subsidiaries (Note 1)	$5,143,907
Other, less allowance for possible losses	1,061,497
Total investments and advances	$6,205,404

ASSOCIATED DRY GOODS CORPORATION

Noncurrent Assets:

Investments and Other Assets:	
Wholly-owned real estate subsidiaries, stated at equity (See accompanying statements)	$20,252,964
Miscellaneous investments, at cost less reserves of $509,750	949,887
Unamortized debt expense, insurance deposits and other assets	1,014,480
	$22,217,331

DENNISON MANUFACTURING COMPANY

Noncurrent Assets:

Other Assets:	
Securities of British subsidiary, not consolidated—at cost	$ 169,775
Miscellaneous receivables, investments, etc., less allowances of $68,531 in 1962 and $57,091 in 1961	421,620
Real estate, machinery, and equipment—at cost less allowance for depreciation	11,952,735
Good will	1
Total other assets	$12,544,131

NATIONAL PRESTO INDUSTRIES, INC.

Noncurrent Assets:

Investment in and advances to subsidiary, less reserve for losses $730,576.26

Notes to Financial Statements

The investment in and advances to the Visan-Viviane enterprises aggregating $1,184,900 include an 80% interest in the equity securities of these enterprises. During the year under review, the investment in and advances have been reduced by a reserve for losses in the amount of $454,323.74. $164,360.23, the portion of this reserve representing the loss of the enterprises for the year ended September 30, 1962, has been charged to the consolidated statement of income, and $289,963.51, the balance of the reserve, has been charged to the consolidated earned surplus account.

Sales Returns, Allowances, and Discounts

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

Current Assets:

Accounts and notes receivable, including $1,762,579 in 1962 and $468,136 in 1961 of instalment payment contracts due after one year, less provision for allowances and doubtful accounts—1962, $1,336,363; 1961, $893,343 ..... $25,606,619

MUNSINGWEAR, INC.

Current Assets:

Receivables:	
Trade (less allowances for cash discounts, returns and doubtful accounts; 1962, $327,324; 1961, $306,841)	$6,543,229
Other	383,411
	$6,926,640

ALLIED STORES CORPORATION

Current Assets:

Cash	$ 25,858,354
Trade accounts and notes receivable:	
Customers—Note B	96,564,344
Suppliers and others	7,703,592
Merchandise inventories—Note C	104,315,948
Prepaid expenses	5,350,239
Total current assets	$239,792,477

Note B: Accounts and notes receivable—customers—

Regular accounts	$ 52,127,699
Installment accounts and notes	11,165,749
Equity in installment accounts sold (1962—$18,859,703; 1961—$26,201,885)	2,263,164
Revolving credit accounts	33,028,577
Equity in revolving credit accounts sold (1962—$23,149,252; 1961—$35,163,882)	2,777,910
	$101,363,099
Less allowances for losses on collection and for deferred carrying charges	4,798,755
	$ 96,564,344

At January 31, 1962 the aggregate balances of accounts sold, net of retained equity, were less than at January 31, 1961.

BRISTOL-MYERS COMPANY

Current Assets:

Accounts receivable—customers	$12,208,645
After deductions for allowances, discounts and doubtful accounts, 1962—$716,154; 1961—$655,490	

DAN RIVER MILLS, INCORPORATED

Current Assets:

Notes and accounts receivable:	
Trade, less allowance for claims, discounts and doubtful notes and accounts, $675,012 (1961, $641,791)	$18,978,847

SPIEGEL, INC.

Current Assets:

Cash	$ 27,435,795
Accounts receivable (see page 8)	287,378,346
Inventories (see page 8)	22,925,874
Prepaid expenses	7,605,219
	$345,345,234

Page 8: Accounts Receivable—

Customer instalment accounts and notes	$313,942,733
Customer charge accounts	2,727,755
Other accounts	2,236,337
	$318,906,825
Less allowance for doubtful accounts and collection expenses	31,528,479
Net	$287,378,346

Discontinued Operations

ALLIS-CHALMERS MANUFACTURING COMPANY

Above Stockholders' Equity

Reserves:	
Estimated expenses in discontinuing certain products and facilities	$20,355,000

Notes to Financial Statements

Note 5: Extraordinary Charge to Earnings Retained and Used in the Business—During the year, the Company undertook programs to dispose of its plant in Terre Haute, Indiana, and to discontinue the steam turbo-generator and related steam condenser business at its plant in West Allis, Wisconsin. The latter program contemplates completion of the sales order backlog and phasing out of the business over a two and one-half year period. Accounting recognition has been given to losses and expenses both incurred and anticipated in connection with these programs, by an extraordinary charge of $20,850,000 (net of anticipated federal income taxes) to earnings retained, which includes:

Costs and expenses incurred during the year for separation payments and other closing costs	$ 495,000
Provisions for anticipated losses and expenses—	
Possible loss on disposals and abandonments of certain facilities	3,545,000
Costs and expenses related to discontinued operations	16,810,000
	$20,850,000

Financial Review

In 1962, a reserve for estimated expenses in discontinuing certain products and facilities was established to provide for the costs associated with the closing of operations at Terre Haute, Indiana, and discontinuance of steam turbo-generator and related condenser lines at our West Allis, Wisconsin plant. While certain charges applicable to 1962 have been made to this reserve, other charges will be made as they are incurred.

ASSOCIATED BREWING COMPANY

Noncurrent Assets:

Property, plant and equipment—at cost	
Buildings	$ 6,547,955
Machinery and equipment	10,836,069
	17,384,024
Less, accumulated depreciation	9,314,172
	8,069,852
Land	600,534
	8,670,386
At estimated realizable value:	
Facilities held for disposition	478,978
Total property, plant and equipment, net	$9,149,364

Notes to Financial Statements

Note B: As a result of the merger referred to in Note A, on November 15, 1962 the Company acquired the net assets of E & B Brewing Company, Inc. for 300,000 shares of common stock at a total valuation of $787,500 allocated as follows:

Current assets	$725,837
Less, Liabilities assumed	288,337
	$437,500
Fixed assets	500,000
	$937,500
Less, Amount allocated as reserve for disposition of unneeded properties and merger expenses	150,000
Total	$787,500

The statement of income includes revenues and costs related to E & B operations from November 15 to December 31, 1962.

GENERAL MILLS, INC.

Noncurrent Assets:

Other Assets:	
Sundry costs chargeable to future periods	$ 6,491,837
Land, buildings and equipment (Note 4)	117,940,486
Miscellaneous assets	3,140,213
Deferred income tax credits	2,231,292
Goodwill, patents, trade names and other intangibles	4,542,866
Total other assets	$134,346,694

Note 4: Land, Buildings and Equipment—

Buildings and equipment	$193,500,701
Less accumulated depreciation	72,692,945
Depreciated cost of buildings and equipment	120,807,756
Land	4,000,338
	$124,808,094
Provision for losses on future dispositions	6,867,608
Net value	$117,940,486

Litigation

HOLLAND FURNACE COMPANY

Above Stockholders' Equity

Reserve for litigation (Note H)	$175,000

Note H: In a pending legal proceeding, the Company is the respondent to a petition filed by the Federal Trade Commission in March, 1962. The reserve for litigation shown on the balance sheet, in the opinion of counsel, will cover all possible liabilities and professional fees relating to such proceedings.

General and Sundry Purposes

COLGATE-PALMOLIVE COMPANY

Above Stockholders' Equity	*(In thousands)*
Reserves, etc.	$6,996

GENERAL MOTORS CORPORATION

Above Stockholders' Equity	
Reserves:	
Employes benefit plans	$ 26,210,769
Contingent credits under Stock Option Plan	27,000,000
General reserve applicable to foreign operations	141,667,396
Miscellaneous	23,299,129
Total reserves	$218,177,294

THE GOODYEAR TIRE & RUBBER COMPANY

Above Stockholders' Equity	
Reserves for:	
Sundry liabilities, etc.	$19,639,375
Foreign investments—general reserve	12,588,855
Future federal income taxes	4,405,000
	$36,633,230

PEOPLES DRUG STORES, INCORPORATED

Above Stockholders' Equity	
Miscellaneous reserves	$145,787

STANDARD OIL COMPANY (NEW JERSEY)

Above Stockholders' Equity	
Annuity, insurance, and other reserves	$449,172,000

Financial Review

Annuity, insurance, and other reserves totaling $449,172,000 at December 31, 1962, consisted of $288,148,000 for annuities, $53,926,000 for marine and fire insurance, $68,684,000 for employee service and separation allowances required in foreign countries, and $38,414,000 for other purposes. The consolidated companies' liabilities under annuity plans were, in general, fully covered either through funds deposited with trustees and insurance companies or by book reserves.

Operating Purposes

ALCO PRODUCTS, INCORPORATED

Above Stockholders' Equity	
Reserves:	
Deferred income taxes	$ 640,000
Deferred incentive compensation awards	603,069
Self-insurance under Workmen's Compensation laws and operating reserves	409,680
Reserve for contingencies	323,000
	$1,975,749

NATIONAL STEEL CORPORATION

Above Stockholders' Equity	
Reserves:	
General operating purposes, including pensions	$21,433,282
Prior years' federal taxes on income	5,258,315
Deferred federal taxes on income	1,100,000
Rebuilding and repairs	8,771,189
Total reserves	$36,562,786

REPUBLIC STEEL CORPORATION

Above Stockholders' Equity	
Reserves:	
Operating and other reserves	$11,425,636
Deferred credits	31,802,667
	$43,228,303

SUNRAY DX OIL COMPANY

Above Stockholders' Equity	
Reserves:	
Deferred federal income taxes	$17,605,000
Operating and other reserves	8,259,000
Total reserves	$25,864,000

Preferred Stock Retirement

MOORE DROP FORGING COMPANY

Within Stockholders' Equity	
Stockholders' Equity:	
Preferred stock, 4¾%, cumulative	$ 438,250
Common stock	345,243
Total capital stock	783,493
Capital surplus	1,717,678
Earnings retained for use in the business	7,445,066
Sinking fund for retirement of preferred stock	17,845
	9,964,082
Preferred stock in treasury, 2,271shares at cost (2,249 in 1961)	97,653
Total stockholders' equity	$9,866,429

NEPTUNE METER COMPANY

Within Stockholders' Equity	
Paid-in surplus	$ 1,137,440
Reserve for purchase and retirement of preferred stock	74,200
Accumulated earnings	15,737,825

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 318 companies in 1962.

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 presenting only one class of stock, 161 used the term "common" in 1950; this number increased to 230 in 1962. On the other hand, of the 124 companies using the term "capital" in 1950 to describe their class of stock, only 93 companies used such designation in 1962. The term *capital* is giving way to the term *common*. It should be mentioned that the term *capital* is used only when there is but one class of stock authorized. When, however, preferred stock has been authorized or issued, the ordinary stock then becomes *common.*

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 221 in 1962. 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	1962	1960	1955	1950
Common Stock and one type of Preferred Stock (*Co. Nos. 15, 177, 283, 395, 430, 580)	221	244	254	269
Common Stock (*Co. Nos. 13, 167, 215, 384, 470, 509)	226	205	186	158
"Capital Stock" (*Co. Nos. 68, 111, 216, 307, 433, 515)	92	97	113	122
Common Stock and two types of Preferred Stock (*Co. Nos 34, 67, 294, 372, 435, 550)	45	39	36	36
Common Stock (two types) (*Co. Nos. 89, 123, 242, 352)	4	6	4	3
Common Stock (two types) and one type of Preferred Stock (*Co. Nos. 71, 190, 343, 366)	4	3	3	6
"Capital Stock" (two types) (*Co. No. 421)	1	1	1	2
Common Stock and three or more types of Preferred Stock (*Co. Nos. 79, 117, 232, 362, 475, 518)	6	4	1	3
Common Stock (two types) and two or more types of Preferred Stock (*Co. No. 299)	1	1	2	1
Total	600	600	600	600
Number of Companies presenting:				
Only Common Stock	230	211	190	161
Both Common and Preferred Stock	277	291	296	315
Only "Capital Stock"	93	98	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.

The trend, as indicated by this table, is towards the use of the term *par value* in describing common or capital stocks; 514 such stocks were so described in 1962 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 95 common or capital stocks described as *no par value* in 1962, compared with 209 in 1950.

TABLE 41: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1962	1960	1955	1950
Common Stock with Shares described as:				
Par value stock	425	423	395	319
Par value stock at—				
"Stated value" per share	2	6	2	3
"Stated value" per total	15	10	2	—
"Assigned value" per share	1	1	1	1
No par value stock at—				
"Stated value" per total	17	15	12	—
"Stated value" per share	8	12	16	28
"Assigned value" per share	1	1	—	1
"Declared value" per share	—	—	1	1
Not further described	46	42	65	135
Total	515	510	494	488
"Capital Stock" with Shares described as:				
Par value stock	66	71	82	80
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	5	5	3	—
"Stated value" per share	4	4	6	9
Not further described	14	14	24	35
Total	94	99	115	125
Preferred Stock with Shares described as:				
Par value stock	259	241	230	272
Par value stock at—				
"Redemption value" per share	4	1	1	—
No par value stock at—				
"Stated value" per total	9	8	2	—
"Stated value" per share	19	13	21	25
"Liquidating value" per share	10	9	7	8
"Assigned value" per share	—	—	1	1
Not further described	30	28	40	54
Share value not mentioned	2	3	—	3
Total	333	303	302	363

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, issued, outstanding;* the table indicates that this designation is steadily declining and that the use of the terms *authorized, issued* is gaining and now predominates.

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.

TABLE 42: STATUS OF CAPITAL STOCK

Number of Shares Shown for—	1962	1960	1955	1950
Common Stock				
Authorized, issued, outstanding	155	165	175	192
Authorized, issued	216	196	183	159
Authorized, outstanding	136	135	117	111
Authorized, issued, outstanding, unissued	—	3	3	6
Authorized, outstanding, unissued	1	1	1	5
Authorized	—	4	3	3
Authorized, issued, unissued	2	1	—	—
Issued	—	—	3	2
Outstanding	1	1	4	2
Issued, outstanding	2	3	1	1
Status not set forth	2	1	4	7
Total	515	510	494	488
"Capital Stock"				
Authorized, issued	47	49	51	57
Authorized, issued, outstanding	28	31	42	49
Authorized, outstanding	18	16	15	10
Authorized, issued, outstanding, unissued	—	—	1	1
Issued	—	1	2	1
Issued, outstanding	—	—	2	3
Outstanding	—	1	—	1
Authorized	—	—	1	—
Status not set forth	1	1	1	3
Total	94	99	115	125
Preferred Stock				
Authorized, issued	93	77	94	115
Authorized, outstanding	102	85	87	96
Authorized, issued, outstanding	79	77	77	100
Authorized, outstanding, unissued	1	2	1	2
Authorized, issued, outstanding, unissued	—	5	—	1
Authorized	1	5	4	3
Outstanding	3	2	4	4
Issued	—	2	1	1
Issued, outstanding	2	—	—	—
Authorized—None issued to date	48	44	27	32
Status not set forth	4	4	6	8
Authorized, issued; undesignated and unissued	—	—	1	1
Total	333	303	302	363

ARMSTRONG CORK COMPANY

Stockholders' Equity:	
Preferred stock, $3.75 cumulative, no par value:	
Authorized 161,821 shares; outstanding 161,522 shares (at redemption price of $102.75 per share)	$ 16,596,385
Common stock, $1 par value (Note 4) Authorized 15,000,000 shares; outstanding: 1962—5,166,693 shares; 1961—5,137,227 shares	5,166,693
Capital in excess of redemption price and par value of outstanding shares (Note 4)	48,320,365
Earning employed in the business	120,009,090
Total stockholders' equity	$190,092,533

Note 4: Under an "Employees' Stock Option and Stock Purchase Plan" there were options outstanding for 163,792 shares of common stock at the beginning of the year and 134,086 shares at the end of the year. During the year, options for 29,466 shares were exercised, and options for 240 shares were cancelled and thus became available for future granting. There were 650 shares at the beginning of the year and 890 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, $778,801, 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.

ACME STEEL COMPANY

Shareholders' Equity:	
Preferred stock, par value $100 a share: Authorized 250,000 shares (issuable in series)—outstanding 168,875 shares in 1962 and 172,500 shares in 1961	$16,887,500
Common stock, par value $10 a share: Authorized 5,000,000 shares—outstanding 2,853,014 shares in 1962 and 2,802,825 shares in 1961	28,530,140
Capital contributed in excess of par value of common stock	16,552,405
Retained earnings	22,334,544
	$84,304,589
Less—Cost of common stock held in treasury for payment of deferred compensation (25,376 shares in 1962 and 25,997 shares in 1961)	684,355
	$83,620,234

ALDENS, INC.

Capital:	
4½% preferred stock, cumulative, $100 par (Note 5)—Authorized and issued—27,530 and 28,800 shares at respective dates	$ 2,753,000
Convertible second preference stock, no par (Note 6) — Authorized — 4,000 shares, issued — 2713.45 shares	860,903
Common stock, $5 par—Authorized—3,000,000 shares and 1,500,000 shares at respective dates. Issued—1,966,895 shares and 939,022 shares at respective dates	9,834,475
Capital in excess of par values	7,902,963
Retained earnings	18,555,988
	$39,907,329
Less—Treasury stock (at cost)	346,939
	$39,560,390

Note 5: *4½% Preferred Stock*—Preferred stock was redesignated 4½% series from 4¼% series and requirements for retirement thereof were changed from 800 shares per year to $100,000 per year by amendment to the articles of incorporation of the Company approved at the annual meeting of shareholders on May 23, 1961.

Note 6: *Convertible Second Preference Stock*—This stock was authorized by amendment to articles of incorporation of the Company which was approved at a special meeting of shareholders on April 11, 1961. It was issued on June 14, 1961 in connection with the exchange of stock referred to in Note 1. The 2,713.45 shares outstanding at January 31, 1962, may be converted into common stock of the company as follows: (a) 265.94 shares currently, (b) 271.95 shares after December 14, 1962 and (c) 2,175.56 shares after December 14, 1963. The present conversion rate is 40 shares of common stock per share of second preference stock. The second preference stock is entitled to receive cumulative preferential dividends of $24.00 per share per annum. In addition, each of these shares is entitled to participate in dividends (other than dividends payable in common stock of the Company) declared upon the common stock to the extent that such dividends per common share exceed the preferential dividend rate divided by the conversion rate. Such excess dividends shall be credited against preferential dividends in succeeding years.

ART METAL, INC.

Stockholders' Equity:

Capital stock, $1 par value, authorized 2,000,000 shares; issued and outstanding, 894,009 shares at stated value of $12 per share	$10,728,108
Retained earnings	7,845,661
Total stockholders' equity	$18,573,769

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 5	$ 926,250
Preferred stock—without par value; authorized, 250,000 shares, no shares issued or outstanding—Note 5	
Common stock—par value $1 per share; authorized, 2,000,000 shares; issued—1962, 1,458,215 shares; 1961, 1,334,105 shares—Notes 3, 4, 5, 6	1,458,215
Capital surplus—Notes 1 and 6	3,272,496
Income reinvested—Note 3	17,072,316
Total	$22,729,277
Less common treasury stock, at cost—1962, 23,532 shares; 1961, 26,160 shares	474,860
Remainder—Capital stock and surplus	$22,254,417

Note 4: The 1,458,215 shares of common stock issued as of July 31, 1962 include 27,531 shares which represent shares of common stock of Hevi-Duty Electric Company owned by persons who dissented from the merger of that company into Basic Products Corporation. The statutory proceedings in the Circuit Court of Milwaukee County, commenced by such persons to entitle them to the fair value of their Hevi-Duty shares as of June 14, 1959, are still pending. Such fair value will be paid by Basic Products Corporation upon determination thereof by the Court. The hearing to determine such fair value has been held, and the matter is now awaiting the Court's decision.

Note 5: 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, 1962. Preferred shares converted are not authorized for reissue.

The outstanding shares of Series A convertible preferred stock and the 250,000 authorized but unissued shares of preferred stock, without par value, have full voting rights.

BATES MANUFACTURING COMPANY

Stockholders' equity:

Preferred stock (Note 1)	$ 1,417,100	
Common stock (Note 1)	15,019,750	$16,436,850
Capital surplus (Note 2)		582,370
Income retained in the business		13,644,508
		30,663,728
Less: Common stock in Treasury—at cost (Notes 1 and 3)		999,097
		$29,664,631

Note 1: *Capital Stock—*	Number of Shares Dec. 29, 1962
Preferred—4½% Cumulative, par value $100 per share, callable at $105 per share	
Authorized	22,000
Issued and outstanding	14,171
Common—par value $10 per share	
Authorized	1,680,000
Issued	1,501,975
In Treasury	101,975

The preferred stock sinking fund requirements, amounting to $180,000 annually, have been satisfied for 1962 and prior years.

DENNISON MANUFACTURING COMPANY

Stockholders' Equity:

Debenture stock, $8.00 cumulative, par value $100.00 per share	$2,942,000
"A" Common Stock, par value $5.00 per share	5,727,350
Voting Common Stock, par value $5.00 per share	376,590
Capital in excess of par value	40,438
Earnings reinvested	17,070,761
	$26,157,139
Less treasury stock—at cost	727,613
Total stockholders' equity	$25,429,526

Notes to Financial Statements

Note E: Pertinent data regarding the three classes of capital stock at December 31, 1962 is as follows:

	Number of Shares Authorized	Issued
Debenture stock, $8.00 cumulative	29,420	29,420
"A" Common Stock	1,200,000	1,145,470
Voting Common Stock	80,000	75,318

Debenture stock is entitled in liquidation to, and is callable at, $160.00 a share plus unpaid accumulated dividends, if any.

The following shares were held in the Company's treasury: "A" Common Stock—60,043 shares; Voting Common Stock—30,079 shares.

Capital in excess of par value increased during the year ended December 31, 1962 in the amount of $9,043, representing the excess of market value over cost of 440 shares of "A" Common Stock issued from the Treasury.

GENERAL BAKING COMPANY

Capital stock and earnings retained in business:

Preferred stock, $8 cumulative, non-callable, no par value ($100 liquidating preference) Authorized—100,000 shares; Issued—90,775 shares		$ 9,077,500
Common stock, $5 par value Authorized—2,000,000 shares; Issued—1,604,995 shares		8,065,759
		$17,143,259
Earnings retained in business		19,845,176
		$36,988,435
Less—Treasury stock, at cost:		
No. Shares	*Cost*	
Preferred—18,414	$2,066,419	
Common —25,990	230,350	2,296,769
Total capital stock and earnings retained in business		$34,691,666

THE HOBART MANUFACTURING COMPANY

Shareholders' Equity:

Common stock — authorized, 4,000,000 shares without nominal or par value; outstanding, 1962, 2,706,732 shares — stated value (Notes 4 and 6)	$13,533,660
Capital paid-in in excess of stated value	1,059,364
Earnings retained in the business:	
Domestic companies	23,678,817
Subsidiaries outside the United States	9,338,692
Total earnings retained in the business	$33,017,509
Total shareholders' equity	47,610,533

Note 6: The authorized number of shares of the Company was increased from 2,000,000 to 4,000,000 on May 11, 1962 and the shares were changed from $10 par value each to shares without par value; outstanding shares were split two-for-one on that date. After giving retroactive effect to this split, cash dividends amounted to $1.10 and $1.00 a share in 1962 and 1961, respectively.

INTERNATIONAL HARVESTER COMPANY

Equity Capital:	
Preferred stock	
Authorized 993,399 shares, 7% cumulative $100 par value. Issued 816,724 shares	$ 81,672,400
Common stock	
Authorized 17,509,542 shares, no par value	
Issued 14,131,007 shares, stated value per share—$40	565,240,280
Capital in excess of stated value	1,134,715
Income retained (Page 24)	402,558,169
Total equity capital	$1,050,605,564

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)—31,559 shares in 1962, 32,439 shares in 1961, at involuntary liquidation value	$ 3,155,900
Common stock, par value $8 per share Authorized—3,000,000 shares; Issued—2,053,278 shares in 1962, 2,051,876 shares in 1961	16,426,224
Additional capital	489,717
Retained earnings	42,404,517
	$62,476,358

PITTSBURGH BREWING COMPANY

Capital Stock and Surplus:	
Capital stock: (Notes 3 and 4)	
$2.50 Cumulative preferred (convertible) $25.00 par, stated value $50.00; issued and outstanding—6,868 shares	$ 343,400
Common $1.00 par; Authorized 2,500,000 shares; issued and outstanding	1,520,272
Capital surplus	1,473,236
Earned surplus since October 31, 1949 (Note 2)	3,409,905
	$6,746,813
Less treasury stock 502 shares (419 shares at October 31, 1961) of $2.50 Cumulative preferred and 131,343 shares (16,443 shares at October 31, 1961) of Common stock at cost	581,947
Net capital and surplus	$6,164,866

Warrants

Note 3: Warrants issued under the Plan of Reorganization dated November 27, 1957 entitled the holders to purchase Common stock at varying rates beginning with $3.00 during 1958, $3.50 during 1959, $4.00 during 1960, $5.00 during 1961, $6.00 during 1962, $7.00 during 1963 and increasing annually to $10.00 per share during 1965. Subsequent to date of reorganization, Warrants were exercised as follows:

Fiscal Year	Number of Warrants	Option Price	Shares Issued
1958	25,505	$3.00	25,505
1959	154,806	3.00	154,806
1959	4,740	3.50	4,740
1960	10,739	3.50	10,739
1961	2,160	4.00	2,160
1961	6,980	5.00	6,980
1962	3,100	5.00	3,100

At October 31, 1962, there were reserved 210,138 shares of Common stock for the exercise of the remaining Warrants through 1965.

Capital Stock

Note 4: Dividends paid during the current year amounted to $2.50 per Preferred share and $.28 per Common share. Dividends payable as of November 1, 1962 in the amount of $97,225 on Common shares and $3,979 on Preferred shares have been deposited with the Transfer Agent, Mellon National Bank and Trust Company and therefore, are not included as liabilities.

The 1,520,272 shares of issued and outstanding Common $1.00 Par included 2,958 shares held by Transfer Agent against a corresponding number of shares of old Common stock not turned in for exchange plus 1,026 shares reserved for 114 shares of old Preferred stock outstanding at the exchange ratio of 9 for 1 as provided in Plan of Merger adopted at Shareholders' Meeting of December 20, 1949.

THE PROCTER & GAMBLE COMPANY

Capital and Retained Earnings:	
Preferred shares	$ 2,250,000
Common shares	41,971,053
Additional paid-in capital	79,097,192
Earnings retained in the business	607,828,941
Total capital and retained earnings	$731,147,186

Note 1: The authorized common stock of the Company is 50,000,000 shares without par value; 41,971,053 shares and 41,778,637 shares were outstanding at June 30, 1962 and 1961, respectively. Also, at those dates, 22,500 shares of 8% (cumulative) preferred stock of $100 par value each were authorized and outstanding, and 457,500 shares of authorized $100 par value preferred stock were undesignated and unissued.

Earnings retained in the business increased by $48,456,980 during the year ended June 30, 1962, as shown on page 11.

ROHM & HAAS COMPANY

Stockholders' Equity:	
Capital stock:	
Preferred stock, $100 par value: Authorized 150,000 shares, including 65,000 shares designated as 4% Cumulative Preferred Stock, Series A; outstanding 61,539 shares of Series A (redeemable at $105 per share)	$ 6,153,900
Common stock, $5 par value: Authorized 8,000,000 (1961, 2,000,000 of $20 par value) shares; outstanding 4,834,304 shares, including 80,010 shares reacquired, (1961, 1,162,107 shares outstanding of $20 par value)	24,171,520
	$ 30,325,420
Capital in excess of par value of common stock issued as dividends	117,285,919
Retained earnings, less amounts capitalized as stock dividends	51,859,953
Total stockholders' equity	$199,471,292

Notes to Financial Statements

Note 4: *Capital Stock*—On April 17, 1962 the stockholders approved an amendment to the Certificate of Incorporation changing the authorized common stock from 2,000,000 shares of $20 par value to 8,000,000 shares of $5 par value. A four-for-one split-up of the common stock was effected as of April 24, 1962.

CARRYING VALUE OF CAPITAL STOCK GREATER THAN PAR VALUE

In their 1962 reports 55 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 45 cases of which 17 companies (*Co. Nos. 1, 165, 250, 383, 493, 581) showed in the balance sheet that the stock was extended at "stated value," and in addition 1 company (*Co. No. 353) was extended at "assigned value," while in 27 cases (*Co. Nos. 36, 187, 224, 372, 585, 586) the

*Refer to Company Appendix Section.

companies did not make any reference to such differences. Similarly, of 9 reports presenting "capital" stock, 5 companies (*Co. Nos. 64, 100, 156, 213, 272) referred to "stated value" while 4 reports (*Co. Nos. 111, 120, 307, 476) 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 1962 reports of the survey companies:

THE BOEING COMPANY

Stockholders' Investment:	
Capital stock, par value $5 a share—Authorized, 10,000,000 shares; Issued and outstanding, 7,992,376 shares at stated value	$127,132,000
Retained earnings	143,723,000
	$270,855,000

CALIFORNIA PACKING CORPORATION

Sources from which Capital was obtained:	
Capital and retained earnings:	
Capital — represented by 10,322,852 shares (February 28, 1962) of capital stock, par value $2.50 per share — authorized, 30,000,000 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	56,694,372
	$164,694,372

Note D: Capital—In August, 1961, the shareholders authorized a change in the number of shares of capital stock from 10,000,000 shares, $5 par value per share, to 30,000,000 shares, $2.50 par value per share, and the distribution of 5,161,426 additional shares to reflect a two-for-one stock split. The split made no change in the equity or rights of the shareholders.

DAYCO CORPORATION

Capital:	
Capital stock:	
Class "A," $2.00 preference cumulative, redeemable at par at Company's option; par value, $35.00; authorized and outstanding, 46,518 shares	$ 1,628,130
Common, par value, 50 cents; authorized 2,000,000 shares; outstanding, 1,279,927 shares	901,747
	$ 2,529,877
Surplus:	
Paid-in	18,622,338
Earned (deficit)	(3,880,893)
	$17,271,322

*Refer to Company Appendix Section.

GENERAL MILLS, INC.

Stockholders' Equities (Note 9):	
Preferred stock—5% cumulative	$ 22,147,300
Common stock:	
Issued	46,943,002
Earnings employed in the business	94,596,986
Treasury stock (deduct)	(230,889)
	141,309,099
Total stockholders' equities	$163,456,399

Note 9: Stockholders' Equities—

Preferred stock—par value $100 each:	Shares	Amount
Authorized	500,000	
Issued and outstanding—5% cumulative	221,473	$ 22,147,300
Common stock—$3.00 par value:		
Authorized	10,000,000	
Reserved for issuance under stock option plan:		
Options outstanding	191,246	
Available for grant	87,998	
Issued at stated value	7,233,875	46,943,002
Earnings employed in the business		94,596,986
		141,539,988
Less common stock held in treasury—at cost	9,493	230,889
Common stockholders' equity		141,309,099
		$163,456,399

The currently outstanding 5% cumulative preferred stock is entitled upon redemption at the option of the company or upon voluntary liquidation to $115 per share plus accrued and unpaid dividends.

Under a restricted stock option plan, at May 31, 1962, there were outstanding options granted to 131 officers and employees to purchase 191,246 shares at the mean average market prices on date of grant, ranging from $18.17 to $37.25 per share. Options for 25,800 shares were granted during the year. Options outstanding are not exercisable for two years, and expire 10 years, after date of grant, with certain exceptions due to death or disability. During the year, options for 30,951 shares were exercised at an average price of $21.57 per share, while options for 10,150 shares which expired have reverted to unissued status.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Stockholders' Equity:	
Capital Stock:	
Preferred—$100 par	$ 35,546,000
Preferred—$50 par	10,107,000
Common—$5 par	120,445,000
Earned Surplus	208,640,000
	$374,738,000
Less—Common stock in treasury, at cost	162,000
Total stockholders' equity (Note 5)	$374,576,000

Note 5: Stockholders' Equity—Stockholders' equity was represented by the following:

Capital stock:	
$100 Cumulative preferred—4¼% series of 1951	
Authorized—500,000 shares	
Issued 1962—365,004 shares, 1961—378,706 shares	$ 36,500,000
Less—reacquired 1962—9,544 shares, 1961—7,030 shares	954,000
	35,546,000
$50 Cumulative convertible preferred—4½%	
Authorized and issued—202,510 shares	10,125,000
Less—reacquired—360 shares	18,000
	10,107,000
Common—$5 par	
Authorized—20,000,000 shares	
Issued 1962—12,618,479 shares, 1961—12,616,933 shares	120,445,000
Earned surplus	208,640,000
	374,738,000
Less—Common stock in treasury, at cost 1962—6,643 shares, 1961—10,043 shares	162,000
	$374,576,000

The sinking fund provisions relating to the $100 par value preferred, which became effective March 15, 1962, require the Company to redeem 6,851 shares semi-annually. During 1962, the Company purchased 16,216 shares of the $100 par value preferred; by authorization of the Board of Directors, 13,702 shares were retired and the excess of par value over cost of all shares purchased in 1962, in the amount of $133,000, was transferred to the common stock account.

At December 31, 1961, there were outstanding options granted to certain employees to purchase 354,616 shares of common stock of the Company at prices ranging from $24.72 to $29.47 per share. During 1962, options for 1,546 shares were exercised at prices ranging from $24.72 to $26.59 per share and options for 29,487 shares were cancelled. No options were granted during the year. At December 31, 1962, there remained outstanding options to purchase 323,583 shares at prices ranging from $24.72 to $29.47 per share. These options are exercisable at various dates through 1971.

During 1962 the net assets and business of a fertilizer company were acquired in exchange for 26,335 treasury shares of common stock of the Company which were purchased during the year for that purpose.

Common stock in treasury in the above summary does not include 113,154 shares and 102,531 shares at December 31, 1962 and 1961, respectively, of reacquired common stock to be used in future years to satisfy contingent stock allotments payable to certain employees upon termination of employment under the Extra Compensation Plan approved by stockholders in 1935. The cost of such shares has been offset against the related liability in the accompanying balance sheet. During the year, 3,424 shares were distributed and 14,047 shares were allotted contingently.

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
Common stock — Authorized 13,500,000 shares of $.30 par value each (Note 2); Issued 7,879,267 and 7,877,967 shares in the respective years	2,363,780
Capital in excess of par value of capital stock, per accompanying statement	29,164,147
Accumulated earnings employed in the business, per accompanying statement (Note 1)	55,012,501
	$91,619,803

WALGREEN CO.

Shareowners' Equity:	
Common stock, $10 par value—Authorized 1,955,522 shares, issued and outstanding 1,523,733 in 1962 and 1,430,418 in 1961, at stated value (Note 2)	$22,375,963
Earned surplus (Note 3)	30,384,155
Total shareowners' equity	$52,760,118

TREASURY STOCK

Of the 600 survey companies, 348 referred to treasury stock in their 1962 reports as follows:

Two hundred and fifty-one companies referred only to *common* treasury stock; 38 companies showed only *preferred* stock in treasury; and 59 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 1962 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:

AMERICAN ENKA CORPORATION

Source of Stockholders' Equity:	
Common stock, $5 par value—authorized 1,600,000 shares; issued 1,355,448 shares	$ 6,777,240
Capital in excess of par value	18,597,691
Accumulated income retained for use in the business	65,877,745
	91,252,676
Treasury stock, 47,251 shares and 47,086 shares, respectively, reserved for stock options (Note 4)	1,628,124
	$89,624,552

Note 4: *Stock Options*—The Company's stock option plan for key employees provides that options for a maximum of 100,000 shares may be granted; options for 84,875 shares have been granted. Options outstanding at December 30, 1962 were granted at prices ranging from $19.88 to $40.88 per share (not less than 95% of market price on the dates of grant). The plan provides that option shares be acquired on the open market and that options granted may be exercised one year after but not more than ten years from dates of grant. Details of option transactions during 1962 follow:

	Shares
Outstanding at December 31, 1961	48,386
Granted	20,500
Exercised (proceeds $624,774)	21,760
Outstanding at December 30, 1962, of which 26,626 shares were then exercisable	47,126

The excess ($194,939) of the cost of treasury stock acquired in 1962 over the aggregate option price of the options for which such shares have been reserved has been charged to accumulated income retained for use in the business.

S. H. KRESS & COMPANY

Stockholders' Equity (Notes 1 and 3):	
Common stock $10 par value—authorized 4,000,000 shares (3,000,000 in 1961); issued 2,381,734 shares	$ 49,710,193
Earnings retained for use in the business	53,322,953
	$103,033,146
Less: Cost of 46,110 shares and 6,110 shares of common stock reacquired	813,070
Total stockholders' equity	$102,220,076

TABLE 43: TREASURY STOCK

Balance Sheet Presentation	"Common" Treasury Stock 1962	1955	1950	"Preferred" Treasury Stock 1962	1955	1950
Within Stockholders' Equity Section:						
Deducted from total of capital stock and surplus (*Co. Nos. 160, 204, 421; †34, 335, 566)	199	124	103	34	41	36
Deducted from *total* of capital stock and capital surplus	—	1	1	—	—	—
Deducted from *total* of capital surplus and retained earnings (*Co. Nos. 255, 547)	2	2	1	—	—	—
Deducted from retained earnings (*Co. No. 534)	1	5	11	—	1	4
Deducted from issued stock of the same class (*Co. Nos. 24, 211, 431; †69, 302, 517)	82	77	97	66	48	53
Set forth with issued stock of the same class (*Co. No. 366)	1	1	4	—	2	2
In Noncurrent Asset Section:						
Separately set forth therein (*Co. Nos. 9, 120, 251, 456, 588; †377)	13	10	10	1	1	1
Set forth therein as a part of various special funds or with other assets (*Co. Nos. 76, 304)	2	8	2	—	1	1
Set forth in Notes to Financial Statements (*Co. Nos. 62, 115, 330; †117, 362, 370)	14	10	6	4	8	3
Total Presentations	314	238	235	105	102	100
Basis of Valuation						
Per-share value shown at:						
Cost	214	133	113	38	44	36
Par value	70	49	56	55	38	38
Stated value	5	8	9	7	4	6
Cost or less than cost	2	2	2	—	—	—
Less than cost	3	2	3	—	—	—
Carrying value	—	—	—	1	1	—
Lower of cost or market	—	2	—	—	—	—
Liquidation value	—	—	—	1	1	1
Various other	2	—	4	1	—	1
Per-share value not shown	18	42	48	2	14	18
Total Valuations	314	238	235	105	102	100
Number of Companies presenting:						
Only "common" treasury stock	251	181	182	—	—	—
Both "common and preferred" treasury stock	59	49	48	59	49	48
Only "preferred" treasury stock	—	—	—	38	48	52
Total Treasury Stock	310	230	230	97	97	100
No treasury stock	290	370	370	180	199	204
No "preferred" stock class	—	—	—	323	304	296
Total	600	600	600	600	600	600

*Refer to Company Appendix Section.
†Indicates preferred stock.

DREXEL ENTERPRISES, INC.

Stockholders' Equity:	
Common stock, par value $2.50 per share (Notes C and D): authorized 2,500,000 shares; issued and outstanding 1,436,490 shares, including shares in treasury	$ 3,591,225
Capital surplus (Note C)	276,196
Earnings retained for use in the business	25,172,804
	$29,040,225
Less cost of 4,654 shares in 1962 and 2,257 shares in 1961 of common stock in treasury	102,208
	$28,938,017

KELLOGG COMPANY

Capital and Retained Earnings:	
3½% cumulative preferred stock of $100 par value — authorized and issued — 126,763 shares	$ 12,676,300
Common stock of $.50 par value—authorized 9,000,000 shares; issued 8,948,390 shares	4,474,195
Other capital	4,155,862
Retained earnings used in the business	102,234,829
	$123,541,186
Cost of preferred stock held in treasury—37,527 shares	3,212,437
	$120,328,749

UNITED WHELAN CORPORATION

Capital Stock and Surplus:	
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	$ 1,046,700
Common Stock, par value 30¢ a share: authorized—3,000,000 shares; issued 2,307,388 shares	692,216
Capital Surplus	6,179,958
Earned Surplus	9,365,355
	$17,284,229
Less: Treasury stock, at cost—340 shares Convertible Preferred Stock and 936,261 shares Common Stock in 1962 and 125 shares Convertible Preferred Stock and 872,851 shares Common Stock in 1961	4,770,753
	$12,513,476

F. W. WOOLWORTH CO.

Shareholders' Equity:	
Capital stock—par value $10 per share: authorized—20,000,000 shares; issued—9,750,000 shares	$ 97,500,000
Earned surplus	433,225,093
	$530,725,093
Deduct—stock held in treasury, 46,394 shares, at cost less $901,634 previously charged to earned surplus	1,647,080
Total shareholders' equity	$529,078,013

(b) Deducted from Issued Stock of the Same Class:

CRANE COMPANY

Shareholders' equity:	
Capital stock	
Cumulative preferred shares, 3¾% par value $100 (redeemable at the option of the company and subject to sinking fund requirements): authorized—160,000 shares; outstanding—91,093 shares in 1962 and 100,093 shares in 1961 (after deducting 13,159 shares in treasury in 1962 and 8,398 shares in 1961)	$ 9,109,300
Common shares, par value $25: authorized—3,500,000 shares; outstanding—1,285,270 shares in 1962 and 1,382,570 shares in 1961	32,131,750
Earned surplus—$10,664,032 in 1962 ($7,535,280 in 1961) is not restricted as to payment of common dividends	91,491,393
Total shareholders' equity	$132,732,443

PULLMAN, INCORPORATED

Stockholders' Equity:	
Capital stock, no par value (stated value $20 per share) (Note 3)—shares authorized, 7,750,000; shares issued, 4,631,608; shares held in treasury, 105,700; shares outstanding, 4,525,908	$ 90,518,160
Capital surplus (Note 4)	31,434,527
Earned surplus	53,950,646
	$175,903,333

Note 4: Capital Surplus—The decrease of $153,044 in consolidated capital surplus during 1962 consists of $176,763 excess of purchase price over stated value ($20 per share) for 74,500 shares of Treasury stock acquired during the year, less $23,719 excess of sales price over stated value for the 3,000 shares of capital stock issued under the Stock Option Incentive Plan.

ENDICOTT JOHNSON CORPORATION

Stockholders' Equity:	
Capital stock:	
Preferred, par value $100 per share, issuable in series: authorized 150,000 shares	
4% Series, Cumulative, redemption price and liquidation preference, $100 per share and accrued dividends: issued—73,060; in treasury 680; outstanding 72,380 shares	$ 7,238,000
Common, par value $25 per share (Note 3): authorized 1,200,000 shares; issued and outstanding 810,720 shares	20,268,000
	$27,506,000
Accumulated retained earnings (Note 2)	24,949,748
	$52,455,748

RAYBESTOS-MANHATTAN, INC.

Capital Stock and Surplus:	
Capital stock: authorized, 1,000,000 shares without par value. In treasury, 45,412 shares; outstanding, 630,600 shares with stated value of $25 per share	$15,765,000
Earned surplus	33,328,258
Total capital stock and surplus	$49,093,258

ST. JOSEPH LEAD COMPANY

Stockholders' Equity (Notes 4 and 5):	
Capital stock, par value $10 per share: authorized—5,000,000 shares; outstanding—1962, 2,989,382.5 shares; 1961, 2,717,322.5 shares (after deducting shares in Treasury; 1962, 21,416.35; 1961, 21,414.35)	$29,893,825
Other Capital—representing principally excess of amount of stock dividends over par value of capital stock	22,044,183
Retained earnings	32,640,883
	$84,578,891

(c) Other Presentations within Stockholders' Equity Section:

BOOTH FISHERIES CORPORATION

Capital Stock and Surplus:	
Cumulative preferred stock, par value $100 per share; authorized 25,000 shares, issuable in series—	
4% series, authorized and issued 15,000 shares, less 5,958 shares in treasury (to be canceled under stock purchase fund requirements)	$ 904,200
Common stock, par value $5 per share; authorized 500,000 shares, issued 375,130 shares	1,875,650
Surplus, per accompanying statements—	
Paid-in surplus	3,197,277
Earned surplus (Note 1)	6,242,831
Less—1,083 shares of common stock in treasury, at cost	(6,065)
	$12,213,893

THE GENERAL TIRE & RUBBER COMPANY

Capital Stock:	
Preference (Note F)	$ 18,655,900
Common—30¢ par value: authorized—22,500,000 shares (Note G and H); outstanding—16,609,047 shares	4,982,714
	$ 23,638,614
Surplus, per accompanying statements:	
Capital surplus	59,881,405
Earned surplus (Note 1)	125,492,270
	$185,373,675
Less—4,287 common shares in treasury, at cost	5,833
	$185,367,842

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	43,441,261
Capital Surplus—foreign subsidiaries	854,642
Deduct Common Stock re-acquired and held in treasury, at cost less reserve—51,030 shares	354,030
Balance	$43,941,873

(d) Presented in Noncurrent Assets:

AMERICAN SMELTING AND REFINING COMPANY

Miscellaneous Assets:	
Examinations in progress at new mining prospects	$1,247,799
Pension costs unamortized (Note 3)	1,043,954
Common Stock of the company acquired for corporate purposes (Note 4)	559,327
Other	3,922,386
Total miscellaneous assets	$6,773,466

Note 4: Common Stock of the Company Acquired for Corporate Purposes—Primarily for distribution under the Additional Compensation Plan . . ., 10,407 shares were held at December 31, 1962 (1961—9,480 shares).

THE BABCOCK & WILCOX COMPANY

Prepaid Expenses and Other Assets (includes cost of shares of the company's stock acquired for stock options: 1962—97,464 shares; 1961—76,256 shares. See page 7)	$4,759,127

Page 7: Employees—The plan requires that only previously issued shares be used to meet the stock options granted. The Company has therefore acquired, on the open market, sufficient shares for that purpose. The cost of shares acquired for options outstanding on December 31, 1962, was $3,561,192. This amount is included in Prepaid Expenses and Other Assets in the Statement of Financial Condition. If all outstanding options are exercised, $3,434,503 will be returned to the Company.

INGERSOLL-RAND COMPANY

Investments:	
Investments in and advances to wholly owned domestic and foreign subsidiaries not consolidated	$ 6,140,944
Other, including in 1962, 113,672 treasury shares acquired for specific purpose	10,894,506
	$17,035,450

(e) Set Forth in Notes to Financial Statements Only:

ARMOUR AND COMPANY
Notes to Financial Statements

Note 7: Stock Options and Treasury Stock—On February 16, 1962, the stockholders approved a Restricted Stock Option Plan reserving 200,000 shares of authorized and unissued Common stock. The plan provides that the purchase price of the stock shall not be less than 95% of the market value of the stock at the time the option is granted. Options may be exercised upon conditions prescribed by the Board of Directors but not more than ten years from the date granted. Options to purchase 106,000 shares have been granted under this Plan.

The Board of Directors has granted other Restricted Stock Options to certain officers and employes in 1962 and prior years. At November 3, 1962, options to purchase shares of Common stock were outstanding as follows:

Fiscal year granted	Average option price per share	Shares under option	Options presently exercisable
1957	$14.49	20,000	20,000
1958	18.11	18,000	—
1959	24.02	34,517	12,713
1962	40.96	143,500	—
		216,017	32,713

Options become exercisable for 54,804 shares upon the attainment of specified incentive conditions, and for 128,500 shares in installments up to 1967 but no earlier than two years from the date of grant except for cases of normal retirement or death.

During the 1962 fiscal year options were exercised for the purchase of 8,710 shares at an average price of $23.54 per share and options for 5,701 shares terminated.

The Company has acquired and on November 3, 1962 held in its treasury 71,816 shares of its Common stock for delivery upon exercise of options. These shares are included in other investments in the statement of financial position at option prices aggregating $1,432,120.

BURLINGTON INDUSTRIES, INC.
Notes to Financial Statements

Note C: Capital Stocks—(1) Certain information at September 29, 1962, on the redemption prices and the sinking or purchase fund requirements, etc. on all classes of Preferred Stock is as follows:

Class	Redemption Price (plus Accrued Dividends)	Shares Required to Be Retired Annually	Requirements Met to	Treasury Shares Available for Future Requirements
Cumulative Preferred:				
4% Series	$104	3,000	Dec. 31, 1962	17,700
3½% Series	100	1,000	Dec. 31, 1962	5,130
Preferred (Cumulative):				
4.20% Series	$101 to Dec. 31, 1965, then $100	4,500 to 1972, thereafter 7,500	Dec. 31, 1962	9,000
4½% Second Preference (Cumulative—subject to prior rights of other Preferred Stocks)	$100	3,235	Mar. 1, 1962	25,248

The shares of Preferred Stock held in treasury at September 29, 1962, have been deducted from the issued and outstanding Preferred Stocks.

(2) Under provisions of the Certificate of Incorporation, as amended, with respect to the Cumulative Preferred Stock, Preferred Stock and Preference Stock, restrictions exist as to the payment of dividends on Common Stock, other than stock dividends, but such provisions are less restrictive than under long-term debt (see Note D).

(3) Common treasury stock, which in prior years was accounted for in the financial statements as if retired, is now shown at cost as a deduction from the total of common stock and surplus. The change has no effect on stockholders' equity. The common treasury stock at September 29, 1962, is after giving effect to the delivery in November 1962 of 131,477 shares in part settlement of the liability at September 29, 1962, to the Profit Sharing (Retirement) Plan.

OXFORD PAPER COMPANY
Notes to Financial Statements

Note 6: The total authorized preference stock of the company consists of 200,000 shares without par value. 103,560 shares are designated as cumulative $5 Preference stock, of which 101,434 shares, callable at $100 per share, have been issued and 415 shares are held in the treasury, leaving 101,019 shares outstanding.

The total authorized common stock of the company consists of 1,600,000 shares, $15 par value. 1,025,479 shares have been issued, of which 17,685 shares are held in the treasury, leaving 1,007,794 shares outstanding. The company has reserved 71,313 shares for the stock option plans and 263,158 shares for conversion of the 4¾% debentures.

TIME INCORPORATED
Notes to Financial Statements

Note G: Common Stock as shown in the balance sheet represents the following:

	Shares at December 31 1962	1961
Authorized	2,700,000	2,168,000
Unissued (restated for 1961)	550,586	39,036
	2,149,414	2,128,964
Less in treasury (cost charged to retained income)	6,545	6,545
Outstanding	2,142,869	2,122,419

Common Stock as previously reported at December 31, 1961 has been restated to reflect the 85,000 shares issued in 1962 to acquire Silver Burdett Company.

"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 1962 survey companies from which the earnings have been accumulated is the year 1949. One company (*Co. No. 126) was added during the year under review. The following summary discloses the decrease in the number of survey companies showing "dated" surplus in their reports since 1955:

Date from Which Earnings Accumulated	Balance Sheets for: 1962*	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	—
1961-1962	1	—	—
	7	7	31

*Refer to Company Appendix Section—Co. Nos. 21, 126, 180, 222, 441, 561, 580.

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

*Refer to Company Appendix Section.

TABLE 44: EMPLOYEE STOCK OPTION PLANS

Relationship of Option Price to Market Value at date of grant of option	1962	1960	1955
Option Price shown as a percentage, which was:			
Not less than 95% of market value (*Co. Nos. 77, 121, 275, 388, 401, 532)	177	159	72
Exactly 95% of market value (*Co. Nos. 46, 150, 238, 354, 412, 531)	71	59	51
Between 94% and 86% of market value (*Co. Nos. 3, 37, 262)	3	3	—
Not less than 85% of market value (*Co. Nos. 83, 139, 256, 374, 434, 591)	19	12	8
Exactly 85% of market value (*Co. Nos. 89, 183, 322, 408, 409, 578)	8	10	3
More than one percentage used (*Co. Nos. 34, 140, 302, 310, 430, 550)	7	5	—
	285	248	134
Option Price shown in dollar amount only, which was:			
Above market value (*Co. Nos. 78, 549)	2	2	5
Equal or approximately equal to market value (*Co. Nos. 21, 107, 203, 301, 424, 582)	64	58	39
Below market value (*Co. No. 152)	1	4	4
Market value not shown or referred to (*Co. Nos. 2, 104, 247, 329, 436, 583)	107	101	65
	174	165	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, 45, 200, 342, 467, 568)	17	15	4
Below market value	—	—	1
	18	16	5
Neither Option Price nor Market Value stated or indicated (*Co. Nos. 74, 138, 261, 316, 457, 523)	18	24	19
Total number of plans	495	453	271
Date of Option Price Determination			
Date of grant of option to employe	365	323	N/A
Day prior to grant of option to employee	7	5	
Time plan intially established	1	2	
Time stock allotted to employee	1	1	
No reference to time of determination of price per share to employee	121	122	
Total	495	453	
Number of Companies			
Referring to employee stock option plans	468	438	251
Not referring to employee stock option plan	132	162	349
Total	600	600	600

*Refer to Company Appendix Section.
N/A—Not Available.

years in the number of companies having employee stock option plans. The 1962 annual survey reports disclosed 468 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 19 companies (*Co. Nos. 107, 194, 263, 352, 439, 484) and were terminated by 4 companies (*Co. Nos. 2, 61, 185, 313). Twenty-six companies amended or modified such plans (*Co. Nos. 24, 138, 220, 310, 426, 544).

In the annual reports which included discussions of employee stock option plans the following information, generally in the notes to financial statements, was given:

(a) Date of granting of options
(b) Number of employees or classes of employees to whom options were granted
(c) Number of shares reserved to cover employee stock options and number of shares, if any, for which options have been granted
(d) Option price and relation of option price to market value of the stock at date of granting of option
(e) Length of option period and provisions as to prior termination by retirement, death, etc., of employees
(f) Accounting treatment of certain transactions pertaining to employee stock options.

One hundred and eighty-eight companies referred to

*Refer to Company Appendix Section.

"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 1962 are presented extensively in Section 4 under "Employee Stock Plans.")

Initially Established During Year

BURROUGHS CORPORATION
Notes to Financial Statements

Note 4: *Stock Options*—A restricted stock option plan adopted in 1962 provides for the issuance of options to Burroughs' key personnel to purchase not in excess of 250,000 shares of the Company's common stock at the market value on the date granted. At December 31, 1962, options to purchase 48,250 shares at $40.1875 a share had been granted to 18 officers but are not exercisable prior to May, 1964.

Options for 625 shares granted as a result of the acquisition of the ElectroData Corporation in 1956, exercisable at $24.20 to $24.25 a share to 1964, were outstanding at December 31, 1962. During 1962, options for 31,620 shares were exercised at $24.20 and $29.90 a share.

THE CURTIS PUBLISHING COMPANY
Notes to Financial Statements

Stock options: On December 6, 1962 the Board of Directors of the Company adopted a Restricted Stock Option Incentive Plan, subject to approval by the stockholders. Under the terms of the proposed Plan, a maximum of 300,000 shares of common stock will be reserved for issuance under the Plan from time to time. Options under the Plan will be granted by the Board of Directors to officers and other key employees at an option price per share which will be the lesser of (1) 85% of the fair market value on the date of grant, and (2) 85% of the fair market value on the date upon which the option is exercised.

Mr. Culligan, President of the Company, has been granted options for 50,000 shares of common stock at an option price of $6.8875 per share (95% of the fair market value on the date of grant) exercisable cumulatively as to 20% of such shares in each year commencing January 1, 1963 to July 8, 1967.

Mr. Clifford, Executive Vice President of the Company, has been granted options for 20,000 shares of common stock at an option price of $6.32 per share (85% of the fair market value on the date of grant) exercisable as to 25% of such shares from May 1, 1963 to January 1, 1964, 50% in 1964, 75% in 1965, and all such shares from January 1, 1966 to October 15, 1972.

Of the foregoing 70,000 shares, 15,500 of the shares under option to Mr. Culligan are available from common stock held in the Company's treasury and the options for the remaining 54,500 shares were granted contingent upon approval of a proposed increase in authorized common stock by the stockholders.

FIRST NATIONAL STORES, INC.
Notes to Financial Statements

Note 1: In June, 1961 the stockholders approved a restricted stock option plan for officers and key employees of the company and its subsidiaries. Under the plan options may be granted to purchase up to an aggregate of 75,000 shares of the company's common stock at a price not less than 95% of the fair market value on the date granted. The options become exercisable in equal annual instalments over a four-year period beginning one year after the date granted and expire ten years after the date granted. At March 31, 1962 options had been granted for 38,700 shares at prices ranging from $61.05 to $64.25 per share, an aggregate of $2,399,386.

KELSEY-HAYES COMPANY
Notes to Financial Statements

Note B: During the year ended August 31, 1962, the Company adopted a Restricted Stock Option Plan covering 75,000 shares of its Common Stock. Options granted under the Plan expire 10 years from the date of grant. Options may be exercised as to 20% of the shares two years after grant and an additional 20% in each of the succeeding four years. The option prices are 95% of the market prices on the dates the options are granted.

At August 31, 1962, options for 52,050 shares were outstanding at an average price of $36.26 a share, none of which were exercisable.

PET MILK COMPANY
Notes to Financial Statements

Note 2: *Stockholders' Investment*—The company is obligated to redeem for sinking fund purposes on or before March 31 of each year a specified number of shares of preferred stock at the redemption price of $100 per share plus an amount equal to cumulative dividends accrued and unpaid thereon at the date fixed for redemption.

On August 14, 1961, the stockholders approved a restricted stock option plan under which 35,000 shares of the Company's common stock were reserved for the granting of options to certain officers and key employees. Options to purchase 9,300 shares at $55.70 per share (95% of fair market value at date of grant) and 3,600 shares at $64.49 (110% of fair market value at date of grant) were granted on September 1, 1961. The options become exercisable in part on September 1, 1962, in increasing amounts until 1967, and expire in 1966 and 1971.

A. O. SMITH CORPORATION
Notes to Financial Statements

Note 2: *Restricted Stock Option Plan*—Effective March 30, 1962 the Company, subject to stockholder approval at the next annual meeting, adopted a restricted stock option plan under which 19,846 shares of treasury stock and 85,135 shares of the authorized but unissued common stock are reserved for issuance to officers and other key employees at a price not less than 95% of the market value of the shares at the time the option is granted.

Options have been granted for 70,300 shares at a price of $31.83 per share. The options expire ten years from date of grant or at the grantee's retirement date, whichever is earlier. Options for 57,800 shares of those granted are exercisable at a maximum of one-fourth per year during the first five years, and one-half in any year thereafter; options for 12,500 shares are exercisable at any time.

TRIANGLE CONDUIT & CABLE CO., INC.
Notes to Financial Statements

Note B: On August 27, 1962, the shareholders approved a restricted stock option plan under which 75,000 shares of unissued Common Stock were reserved for issuance to Officers and key employees at not less than 95% of the fair market value at the time the option is granted. Options are exercisable at varying dates not to exceed ten years from date of grant. During 1962, options for 42,850 shares were granted at an option price of 11⅞ and are outstanding at December 31, 1962.

Amended or Modified During Year

BELDING HEMINWAY COMPANY, INC.
Notes to Financial Statements

Note G: As at December 31, 1962, the Company has in effect two stock option plans, the number of shares and prices of which have been adjusted for the 4% stock dividend in 1962.

Under the 1951 plan, as at December 31, 1961, options were outstanding for the purchase of 8,580 shares at $12.90 a share and 3,072 shares were available for the granting of options. During 1962, options were granted for 1,872 shares at $18.11 a share which was 110% of fair market value at date of grant; the options are exercisable, in whole or in part, for five years from such date. As at December 31, 1962, none of the aforementioned options had been exercised and 1,200 shares were available for the granting of options under the 1951 plan. Subsequent to December 31, 1962, options for 5,020 shares were exercised at $12.90 a share.

During 1962, an additional plan was adopted which authorized the granting of options to purchase not in excess of 25,928 shares of the Common Stock of the Company. Under this plan, options were granted for (a) 4,056 shares at $18.11 a share, which was 110% of fair market value at date of grant and (b) 20,072 shares at $14.00 a share, which was 85% of fair market value at date of grant. The options are exercisable, on a noncumulative basis, 25% and 20% a year under (a) and (b), respectively, commencing one year from date of grant. As at December 31, 1962, the aforementioned options for 24,128 shares were outstanding and 1,800 shares were available for the granting of options under the 1962 plan.

*Refer to Company Appendix Section.

CLUETT, PEABODY & CO., INC.
Notes to Financial Statements

Note 4: Stock Option Plan—Shares of common stock subject to the Company's 1956 and 1962 restricted stock option plans are summarized for the year 1962 as follows:

	Options Outstanding			
Exercise Price	Options Outstanding January 1, 1962	Options Granted 1962	Options Exercised 1962	Options Outstanding December 31, 1962
$19.25	9,800		900	8,900
21.50	30,640		4,390	26,250
25.56	6,300		1,200	5,100
26.88	6,000		625	5,375
27.75	2,400		300	2,100
33.63	26,500		750	25,750
34.50		46,250		46,250
Total Shares	81,640	46,250	8,165	119,725

On April 4, 1962 the stockholders approved the 1962 stock option plan by which 100,000 shares were reserved for grants. Under both plans options are exercisable in installments and expire ten years from date of grant. The exercise price is 100% of the fair market value at date of grant. On December 31, 1962, 53,750 shares were available for future grants under the 1962 stock option plan. The exercise price and shares of common stock, where applicable, have been restated to reflect the two-for-one stock split in 1962.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION
Notes to Financial Statements

Note 4: Stock Options—The following statement shows the changes during the year in the company's various stock option plans and agreements:

	Changes in shares available for options	Shares granted under options: Price per share (at 100% of market) at date of grant	Shares granted under options: No. of shares
Balance at beginning of year	53,400	$ 4.50 to $96.00	107,590
Approved by the stockholders on November 9, 1962	100,000	—	—
Granted during year:			
New options	(9,200)	44.00 to 66.13	9,200
Regrants of options cancelled (a)	(45,100)	42.19 to 47.06	45,100
Cancelled (a)	45,100	73.32 to 93.75	(45,100)
Exercised	—	5.77 to 60.94	(21,004)
Expired (b)	2,600	60.94 to 90.69	(2,786)
Balance at end of year	146,800	$ 4.50 to $96.00	93,000

(a) Pursuant to stockholders' approval on November 9, 1962. In January 1963 options on 2,100 shares which had been granted at prices ranging from $81.13 to $93.75 per share were also cancelled and new options granted for the same number of shares at prices ranging from $45.06 to $48.19 per share.

(b) Stock options that expired on 186 shares are not available for regranting.

Options on 21,000 shares were exercisable at the beginning of the year, and options on 26,157 shares were exercisable at the end of the year.

INTERNATIONAL SHOE COMPANY
Notes to Financial Statements

Note 6: Common stock subject to options—During the year the company modified and extended the Restricted Stock Option Plan adopted April 21, 1959 for certain selected executive and administrative employees, and is submitting a proposal for approval of this action at the forthcoming annual meeting of stockholders. Under the Revised Plan, option prices were reduced from $34.50 to $23.50, the market value at date of change. Terms of the options were extended from April 21, 1964 to April 21, 1969 and no further waiting period was required. Options granted by the company under other plans were at prices representing at least 95% of the market value at date of grant.

At the beginning of the year there were options outstanding under all plans for 118,990 shares at an average price of $34.67. During the year, options were granted for 23,850 shares at $24.375 (exercisable 1963 to 1967) and for 8,000 shares at an average price of $27.44 (exercisable 1963 to 1972). Options for 11,140 shares expired or were cancelled and no options were exercised during the year. Options outstanding at November 30, 1962, 139,700 shares at an average price of $24.11, included 101,850 shares under the Revised 1959 Plan.

WALTER KIDDE & COMPANY, INC.
Notes to Financial Statements

Note 6: Employees' common stock options at December 31, 1962 were:

Number of Shares	Option Price	Exercisable Until:
4,235	$12.261	March 23, 1964
3,307	13.605	June 14, 1966
3,150	12.857	June-August 1967

In addition, on November 27, 1962, the Board of Directors approved a plan to make 29,400 shares of the Company's common stock available for option to officers and employees; options have been issued to officers at not less than fair market value at the grant dates, as follows:

Number of Shares	Option Price	Exercisable Until:
12,600	$12.857	November 26, 1969
2,625	13.4286	November 26, 1967

including an option for 3,150 shares at $12.857 per share which may be substituted for the previously outstanding option for 3,307 shares exercisable until June 14, 1966. (All of the foregoing figures have been revised to give effect to the 5% stock dividend paid on December 28, 1962.) The plan approved by the Board of Directors on November 27, 1962 and the options issued thereunder are also subject to approval by the shareholders at their annual meeting on April 17, 1963.

MARTIN MARIETTA CORPORATION
Notes to Financial Statements

Note E: Common Stock Reserved for Warrants and Options—At December 31, 1962, 1,161,560 shares of Common Stock were reserved to provide (a) 532,184 shares for issuance upon exercises of Warrants issued in connection with the Corporation's 5½% Sinking Fund Debentures; the Warrants are exercisable at $40 per unit of 2.73 shares up to November 1, 1963, and at $45 per unit thereafter up to November 1, 1968, and (b) 629,376 shares held for issuance under restricted stock option plans for officers and key employees, of which 500,000 shares were reserved in 1962. At December 31, 1962, there were 306,000 shares available for unissued options. Reference is made to page 35 for additional comments on stock options.

Financial Review

Stock Option Plans: On December 31, 1962, options to purchase common stock of the Corporation were outstanding under two restricted stock option plans. These plans, each of which was approved by the stockholders, were adopted to enhance the financial success of the Corporation by providing added incentive to its key employees and by encouraging them to remain in the employ of the Corporation. Under each plan, rights to purchase shares terminate upon the death or severance of the employee. Options are granted by a Stock Option Committee of the Board of Directors to such officers and other salaried employees as may be selected. The option price is the closing price of the common stock on the New York Stock Exchange on the date the option is granted.

Under the 1958 Stock Option Plan, there were outstanding at the beginning of the year options for 175,175 shares; options to purchase 45,799 shares were exercised during the year at an aggregate price of $627,862.50, leaving outstanding at the end of the year options for 129,376 shares, which expire on April 28, 1968. No further options may be granted under this plan.

The 1962 Stock Option Plan was approved by the shareowners at the last annual meeting and authorized the issuance of 500,000 shares of common stock. This plan provides that the shares included in each option shall be divided into at least three installments, the first of which shall not be exercisable until one year from the date the option is granted and succeeding installments shall not be exercisable until one year from the date the prior installment became exercisable. All options expire on April 19, 1972. Options were granted during the year to 59 individuals for a total of 194,000 shares at prices ranging from $19.875 to $23.25. Options for 167,000 of the aforementioned shares were granted to 49 officers and employees of the Corporation who had not previously participated in any stock option plans of the Corporation or its predecessors. There remain available at the end of the year 306,000 shares for future grant under the plan.

At January 1, 1962, there were reserved 5,652 shares for issuance under a plan adopted by the shareowners of Martin Company in 1952. During the year options to purchase 5,637 shares at a total price of $63,743.75 were exercised and the reservation for the remaining 15 shares was cancelled. No further options are outstanding under this plan, nor can any more be issued.

STOCK PURCHASE PLANS

There were 62 survey companies that indicated in their 1962 annual reports the existence of various employee stock purchase plans. The information contained in the annual reports of the survey companies for 1962, 1960, and 1955 concerning the determination under these plans of the subscription price and its relation to the market value of the stock is summarized in Table 45.

Examples from 1962 annual reports illustrating the information given with regard to employee stock purchase plans follow. (Plans which resulted in entries to the surplus accounts during 1962 are presented extensively in Section 4 under "Employee Stock Plans.")

GENERAL PLYWOOD CORPORATION
Notes to Financial Statements

Note 5: Of the presently remaining 810,801 shares of authorized but unissued common stock, 78,801 shares are reserved for issuance to officers and employees under stock purchase agreements, as follows:

	Shares
Presently subscribed, at prices ranging from \$8.28 to \$19.21 per share	66,121
Unsubscribed	12,680

INDIAN HEAD MILLS, INC.
President's Letter

A new and improved group life, health and accident insurance program was adopted, and The Employees Stock Purchase Plan was inaugurated on May 15. Progress also was made in consolidating the various pension plans of acquired companies.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Financial Review

Stock Purchase Plan for IBM Employees: Since 1958, when stockholders first approved an Employees Stock Purchase Plan, all regular employees who have completed one year of service and who are not participants in the Stock Option Plan, have been able to purchase stock through payroll deductions not exceeding 10% of their compensation.

Under the IBM Employees 1961 Stock Purchase Plan, the price an employee pays for a share of stock is equal to 85% of the market price on the day he begins saving toward a particular share, or on the day he has accumulated enough money to buy the share—whichever price is lower.

Employees purchased 95,015 shares in 1962, for which \$32,801,535 was paid to IBM and credited to the capital stock account. At the end of the year, 275,787 shares of unissued capital stock were reserved for sale under this Plan.

NORTH AMERICAN AVIATION, INC.
Financial Review

Employees Stock Purchase Plan: At the beginning of the 1962 fiscal year, 203,982 shares were issuable under outstanding options granted pursuant to the company's Employees Stock Purchase Plan, approved by the stockholders on August 3, 1956. During the year options for 73,759 shares were exercised, and options for 1,995 shares were canceled, leaving 128,228 shares issuable under outstanding options on September 30, 1962. There were no changes in the exercise price of outstanding options during the year through cancellation and reissuance of options or otherwise. The period for granting of options under the plan expired on August 2, 1961.

PENNSALT CHEMICALS CORPORATION
Notes to Financial Statements

Note 5: *Stock Option and Employee Stock Purchase Plans*—Under a restricted stock option plan, adopted in 1952, unexercised options were outstanding at December 31, 1962 on 93,700 shares of the common stock of the Company at prices ranging from \$16.82 to \$36.93 per share. Options have been exercised on 47,535 shares including 6,320 in 1962.

In addition to the stock options issued under the above plan the Company assumed, in connection with its acquisition of The Sharples Corporation, the obligation of that company with respect to its outstanding employee restricted stock options, substituting the right to buy the Company's shares at the same relative option price. Such unexercised options at December 31, 1962 aggregated 4,017 shares at \$12.45 per share, options having been exercised for 110,764 shares at \$12.45 and \$13.69 per share.

During 1962, 2,225 shares of common stock were issued at \$38.50 per share under the 1961-1962 Employee Stock Purchase Plan. During November 1962 the Company made an offering of 23,000 shares of common stock at \$30.07 per share under the 1962-1963 Employee Stock Purchase Plan; at December 31, 1962 subscriptions for 18,311 shares were outstanding.

The net reduction in additional paid-in capital during 1962 results from an increase of \$427,077, representing the excess of the proceeds over the par value of 32,589 shares of the Company's previously unissued common stock issued under the aforementioned plans, and a decrease of \$1,598,388, representing the excess of the acquisition cost of 86,720 shares of treasury stock acquired during 1962 over the proceeds received upon issuance for stock options exercised.

TABLE 45: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1962	1960	1955
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Co. Nos. 113, 118, 256, 294, 307, 477)	9	8	2
Subscription price shown in dollar amount only, and price set: At time stock offered for subscription (*Co. Nos. 7, 191, 336, 406, 417)	5	2	5
Not determinable from annual report (*Co. Nos. 252, 426, 440)	3	10	3
Subscription price not shown, but stated to be equal to market:			
At time stock offered for subscription (*Co. Nos. 268, 369, 552)	3	5	—
At time of purchase (*Co. No. 378)	1	1	1
On last business day preceding the offering	—	—	1
Neither subscription price nor market value stated or indicated (*Co. Nos. 8, 101, 249, 345, 411, 525)	41	34	28
Total	62	60	40
Number of Companies with:			
Employee stock purchase plan	62	60	40
No employee stock purchase plan	538	540	560
Total	600	600	600

*Refer to Company Appendix Section.

PITNEY-BOWES, INC.
Notes to Financial Statements

Note 6: *Capital Stock*—At December 31, 1962, there were issued and outstanding 4,395,663 shares of common stock, and 15,790 shares of the 4¼% series B cumulative preferred stock callable at $51 per share up to January 2, 1966, and thereafter at amounts diminishing to par.

Transactions in 1962 under the Employees' Stock Purchase Plan are summarized as follows:

	Number of Shares	Purchase Price Per Share	Purchase Price Total
Shares reserved at December 31, 1961, for purchase by employees, less 5,082 shares cancelled in 1962	73,979	$14-$59	$2,588,749
Shares offered in 1962 (net of cancellations)	22,471	$62	1,398,820
	96,450		3,987,569
Deduct: shares issued in 1962 under fully paid subscriptions (market at issue dates about $58 per share, total $1,222,379)	21,135	$14-$62	522,781
Shares reserved at December 31, 1962	75,315	$19-$62	$3,464,788

STANDARD OIL COMPANY OF CALIFORNIA
Financial Review

Among the foremost benefits the Company makes available to its personnel is the Stock Plan, for which employees become eligible after reaching 35 years of age and a minimum of five years of service. Participants in the Plan regularly invest a share of their income in a trust fund, to which the Company likewise makes payments out of income. Funds thus accumulated are used to buy common stock of the Company on the open market, dividend income also being reinvested in stock.

At the beginning of 1963 the Stock Plan had 18,865 members, approximately 96% of all those eligible to participate. Total of their contributions for 1962 was $5,486,000.

Nearly 2,500,000 shares of common stock, more than 3½% of the common shares issued, are held by the trust fund for the benefit of Plan members and their beneficiaries.

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 1962 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.

A total of 275 survey companies referred to such contingencies in their 1962 annual reports. In most cases (264 companies) the disclosure was made either in the notes to the financial statements or in the president's letter to stockholders. The others (11 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. 60, 79, 91, 319, 352, 423).

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 1962 reports.

Litigation

AMERICAN SMELTING AND REFINING COMPANY
Notes to Financial Statements

Note 9: *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.

BEECH AIRCRAFT CORPORATION
Notes to Financial Statements

Note H: *Contingent Liabilities*—The Company is involved in litigation which has arisen out of operations in the ordinary course of business. While it is not possible to forecast the outcome of this litigation, it is the opinion of Counsel that it will not have a material adverse effect on the financial position of the Company.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Financial Review

Litigation: On January 14, 1963, IBM consented to the entry of an order by the United States District Court, Southern District of New York, relating to the section of its 1956 Consent Decree which deals with tabulating cards.

Under its 1956 Consent Decree, IBM was required by 1963 to divest itself of that part of its tabulating card manufacturing capacity in excess of 50% of the national manufacturing capacity, or prove to the court that substantial competitive conditions existed in the card field.

*Refer to Company Appendix Section.

TABLE 46: CONTINGENT LIABILITIES

Nature of Contingency*	1962	1960	1955
Litigation:			
A: Non-Government	67	75	53
B: Government	68	64	27
C: Not identified	20	17	23
Guarantees:			
D: Subsidiaries	54	53	48
E: Affiliated and associated companies	37	26	18
F: Other	27	29	28
G: Possible tax assessments	36	42	24
H: Accounts or notes receivable sold	34	33	15
I: Purchase or repurchase commitments	20	22	16
J: Miscellaneous agreements and contracts	46	39	34
Total	409	400	286
Number of Companies referring to Contingent Liabilities:			
On the face of the balance sheet	11	13	213
In notes to financial statements or in president's letter only	264	252	
Total	275	265	213
Not referring to contingent liabilities	325	335	387
Total	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 20, 136, 203, 324, 412, 558.
B: Co. Nos. 45, 109, 216, 325, 429, 586.
C: Co. Nos. 141, 296, 299, 424, 529, 600.
D: Co. Nos. 79, 183, 240, 314, 476, 592.
E: Co. Nos. 56, 131, 273, 351, 466, 597.
F: Co. Nos. 60, 152, 235, 320, 419, 549.
G: Co. Nos. 44, 101, 223, 352, 423, 507.
H: Co. Nos. 95, 114, 278, 308, 439, 560.
I: Co. Nos. 34, 122, 238, 389, 491, 550.
J: Co. Nos. 37, 143, 214, 301, 434, 539.

Tabulating cards are a product of IBM's Supplies Division. Since 1956, more than 35 new competitors have entered the tabulating card field. According to its best estimates, IBM's card press capacity is now within 2% of the target set by the 1956 Consent Decree, and IBM agreed, under the new court order, to divest itself of the excess card presses by September 1, 1963. The company also agreed that, by 1968, its share of the national manufacturing capacity for special feature tabulating cards shall not exceed 50%. Special feature cards include merchandise coupons, utility bills and other such special purpose card documents.

Stockholders were advised on August 20, 1962 that Business Supplies Corporation of America had instituted a lawsuit against IBM. The complaint related to alleged antitrust violations in the tabulating card business. The original complaint was later amended to include data processing supplies. Business Supplies Corporation claims $180,000,000 and certain equitable relief. On October 31, 1962, J. J. Hackett and Company sued IBM claiming $21,000,000 and certain equitable relief for alleged antitrust violations with regard to tabulating cards.

IBM and its outside counsel believe that these lawsuits are without merit. IBM's answer to the complaints asked for a dismissal of the suits and asserted counterclaims against both companies charging injury to the tabulating card industry caused by improper pricing tactics in violation of the Robinson-Patman Act.

KIMBERLY-CLARK CORPORATION
Notes to Financial Statements

Note 10: *Legal Proceedings*—On February 15, 1962 the United States Department of Justice filed a civil action against the Corporation claiming that its acquisition in 1961 of the net assets of Blake, Moffitt & Towne (which now constitute 5% of consolidated net assets) violated Section 7 of the Clayton Act and asking that the Corporation be ordered to divest itself of such assets. The Corporation is contesting this action vigorously.

PERMANENTE CEMENT COMPANY
Notes to Financial Statements

Note H: *Litigation*—A discussion of the Federal Trade Commission litigation appears in the comments of the Chairman and the President.

President's Letter

As many of you probably are aware, in December of last year a Federal Trade Commission Hearing Examiner ruled in an initial decision that two acquisitions in the Pacific Northwest, one by Permanente and one by subsidiary Glacier Sand & Gravel Company, violate the anti-merger law. The facilities acquired in these acquisitions were the Company's Bellingham, Washington cement producing plant and the Portland operations of Glacier Sand & Gravel. We have already appealed this preliminary decision to the full Commission and, as a result, the Commission has granted a review of the case. It is expected that this will be heard within the next six months. Since this review has been granted, the Hearing Examiner's order of divestiture will not take effect. Any further decision on the case will result from the Commission's hearing. If necessary after the Commission's review, we will appeal to the courts. During the course of the year-long hearings on the FTC complaints, the Company introduced substantial evidence that both of these acquisitions benefited and promoted competition in the areas and industries involved. We are confident that these acquisitions ultimately will be held to be proper and legal.

Guarantees

ANDERSON, CLAYTON & CO.
Notes to Financial Statements

Note 5: Contingent liabilities of the company as of July 31, 1962 represented guarantees of approximately $3,450,000 for associated companies and others.

BASIC INCORPORATED
Balance Sheet

Shareholders' Equity:	
Capital Shares:	
$6.25 Cumulative Preferred Shares—$1 par value—authorized 10,500 less 1,000 redeemed and cancelled; outstanding 9,500 (stated at the $100 involuntary liquidation value)	$ 950,000
$5.60 Cumulative Convertible Preference Shares—$1 par value—authorized and outstanding 2,522 (stated at the $100 involuntary liquidation value)	252,200
Cumulative Serial Preference Shares—$50 par value—authorized 140,000; issued and outstanding 70,000 5% Convertible Shares	3,500,000
Common Shares—$1 par value—authorized 1,750,000; outstanding 1,180,497 (after deducting 29,568 in treasury)	1,180,497
Capital surplus	6,598,966
Retained earnings	4,909,389
	$17,391,052
Contingent Liability:	
$234,000 as guarantor of unconsolidated subsidiary's indebtedness	
	$24,926,862

CANADA DRY CORPORATION
Notes to Financial Statements

Contingent Liabilities: 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 $460,000 at September 30, 1962.

MARATHON OIL COMPANY
Notes to Financial Statements

Note E: The Company is contingently liable as guarantor of an unconsolidated financial subsidiary's obligations to banks and others totaling approximately $21,687,000. Underlying assets of the subsidiary are of sufficient value to cover these obligations.

THE RUBEROID CO.
Notes to Financial Statements

Note 2: *Investments*—Pursuant to an agreement with Cabot Corporation dated October 11, 1962 the company purchased 20,000 shares of 5% cumulative convertible voting preferred stock of Cabot Titania Corporation (a newly organized company) for an aggregate consideration of $2,000,000. The 20,000 shares of preferred stock represent a 33-1/3% interest in Cabot Titania. The remaining 66-2/3% interest, represented by 40,000 shares of common stock, is held by the Cabot Corporation. Cabot Titania has been organized to build and operate a titanium dioxide plant at Ashtabula, Ohio.

The company is contingently liable as guarantor of notes payable of Cumberland Chemical Corporation in the amount of $1,800,000 and Cabot Titania Corporation in the amount of $2,500,000.

UNITED WHELAN CORPORATION
Balance Sheet

Long-term leases, contingencies and other comments—Note D

Notes to Financial Statements

Note D: *Long-term Leases, Contingencies and Other Comments*—The Corporation and its subsidiaries in the ordinary course of business lease substantially all store properties. At December 31, 1962, there were 93 leases expiring more than three years after that date for which the aggrgate minimum annual rentals were approximately $1,625,000, including $172,000 applicable to two discount stores not opened as at that date. The majority of these leases provide for additional rentals based upon percentages of sales in excess of predetermined bases and upon other factors. Cost of goods sold, cost of shipments to agents and selling, general and administrative expenses include rent expense of $2,161,274 in 1962 and $2,305,671 in 1961, and loss from real estate operations includes rent expense of $270,579 in 1962 and $363,275 in 1961.

The Corporation is contingently liable with respect to guarantees of the obligations of others in the approximate amount of $165,000.

Possible Tax Assessments

THE AMERICAN SHIP BUILDING COMPANY
Notes to Financial Statements

Note D: *Federal Income Taxes*—In its examination of federal income tax returns for the years 1959 and 1960, the Internal Revenue Service has disagreed with the method used to allocate the purchase price of a wholly-owned subsidiary to the assets received. The Company expects to contest the issue as a substantial amount of tax may be involved.

GIDDINGS & LEWIS MACHINE TOOL COMPANY
Notes to Financial Statements

Note 3: *Federal Income Taxes*—The Company's federal income tax returns for 1958, 1959 and 1960 have been examined by the Internal Revenue Service. Although reports thereon have not been received, preliminary discussions indicate that a portion of the depreciation deducted in the returns filed may be disallowed. The issue involved would also be applicable to the years 1961 and 1962. No provision has been made in the financial statements for any deficiency. Management is of the opinion that the additional tax liability, if any, that might ultimately be determined, will not materially affect its financial statements.

THE HOBART MANUFACTURING COMPANY
Notes to Financial Statements

Note 3: The Internal Revenue Service has asserted a Federal income tax deficiency of approximately $550,000 for the years 1954 through 1957, which is being contested by the Company. The asserted deficiency relates principally to a proposal to tax the increase in valuation of inventories as of January 1, 1954 which resulted from a change in the method of accounting employed by the Company in allocating manufacturing expenses and determining the cost of several products. In the opinion of the Company's Counsel, the proposal of the Internal Revenue Service is not proper.

SMITH-CORONA MARCHANT INC.
Notes to Financial Statements

Note 7: *United States Income Taxes*—The 1962 provision for United States income taxes has been reduced by approximately $900,000, and net income correspondingly increased, as a result of 1960 and 1961 special charges becoming allowable deductions for tax purposes during the year ended June 30, 1962. At June 30, 1962 the amount of such charges which had not yet become allowable deductions amounted to approximately $250,000.

The Internal Revenue Service is contending that advance payments received subsequent to 1950 under certain maintenance contracts are taxable in full at time of receipt. The Company has followed the practice, for both accounting and tax purposes, of recording income from these contracts over the periods of the contracts. Should the position of the Internal Revenue Service be sustained, the resulting tax liability would amount to approximately $1,250,000. This would have no material effect, however, on the consolidated results of operations because such tax would be allocated over the remaining lives of the maintenance contracts in the same manner as the income is allocated, although any related interest cost would be recognized immediately.

Accounts or Notes Receivable Sold

CORN PRODUCTS COMPANY
Notes to Financial Statements

Note 7: *Contingent Liabilities*—Certain international subsidiaries are contingently liable for notes receivable discounted and other items in the amount of $4,945,101.

JONES & LAMSON MACHINE COMPANY
Notes to Financial Statements

Note 5: The Company was contingently liable under assignments to banks of various chattel mortgages, conditional sales contracts and other customer paper in the amount of $827,725.91 at December 31, 1962 and $739,127.83 at December 31, 1961.

PARKERSBURG-AETNA CORPORATION
Notes to Financial Statements

Note G: The Corporation has sold certain customers' notes to a financial institution, and recourse is limited to $160,000.

PIPER AIRCRAFT CORPORATION
Notes to Financial Statements

Note 4: *Contingencies*—Contingent liabilities arising from financing of customers' obligations aggregated approximately $1,737,000 at September 30, 1962. The Company has experienced no losses from such financing and does not anticipate these contingent liabilities will have any material effect on its financial position or earnings.

The Company has agreements with two banks which permit it to borrow up to $5,000,000 on short-term unsecured notes and an agreement with one bank (terminable by either party on 30 days' notice) under which the bank will purchase on request from the Company, with recourse, notes receivable from distributors for secured short-term aircraft financing, up to a $3,000,000 investment by the bank. At September 30, 1962, no notes had been sold under this latter agreement.

THE SEEBURG CORPORATION
Notes to Financial Statements

Note 6: *Contingent Liability for Repurchase of Trade Acceptances Sold, Etc.*—As of October 31, 1962, the Company was contingently liable for the repurchase of approximately $7,000,000 of notes and trade acceptances which have been sold to financial institutions, and was contingently liable on approximately $3,500,000 of other discounted commercial paper.

Purchase or Repurchase Commitments

AMERICAN MACHINE & FOUNDRY COMPANY
Balance Sheet

Lease Commitments and Contingents Liabilities (Note 7)

Notes to Financial Statements

Note 7: *Lease Commitments and Contingent Liabilities*—The aggregate annual rental payments on long term leases at December 31, 1962, including rentals on properties sold and leased back, approximate $4,250,000.

Certain long term installment notes receivable were sold to banks without recourse. The unpaid principal balance of such notes at December 31, 1962 was $29,198,000. Under the agreements of sale the Company may be required to purchase repossessed equipment at the amount of the unpaid balance of the notes involved.

ATLAS CHEMICAL INDUSTRIES, INC.
Notes to Financial Statements

Note 9: *Commitments*—Atlas and the other 50% owner of Solar Nitrogen Chemicals, Inc. are parties to a sale and purchase agreement with Solar. The agreement provides that, in certain circumstances, Atlas and the other owner may be required to purchase ammonia, or advance funds in lieu of such purchases, to enable Solar to meet its expenses and obligations. This requirement did not become operative at any time during 1962.

HUPP CORPORATION
Notes to Financial Statements

Note G: *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 51 months. Sufficient shares of Common Stock are reserved for this purpose.

The Corporation has agreed to make additional payments of at least $463,750, but not exceeding $1,188,750 over a remaining period of approximately 13 years depending on the amount of royalties received by a company acquired in 1960.

The Corporation was contingently liable under dealer finance repurchase agreements aggregating approximately $5,525,000 at September 30, 1962.

A portion of the Corporation's sales for 1962 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.

LOFT CANDY CORPORATION
Notes to Financial Statements

Note B: *Franchised Retailers*—The Company, during the fifty-two weeks ended June 30, 1962, commenced the sale of its products through franchised retailers. Net costs of $86,877 incurred in this connection, after deducting applicable income taxes amounting to $93,000, have been deferred for financial accounting purposes and will be charged to future operations.

In accordance with agreements with certain franchised retailers, the Company may be required to purchase the retailers' display and storage equipment if their candy sales during the first year of operations do not exceed a specified amount. At June 30, 1962, the Company's maximum liability for purchase of equipment under these agreements was $200,000; management anticipates that purchases of such equipment, if any, will not be material.

J. P. STEVENS & CO., INC.
Notes to Financial Statements

Other Comments: . . . The Company may be requested to purchase, in the event of default, certain mortgage notes receivable arising from sales of mill village properties. The unpaid balances of these notes approximate $1,270,000 as at November 3, 1962. . . .

U. S. INDUSTRIES, INC.
Notes to Financial Statements

Note J: *Repurchase Agreements*—The Company and certain of its foreign subsidiaries have agreed to repurchase, under certain conditions, deferred payment title retention sales contracts and notes sold to financial institutions and wholly-owned unconsolidated finance subsidiaries. The balances of these contracts and notes amounted to approximately $12,000,000 at December 31, 1962.

Miscellaneous Agreements or Contracts

AMERICAN-SAINT GOBAIN CORPORATION
Notes to Financial Statements

Note 4: *Preferred Stocks*—(a) 5% Cumulative Preferred Stock: The 5% Cumulative Preferred Stock is redeemable, through operation of a sinking fund, at par value plus accrued and unpaid dividends. Annual sinking fund requirements, not to exceed $175,000, amount to 25% of the consolidated net earnings for the preceding year in excess of $500,000. Apart from sinking fund requirements, the stock is callable at the option of the Corporation at prices ranging from $25.50 to $25.00 per share, plus accrued and unpaid dividends. As of December 31, 1962, the Corporation has omitted seven quarterly dividend payments, amounting to approximately $348,000 in the aggregate. The holders of this Preferred Stock now have the right to elect two directors in addition to the directors elected by the holders of Common Stock at the next election of directors.

UNIVERSAL AMERICAN CORPORATION
Notes to Financial Statements

Note 8: *Commitments and Contingencies*—(a) Two subsidiaries have retirement and pension plans for employees under which past service costs aggregating approximately $2,465,000 at December 31, 1962, are being amortized over periods not exceeding 30 years. Several divisions also have retirement and pension plans for employees, none of which has any commitment to fund past service costs. The 1962 cost for all plans was approximately $750,000.

(b) There are lawsuits and claims pending against a subsidiary in the approximate amount of $1,750,000 which the subsidiary is contesting. Counsel has advised that the ultimate liability in respect to these suits and claims will be nominal.

(c) Income and costs including those pertaining to joint ventures are subject to settlement of claims, warranties and renegotiation. The results are recorded when resolved. Certain sales and contracts for 1962 are subject to renegotiation (prior years have been cleared). Management is of the opinion that no material adverse effect will result from settlement of the foregoing items.

(d) Certain shareholders have rights of appraisal of their stockholdings, in connection with the merger of Van Norman Industries, Inc. into Universal American Corporation. Ultimate liability with respect to the foregoing is not determinable.

(e) An agreement has been entered into subject to satisfaction of various conditions, to invest approximately $450,000 for a minority interest in a new Indian corporation.

(f) The Company and its subsidiaries are committed on long term leases expiring by 1978 at annual rentals ranging to approximately $380,000.

(g) The Company has guaranteed $367,500 of a loan of a 49% owned affiliate and agreed to indemnify Francis S. Levien against any loss on his personal guarantee of a $1,140,000 bank loan of this affiliate.

(h) Under an agreement covering the financing of machinery installment sales, the Company has a contingent obligation, limited to an ultimate net loss of $400,000, to repurchase conditional sales contracts. To date, the Company's losses under this agreement have been negligible.

(i) The Company and an unrelated corporation own all of the stock of Livingston Rock & Gravel Co., Inc. (a consolidated subsidiary). A three year option has been granted to the unrelated corporation to purchase the Company's stockholdings in this subsidiary for an amount in excess of the Company's cost, payable at purchaser's option in cash and/or securities.

(j) At December 31, 1962, a subsidiary (acquired in 1962) was lessee under long-term leases covering land and mineral properties with minimum annual rentals of approximately $211,000. In addition to the required minimum rentals, certain leases require payments based on quantities of rock and sand extracted and payment of real estate taxes. For the year 1962, total rental and property tax expense relating to leased properties was $583,000.

This subsidiary has also entered into an agreement for the purchase of land for an estimated maximum price of $1,388,000. The consummation of the agreement is contingent upon obtaining certain changes in the zoning of the land.

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 gain or assets to avoid misleading implications as to the likelihood of realization.

The comparatively few disclosures relating to contingent assets in the 1962 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 1962 reports.

Carry-forward Losses

AMERICA CORPORATION
Notes to Financial Statements

Note 5: Federal taxes on income—Consolidated Federal income tax returns are filed. At December 31, 1962, the Company estimates that the net operating loss carry-forward available for use in future years was approximately $2,000,000.

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. Counsel has advised that it is not known at this time whether any deficiency will be asserted for any of the years involved.

ELGIN NATIONAL WATCH COMPANY
Financial Review

Sales of the Elgin National Watch Company increased 21% over the previous year . . . from $33,351,514 to $40,429,116. Net operating income rose ten-fold to $1,142,103 or $1.23 per common share (from $113,946 or 12¢ per share). In addition, the Corporation received a special credit of $265,178, or 29¢ per share, representing settlement of a claim adjusting sales for the prior year. As a result, consolidated net income for the year was $1,407,281, or $1.52 per share. We made no provision in either year for Federal income taxes because of a tax loss carry-forward which is now approximately $3,400,000 (as of February 28, 1962).

EVANS PRODUCTS COMPANY
Notes to Financial Statements

Note H: Federal Taxes on Income—At December 31, 1962, the Company and its United States subsidiaries had accumulated operating losses of approximately $2,000,000 (primarily from prior years) which are available for application against future taxable earnings.

THE MURRAY CORPORATION OF AMERICA
Notes to Financial Statements

Note 4: Federal Income Taxes—No provision has been made for federal income taxes in 1962 because of the availability of prior year's losses as deductions for tax purposes. Approximately $2,400,000, consisting of prior year's losses and certain 1962 charges not currently deductible, will be available as deductions from future taxable income.

PHOENIX STEEL CORPORATION
Notes to Financial Statements

Federal Taxes on Income: A federal tax loss carry-forward in excess of $12,000,000 is available. In accordance with the investment credit provisions of the Revenue Act of 1962, a credit in the amount of approximately $200,000 against future federal income taxes payable is also available.

STANRAY CORPORATION
Notes to Financial Statements

Note D: Federal Taxes on Income—A consolidated federal income tax return will be filed for 1962. No tax will be due thereon as prior year's losses of certain subsidiaries are available as an offset against taxable income for 1962. Additional prior year's losses of certain subsidiaries will be available as an offset against taxable income of future years.

Claims for Refund of Taxes

THE BOEING COMPANY
Financial Review

Federal Income Taxes: The Internal Revenue Service has reviewed and agreed to all Federal income tax returns through the year 1958, except for certain refund claims which are still pending. The income tax liability stated on the balance sheet is believed to provide adequately for the years 1959 through 1962.

JONES & LAMSON MACHINE COMPANY
Notes to Financial Statements

Note 3: The Company's federal income tax returns have been examined and liabilities settled for years through 1952. Examinations of returns for subsequent years through 1960 have been completed and adjustments resulting in a net refund to the Company have been tentatively agreed upon with the Appellate Division, Boston, Internal Revenue Service. The agreement is subject to review and approval by the Joint Committee on Internal Revenue Taxation.

RADIO CORPORATION OF AMERICA
Notes to Financial Statements

Note 1: 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.

Other

THE BULLARD COMPANY
President's Letter

As previously reported to you, the Company instituted suit in 1960 against the General Electric Company for infringement of Bullard patents in the numerical tape control field and there was a hearing on this matter in 1961. The U. S. District Court has not yet rendered its decision.

SPRAGUE ELECTRIC COMPANY
Notes to Financial Statements

Note 3: Federal Income and Excess Profits Taxes—The Federal tax returns of Sprague Electric Company have been examined by the Internal Revenue Service through the year 1957, and all tax liabilities therefor have been reflected in the accounts. The Revenue Agent's report for the years 1954 to 1956, inclusive, indicating a refund, has been accepted by the Company and is pending final approval by the Internal Revenue Service.

With respect to the years 1941 to 1946, inclusive, the Internal Revenue Service alleged a net additional tax amounting to $725,003, comprising taxes deferred under Section 721 of the Internal Revenue Code of 1939 aggregating $602,108 and additional taxes aggregating $122,895 applicable to other issues which were conceded by the Company. The Section 721 issues, under which the Company filed claims substantially in excess of $725,003, were tried in the Tax Court of the United States. As a result of the Tax Court's decision in 1962 with respect to the Section 721 issues, the net additional tax liability therefor and for the other issues which were conceded by the Company amount in the aggregate to $439,075, which with interest of $468,090 has been reflected in the financial statements. The Company has entered an appeal of the Tax Court's decision to the Circuit Court of Appeals.

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 553 companies having subsidiaries in 1962, 235 companies presented fully consolidated statements, 297 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 (43 companies); geographic location of some foreign subsidiaries (68 companies); and nonhomogeneous operations of domestic subsidiaries (13 companies).

The nonhomogeneous operations of these excluded subsidiaries consist of the following: Real Estate 5, Finance 4; Insurance, Factories, Railway, and Baseball, one each.

Fully Consolidated Statements

PARKE, DAVIS & COMPANY
Notes to Financial Statements

Note A: International Operations—The accounts of the Company and its subsidiaries have been consolidated in the accompanying financial statements. The accounts with respect to subsidiaries and branches outside the United States and Canada have been included on the basis of fiscal years ended November 30.

Net current assets and total net assets of branches and consolidated subsidiaries outside the United States and Canada at December 31, 1962, and December 31, 1961, were as follows:

	1962	1961
Net current assets	$12,850,000	$11,170,000
Total net assets	35,810,000	32,820,000

Of the total net earnings from business outside the United States and Canada, $6,490,000 for the year ended December 31, 1962, and $8,390,000 for the year ended December 31, 1961, were earned in other than United States and Canadian funds.

Current assets and current liabilities have been included in the balance sheet at the prevailing rates of exchange at December 31, 1962, and property, plant, and equipment have been included at the approximate United States dollar cost at date of acquisition. Operations of subsidiaries and branches outside of the United States have been included in the statement of net earnings on the basis of the applicable rates of exchange during the year.

STANDARD KOLLSMAN INDUSTRIES INC.
Notes to Financial Statements

Note 1: Consolidation of subsidiaries—The accounts of all domestic and foreign subsidiaries have been included in the consolidated financial statements.

TIME INCORPORATED
Notes to Financial Statements

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all subsidiaries. On April 30, 1962, the Company acquired substantially all the assets and assumed the liabilities of Silver Burdett Company in exchange for 85,000 shares of the Company's Common Stock. The transaction has been accounted for as a pooling of interests, and accordingly the accompanying consolidated financial statements include the results of operations of Silver Burdett for the full year 1962. The consolidated financial statements for the year ended December 31, 1961 have been restated to include Silver Burdett.

All Foreign Subsidiaries Excluded

CELANESE CORPORATION OF AMERICA
Balance Sheet

	(Thousands of Dollars)
Investments and Advances:	
Investments in and undistributed earnings of foreign subsidiaries (Notes 1, 7)	$ 87,831
Other foreign investments, at cost	12,154
Associated domestic company, at cost	18,350
Other	4,850
	$123,185

Note 1: Principles of Consolidation—The Consolidated financial statements include the accounts of the Corporation and its domestic subsidiaries after the elimination of all significant intercompany transactions and profits.

As of December 31, 1961, the investments in foreign subsidiaries were carried at cost. In 1962 these investments have been

TABLE 47: CONSOLIDATION OF SUBSIDIARY COMPANIES

	Location of Subsidiaries				1962
Consolidation Policy	Domestic Only	Domestic and Foreign	Foreign Only	Not Indicated	Total Companies
Fully consolidated financial statements (a) (*Co. Nos. 24, 171, 267, 390, 444, 590; (b) 3, 112, 222, 341, 420, 564; (c) 51, 194, 213, 355, 422, 579)	(a) 104	(b) 111	(c) 14	6	235
Partially consolidated financial statements**	33	254	10	—	297
Unconsolidated financial statements (d) (*Co. Nos. 77, 206, 228, 230, 485, 562; (e) 292, 407, 539; (f) 99, 258, 268, 323, 411, 537)	(d) 7	(e) 3	(f) 11	—	21
Total Companies having subsidiaries	144	368	35	6	553
Companies having no subsidiaries					47
Total					600

**Partially Consolidated Financial Statements—Consolidation Policy	1962 Total Companies
Companies having domestic subsidiaries only:	
Wholly-owned, active subsidiaries consolidated (*Co. Nos. 48, 65, 163, 332, 400, 532)	13
Significant, principal, and active subsidiaries included (*Co. Nos. 175, 551)	2
All subsidiaries consolidated except those with nonhomogeneous operations (*Co. Nos. 9, 57, 143, 186, 353, 508)	13
Basis not indicated (*Co. Nos. 46, 79, 142, 145, 486)	5
Total companies having domestic subsidiaries only	33
Companies having domestic and foreign subsidiaries:	
All domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (88 companies):	
Exclusion of all (*Co. Nos. 64, 161, 226, 338, 472, 571)	33
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 37, 134, 215, 345, 455, 536)	42
Other basis indicated (*Co. Nos. 96, 157, 288, 447, 487, 534)	9
Basis not indicated (*Co. Nos. 393, 494, 496, 538)	4
Wholly-owned, active domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (47 companies):	
Inclusion of all wholly-owned and active (*Co. Nos. 92, 138, 257, 399, 421, 585)	33
Exclusion of all (*Co. Nos. 93, 178, 314, 342, 511, 584)	6
Exclusion based upon geographic location or geographic location plus other factors (*Co. Nos. 13, 160, 354, 474, 501, 512)	8
Only subsidiaries with operations homogeneous to those of the parent company consolidated, with following treatment of foreign subsidiaries (38 companies):	
Inclusion of, based on homogeneous operations (Co. Nos. 6, 119, 211, 366, 430, 507)	19
Inclusion of all (*Co. Nos. 127, 308, 591, 598)	4
Exclusion of all (*Co. Nos. 38, 133, 456, 488)	4
Exclusion based on location (*Co. Nos. 16, 72, 80, 144, 189, 237)	6
Other basis indicated (*Co. Nos. 39, 126, 249, 468)	4
Not indicated (*Co. No. 588)	1
Other variations (81 companies):	
All subsidiaries based on voting control or fixed percentage of ownership (*Co. Nos. 36, 45, 311, 328, 370, 504)	7
All significant, principal, and active subsidiaries included (*Co. Nos. 141, 167, 233, 440, 473, 527)	16
Domestic, significant subsidiaries included with some foreign subsidiaries excluded on basis of geographic location (*Co. Nos. 61, 70, 236, 482, 502, 586)	7
Other basis indicated (*Co. Nos. 105, 187, 256, 304, 495, 528)	25
Basis not indicated (*Co. Nos. 94, 200, 281, 315, 436, 529)	26
Total companies having domestic and foreign subsidiaries	254
Companies having foreign subsidiaries only:	
Exclusion based upon geographic location or geographic location plus other factor(s) (*Co. Nos. 41, 129, 240, 320, 510)	5
Other basis indicated (*Co. Nos. 52, 254, 556, 576, 594)	5
Total companies having foreign subsidiaries only	10
Total companies partially consolidating financial statements	297

*Refer to Company Appendix Section.

stated at cost plus undistributed net earnings and the net earnings of the foreign subsidiaries have been included in the consolidated net earnings. The net earnings of the foreign subsidiaries have been computed after the elimination of inter-company profits but without provision for United States taxes on such earnings except to the extent received by the Corporation. The Consolidated financial statements for the year 1961 have been restated to conform with the basis adopted in 1962.

ARMSTRONG CORK COMPANY
Balance Sheet

Noncurrent Assets:
Investment in foreign subsidiaries, at cost (Note 2) $8,452,822

Note 2: The Company's equity in the net assets of foreign subsidiaries (wholly owned) at December 31, 1962, based on their audited financial statements, was $12,899,000 at applicable rates of exchange. Net earnings of such subsidiaries for the year were $1,226,000, after deducting an unrealized exchange loss of $45,000. The Company takes into earnings only dividends actually received from foreign subsidiaries.

Exclusion of Foreign Subsidiaries Based on Geographic Location

THE DOW CHEMICAL COMPANY
Balance Sheet

Investments and Non-Current Receivables:	
Capital stock of subsidiary companies not consolidated (at cost) (Notes A and B)	$ 5,729,602
Notes receivable and capital stock (at cost) of associated companies (Note B)	36,573,496
Non-current notes and accounts receivable and sundry investments	23,783,232
	$66,086,330

Note A: *Principles of Consolidation*—The consolidated financial statements for the year ended May 31, 1962 include the accounts of the Company and all of its domestic and foreign subsidiaries except for those located in Mexico.

The accounts of foreign subsidiaries have been converted generally at official or other appropriate exchange rates.

Note B: *Subsidiary Companies Not Consolidated and Associated Companies*—At May 31, 1962 the Company's investment at cost exceeded its equity in the combined net assets of subsidiary companies not consolidated, as shown by their financial statements, by approximately $1,100,000. The Company's equity in the combined net loss of these companies was approximately $100,000 and $300,000 for the years ended May 31, 1962 and 1961, respectively.

The Company's equity in the combined net assets of associated companies (50% owned), as shown by their unaudited financial statements, exceeded the Company's investment at cost by approximately $17,100,000 at May 31, 1962. The Company's equity in the combined net income of these companies was approximately $4,400,000 and $4,700,000 for the years ended May 31, 1962 and 1961, respectively.

HAMILTON WATCH COMPANY
Balance Sheet

Noncurrent Assets:
Investment in unconsolidated subsidiaries (Note 2) $115,000

Note 1: *Basis of Consolidation*—The consolidated financial statements include Hamilton Watch Company and all subsidiaries in the United States, its territories and Canada. Two subsidiaries in Switzerland and one in Belgium have been treated as unconsolidated subsidiaries. All subsidiaries are wholly owned except Wallace Silversmiths, Inc., the minority interest in which is negligible at January 31, 1962.

The excess over cost at acquisition date of the consolidated net assets of Wallace has been segregated in the accompanying balance sheet for the purpose of eliminating disparate future charges to expense which otherwise would arise by reason of past differences in accounting between Hamilton and Wallace, chiefly relating to the accounting for pensions.

Note 2: *Investment in Unconsolidated Subsidiaries*—The unconsolidated subsidiaries, reporting on a calendar year basis, have consolidated net assets of approximately $392,000, as of December 31, 1961. Net income of these subsidiaries for the year ended December 31, 1961 is $97,010, which is excluded from the accompanying statement of income. No dividend was received during the year from the unconsolidated subsidiaries.

Hamilton is guarantor of a note payable by a Swiss subsidiary to a Swiss bank, the balance of which at January 31, 1962 at the applicable rate of exchange, was $277,410.

Subsidiaries with Nonhomogeneous Operations Excluded

CATERPILLAR TRACTOR CO.
Balance Sheet

Noncurrent Assets:
Investment in Caterpillar Credit Corporation (page 16, note 1) $6,844,223

Note 1: *Consolidation of Subsidiaries*—All of the Company's subsidiaries are wholly owned, and the results of their operations are included in the consolidated results of operations. Intercompany profits in inventories (less the applicable income taxes) have been eliminated.

The financial positions of the subsidiaries, except Caterpillar Credit Corporation, have been consolidated with that of the parent company. The investment in Caterpillar Credit Corporation is carried at cost plus the profit retained by the subsidiary.

The geographical distribution of the significant consolidated net assets located in foreign countries, other than Canada, is as follows:

	Great Britain	Australia	Brazil	Western Europe	Total
		(In millions of dollars)			
Current assets	$36.6	$ 8.1	$ 9.7	$29.9	$ 84.3
Current liabilities	6.6	1.1	.5	6.3	14.5
Net current assets	30.0	7.0	9.2	23.6	69.8
Fixed and other assets	19.4	5.9	5.8	12.0	43.1
Net assets	$49.4	$12.9	$15.0	$35.6	$112.9

No provision has been made for taxes which would be payable if undistributed earnings of the foreign subsidiaries were paid as dividends to the parent company, since these earnings have been invested in the business and are not available for the payment of dividends.

THE MAY DEPARTMENT STORES COMPANY
Notes to Financial Statements

Note A: *Principles of Consolidation*—The consolidated statements include all subsidiaries except The May Stores Shopping Centers, Inc. and The May Stores Realty Corporation (each wholly-owned), for which separate statements are submitted.

Investments in The May Stores Shopping Centers, Inc. and The May Stores Realty Corporation are stated at the Company's equity in the net assets thereof. Accumulated earnings of these subsidiaries in the amount of $7,179,538 at January 31, 1962 and $6,296,188 at January 31, 1961 are included in consolidated accumulated earnings retained in the business.

Inclusion of Wholly-Owned Subsidiaries

NATIONAL PRESTO INDUSTRIES, INC.
Notes to Financial Statements

In the accompanying financial statements, the accounts of only wholly-owned subsidiaries have been included with National Presto Industries, Inc.

RELIANCE MANUFACTURING CO.
Balance Sheet

Investments and Advances (net) in Affiliated Companies (Notes A and F):	
Pioneer Aerodynamic Systems, Inc.	$1,509,748
Puritan Fashions Corporation	3,369,176
	$4,878,924

Note A: *Principles of Consolidation*—The consolidated financial statements include the accounts of Reliance Manufacturing Company and its wholly-owned active subsidiary companies.

At December 1, 1962 Reliance held 580,429 shares (48.3%) of the common stock of Puritan Fashions Corporation (Puritan) and 439,197 shares (53.0%) of the common stock of Pioneer Aerodynamic Systems, Inc. (Pioneer). Presently outstanding stock options, if fully exercised, would reduce ownership to 40.3% and 45.5%, respectively. In the opinion of Reliance management these companies, which were wholly-owned prior to 1961 partial distributions as dividends, remain in a subsidiary relationship by reason of effective financial control through the substantial retained holdings of common shares and management functions.

The investments in these companies are carried at equity in underlying net assets and the proportionate interests of Reliance in their earnings are included in the statement of profit and loss. The equity of Reliance in 1962 net income of Puritan was $391,783, and in Pioneer $191,538, compared with $209,771 and $82,281, respectively, in 1961. No dividends were received from these companies in either year.

Based on separate audited financial statements of Puritan and Pioneer, the combined net assets of these companies at December 1, 1962 are summarized as follows:

Net current assets	$5,278,000
Fixed assets, net	1,951,000
Goodwill and trademarks, net	1,455,000
Other assets	1,477,000
Non-current liabilities	(526,000)
	9,635,000
Less—long term advance payable to Reliance	380,000
Stockholders' equity	$9,255,000
Amount thereof applicable to Reliance's investment	$4,657,000

Inclusion Based on Voting Control or Fixed Percentage of Ownership

PITTSBURGH PLATE GLASS COMPANY
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. 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 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.

Investments: The Company's equity in undistributed earnings of subsidiaries not consolidated since dates of acquisition was $22,240,000 at December 31, 1962. Dividends received in 1962 exceeded the Company's equity in the earnings of such subsidiaries by $1,730,000.

All Significant, Principal, and Active Subsidiaries Included

STANDARD PRESSED STEEL CO.
Notes to Financial Statements

Note 1: *Subsidiaries*—The consolidated financial statements include the accounts of the company and all significant subsidiaries. Minor subsidiaries or affiliates operating in Mexico, Australia, France and Japan are not consolidated; the investment in these companies is carried at cost which approximates the company's equity in underlying net assets.

Consolidated foreign subsidiaries, which are located in England, West Germany, Ireland and Canada, had net current assets aggregating $8,496,760 and total net assets of $17,586,112 at December 31, 1962. Approximately 36% of consolidated earnings before depreciation, amortization and income taxes are attributable to foreign operations. As a matter of policy substantially all earnings of foreign subsidiaries are retained to finance expansion.

Foreign currency amounts have been converted generally at the free exchange rate prevailing at year end and a small unrealized exchange loss has been charged to earnings.

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 *Statement 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 1962 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:

Capital Stock

FAIRBANKS WHITNEY CORPORATION
December 31, 1962
Notes to Financial Statements

Note 5: *Restatement of Capital Accounts*—The Board of Directors has approved a plan to restate the capital accounts of the Company which will be submitted for stockholders' approval at the next annual meeting. If approved, the effect of the restatement will be to eliminate the accumulated deficit in the earned surplus account at the effective date of the plan by a charge to capital surplus.

GIMBEL BROTHERS, INC.
January 31, 1962
Notes to Financial Statements

Note 4: On February 27, 1962 the stockholders approved an increase in the authorized common shares, $5.00 par value per share, from 4,000,000 shares to 10,000,000 shares. As a result, a two-for-one stock split of the common shares in the form of a 100% stock distribution to stockholders of record at the close of business on March 7, 1962, which had been authorized by the Board of Directors on December 26, 1961, became effective. In connection with the stock split, 1,954,600 shares of common stock were issued on March 30, 1962 and $9,773,000, representing the par value of the new shares, was transferred from earned surplus to the common stock account.

LERNER STORES CORPORATION
January 31, 1962
Notes to Financial Statements

Note D: The 4½% Cumulative Preferred Stock, par value $100 per share, is entitled to $105 per share plus accrued dividends in the event of voluntary or involuntary dissolution and is redeemable at $105 per share plus accrued dividends, subject to restrictions set forth in Note A.

During the year, the Corporation acquired 3,424 shares of its 4½% Cumulative Preferred Stock. The par value of these shares amounting to $342,400 was charged to treasury stock. The excess of the par value over the acquisition cost of such shares, amounting to $26,400, was credited to Capital Surplus.

Subsequent to January 31, 1962, the Corporation purchased 892 shares for $83,033.

MACKE VENDING COMPANY
September 30, 1962
Notes to Financial Statements

Note 4: The Board of Directors has authorized the issue of 19,991 shares of Class A common stock in connection with acquisitions subsequent to September 30, 1962. In addition the Company issued, in December, 1962, 3,000 additional shares to the former shareholders of a previously acquired subsidiary in compliance with terms of the original agreement.

RAYBESTOS-MANHATTAN, INC.
December 31, 1962
President's Letter

Change in Capital Stock: On January 16, 1963 the Directors recommended that the authorized capital stock be increased from 1,000,000 shares to 2,000,000 shares to provide additional shares of stock for a stock split on the basis of 2 shares for 1. The stockholders will be requested to approve this action at the annual meeting to be held on April 2, 1963 at 10:30 A.M. at the Biltmore Hotel, 43rd Street and Vanderbilt Avenue, in New York City. All stockholders are cordially invited to attend the meeting. Proxies for this meeting are being mailed and stockholders who cannot attend in person are reminded that it is important to send in their proxies.

UNITED FRUIT COMPANY
December 31, 1962
Notes to Financial Statements

Note 4: Pursuant to an Invitation for Tenders the Company subsequent to December 31, 1962 reacquired 426,300 shares of its capital stock at a total cost of $10,990,254.

Extra Distributions Declared in Cash or Stock or Dividends Omitted

ASSOCIATED DRY GOODS CORPORATION
February 3, 1962
President's Letter

Proposed Stock Split: The Directors have approved a proposal to amend the Restated Articles of Incorporation to provide for a two-for-one split of the common stock, and this proposal will be submitted to the Stockholders for approval at the Annual Meeting of the corporation on May 21st. The Board of Directors has declared its intention, following the stock split and subject to intervening circumstances not now foreseeable, to declare dividends on the common stock at the rate of $1.40 annually, which compares with the current annual rate of $2.50 (equivalent to $1.25 on the proposed split shares).

HART SCHAFFNER & MARX
November 30, 1962
Balance Sheet

Stockholders' Equity:	
Common stock—$5 par value, 2,000,000 shares authorized, 937,925 (before giving effect to the stock split described in notes) and 937,500 shares, respectively, issued and outstanding	$ 4,689,625
Capital surplus	3,975,162
Retained earnings	30,735,065
. . .	39,399,852
Treasury stock, at cost—39,685 and 46,995 shares, respectively	645,491
	38,754,361
	$62,563,881

Notes to Financial Statements

Stock Split: On December 17, 1962 the board of directors authorized a stock split to be effected in the form of a 25% stock dividend distributable February 8, 1963 to stockholders of record January 18, 1963.

President's Letter

On December 17, 1962, the Directors of the company declared a stock split effected in the form of a 25% stock dividend which was distributed on February 8, 1963, to shareholders of record as of January 18, 1963. The regular 35¢ quarterly dividend, paid on February 8, 1963, was based on the total number of shares outstanding after the stock split. This, in effect, represents a 25% increase in the cash dividend rate.

TABLE 48: POST BALANCE SHEET DISCLOSURES

Capital Stock:	1962
Changes in capital structure (*Co. Nos. 222, 260)	2
Treasury stock transactions (*Co. Nos. 211, 312, 354, 390, 399, 562)	9
Extra distributions declared in cash or stock or dividends omitted (*Co. Nos. 38, 124, 266, 316, 404, 507)	31
Issue of additional stock (*Co. Nos. 151, 352, 459, 481)	4
	46
Employees:	
Welfare, pension, and stock option plans (*Co. Nos. 130, 189, 220, 270, 401, 532)	11
Union negotiations (*Co. Nos. 36, 354, 400, 480, 493, 572)	8
	19
Fixed Assets:	
Purchased (*Co. Nos. 66, 158, 240, 478)	4
Sold (*Co. Nos. 72, 142, 344, 368, 543, 550)	11
	15
Indebtedness:	
Incurred (*Co. Nos. 40, 176, 241, 327, 403, 443)	10
Reduced (*Co. Nos. 88, 219, 237, 358)	4
Refinanced (*Co. Nos. 18, 147, 299, 332, 468, 597)	9
	23
Subsidiary or affiliated companies:	
Mergers pending, proposed, or effected (*Co. Nos. 3, 113, 209, 367, 469, 517)	23
Acquired or holdings increased (*Co. Nos. 5, 150, 280, 311, 425, 591)	31
Sold or holdings decreased (*Co. Nos. 21, 197, 211, 297, 434, 585)	12
	66
Contracts entered into or cancelled (*Co. Nos. 361, 375)	2
Litigation (*Co. Nos. 4, 121, 304, 307, 456, 548)	7
Various other (*Co. Nos. 49, 112, 297, 339, 533, 549)	19
Total	197
Number of Companies:	
Referring to post balance sheet events	156
Not referring to post balance sheet events	444
Total	600

*Refer to Company Appendix Section.

Employees

THE BOEING COMPANY
December 31, 1962
Review of the Year

Extended negotiations for new three-year labor contracts were held in the second half of 1962 and continued into 1963. On January 25, the government enjoined the two major unions involved from striking, under provisions of the Taft-Hartley Act, for a period of 80 days. If negotiations do not result in a settlement after 60 days, the Act provides that the Company's last offer must be submitted to a secret vote of all employees in the bargaining unit. Various aspects of the Company's right to manage the business, to evaluate the performance of its employees and of the union shop issue are the principal points of contention.

CENTRAL SOYA COMPANY, INC.
August 31, 1962
Notes to Financial Statements

Note 5: *Pension Plans*—The Company has noncontributory pension plans for employees of Central Soya Company, Inc. and its wholly-owned subsidiaries. Payments to the pension funds amounted to $560,380 for the year. The unfunded portion of past service costs of the plans was estimated by consulting actuaries to be $2,070,000 as of August 31, 1962.

As of September 1, 1962 the Company approved changes in the plans to provide additional retirement income principally for hourly paid employees. The Company's actuaries have estimated that the annual contributions to the pension fund will be increased approximately $155,000 due to these changes.

CONTINENTAL OIL COMPANY
December 31, 1962
Employment Costs

On January 1, 1963, the Company granted a "horizontal" wage and salary increase of 5% to employees not covered by the new salary administration program and not represented by labor unions. Local managers were authorized to offer an equivalent increase to most unions representing Company employees. This percentage increase was made necessary by similar 5% pay raises put into effect generally throughout the petroleum industry. The last previous industry-wide pay increase occurred in December 1960.

HEYWOOD-WAKEFIELD COMPANY
December 31, 1962
Financial Review

The agreement with the Union representing our employees at Menominee, which expired on February 1, 1963, has been replaced by a new one-year agreement. Under the terms of the new agreement, substantially the balance of the 10% reduction in wages accepted on February 1, 1960 will be restored.

Fixed Assets

AMERICAN METAL PRODUCTS COMPANY
December 31, 1962
Notes to Financial Statements

Note G: *Subsequent Events*—During January, 1963, the Company's investment in common stock of Briggs Manufacturing Company was sold for $289,592 less than its carrying amount. Also during that month, the machinery and equipment of a subsidiary, Tube Reducing Corporation, was sold for approximately $670,000 in excess of its net carrying amount. No effect has been given in the financial statements to the aforementioned transactions. Liquidation of the subsidiary is not expected to have a material effect upon future operating results.

ARVIN INDUSTRIES, INC.
December 30, 1962
Notes to Financial Statements

Note G: *Subsequent Events*—On December 31, 1962, the Company advanced $435,000 to Lok-Products Co., a wholly-owned subsidiary, for purchase of land and building located in Fullerton, California. The subsidiary expects to move its offices and manufacturing facilities to the new location during the first six months of 1963.

AUTOMATIC CANTEEN COMPANY OF AMERICA
September 29, 1962
President's Letter

Subsequent to the end of the fiscal year we disposed of our plastic cup manufacturing at a capital gain of approximately $850,000 before taxes. Initially, the Company entered this business to develop a plastic cup that would fit its vending requirements at a price that was attractive and competitive. Since then, many companies have entered the field and there is evidence that the chemical companies and others are expanding vertically into the manufacture of plastics. As a consequence, cup prices are now highly competitive. Our decision to dispose of this holding was based on this fact and the knowledge that it would have required a capital expenditure of several million dollars and a substantial investment in research and development to remain competitive in the cup market.

JONES & LAMSON MACHINE COMPANY
December 31, 1962
Notes to Financial Statements

Note 6: On January 14, 1963, the Directors approved, in principle, a proposal for the sale of the present business, subject to satisfactory negotiation of details and to approval of the Stockholders.

Indebtedness

CRANE CO.
December 31, 1962
President's Letter

On February 20, 1963 a $35,000,000 nine-year credit agreement was entered into with a group of 16 leading banks. Approximately $28,700,000 will be used to repay the present balance of the existing term loan entered into in 1960 in an original amount of $45,000,000. The additional funds, under the new loan, will be added to working capital. The new agreement provides interest at the same rate as the prior agreement.

HALLIBURTON COMPANY
December 31, 1962
Notes to Financial Statements

Note 3: At December 31, 1962 the Company was indebted for short-term loans aggregating $18,000,000. On February 19, 1963 these loans were replaced by a long-term note bearing interest at 4.45%. The principal of this note is to be repaid in annual installments of $1,000,000 commencing August 1, 1968, with the balance payable on August 1, 1983. Under the terms of the agreement pertaining to this note, no dividends or other distributions to stockholders may be made if such distributions would cause the net worth of the parent company to fall below $80,000,000. Also outstanding are long-term notes bearing 3¼% interest on which $1,000,000 is payable in 1963 (included in current liabilities). The balance of $2,000,000 is payable in four semi-annual installments of $500,000 from May 1, 1964. This loan agreement restricts $56,299,837 of consolidated retained earnings at December 31, 1962 by requiring a minimum working capital of $12,000,000.

Subsidiary or Affiliated Companies

THE AMERICAN HARDWARE CORPORATION
December 31, 1962
Notes to Financial Statements

Note 3: At December 31, 1962, the Company owned 91,181 shares of common stock of the Plymouth Cordage Company (Plymouth) (approximately 33% of the shares outstanding). Based on Plymouth's audited balance sheet at September 30, 1962, the equity applicable to the shares owned by the Company exceeded the cost of the investment by $1,774,000. The equity in the net income exceeded the dividends received by $330,000 in 1962 and $250,000 in 1961.

During December, 1962, the Company offered, to the shareholders of Plymouth, to exchange 2½ shares of its common stock and $2.50 cash for each share of common stock of Plymouth up to a maximum of 150,000 shares of the Company's common stock and $150,000 cash for 60,000 shares of Plymouth stock. As a result, 60,000 shares of Plymouth stock were thus acquired in 1963 increasing the Company's holdings to 151,181 shares, or approximately 55% of the shares outstanding.

ASHLAND OIL & REFINING COMPANY
September 30, 1962
Notes to Financial Statements

Note D: Proposed Acquisition—In October 1962, the Company entered into an agreement which is subject to stockholders' approval to purchase all of the assets and to assume certain liabilities of United Carbon Company, contingent upon specified events. The purchase price will be approximately $151,000,000 less an estimated $97,500,000 production payment which is not a liability of the Company. A substantial part of the proceeds of oil and gas produced by the acquired properties over an estimated ten-year period will discharge the production payment, after which all production and remaining reserves will belong to the Company.

CONSOLIDATED PAPER COMPANY
December 31, 1962
Notes to Financial Statements

On January 24, 1963, the Board of Directors approved in principle a proposed merger of Crandon Paper Mills, Inc. and Lanzit Corrugated Box Company, both of Chicago, Illinois, with and into the Company subject, among other things, to the approval of their respective shareholders and involving the issuance of additional shares of the Company's capital stock. At the same time, the directors authorized the execution of a term loan agreement with three banks providing for a loan of $4,000,000 to be used for certain financing incident to the merger.

GENERAL CIGAR CO., INC.
December 31, 1962
President's Letter

Recently, the Boards of both Gradiaz, Annis & Co., Inc. and the General Cigar Co., Inc., have agreed on a merger, subject to the final approval of the stockholders of both companies. The terms of the merger are three-fifths of a share of General for one share of Gradiaz, Annis.

Notes to Financial Statements

Note 1: Under the terms of a proposed merger agreement approved by the Board of Directors on February 21, 1963, subject to the approval of stockholders of both companies and certain other conditions, the Company will issue up to 166,800 additional shares of its common stock upon conversion of the outstanding common stock of Gradiaz, Annis & Co., Inc., another cigar manufacturer at the rate of 3/5ths of a share of common stock of the Company for one share of Gradiaz, Annis & Co., Inc. The authorized shares of common stock of the Company will be increased to 3,000,000 shares.

SHARON STEEL CORPORATION
December 31, 1962
Notes to Financial Statements

Note H: Subsequent Events—On December 31, 1962, the company formed a wholly owned subsidiary, Union Steel Corporation, a Delaware corporation, and on that date the company and its subsidiary entered into an agreement with the stockholders of Union Steel Corporation, a New Jersey corporation, to acquire all the outstanding common stock of the latter corporation. Under the terms of the agreement, which was consummated on January 31, 1963, the purchase price of $4,500,000 was satisfied through payment of $225,000 in cash, $675,000 in Sharon common stock, and issuance of $3,600,000 in notes of the subsidiary guaranteed by Sharon. The notes are payable in four equal annual instalments of $900,000, of which $225,000 will be paid in cash and $675,000, at the option of the subsidiary, may be paid in Sharon common stock.

On the basis of the average market price used to calculate the shares issued (33,480) at closing on January 31, 1963, 133,920 additional shares could be issued in the next four years to satisfy the obligations set forth above.

STANDARD KOLLSMAN INDUSTRIES INC.
December 31, 1962
President's Letter

Shortly after the close of the year, in January, 1963, your Company completed an important acquisition with its take-over of The Grigsby Company, Inc. of Chicago, Illinois, a leading manufacturer of electro-mechanical switches for the communications, industrial and military markets. In addition to utilization of Grigsby components in the manufacture of Tuner Division products, a substantial increase in the sales of Grigsby is anticipated through the use of the Tuner Division's production, engineering and sales resources.

Notes to Financial Statements

Note 6: Acquisition of Subsidiary After Balance Sheet Date—On January 23, 1963, 99.6% of the outstanding capital stock of The Grigsby Company was acquired for cash of $472,313, plus 8,995 shares of capital stock of Standard Kollsman Industries Inc., valued at $170,905.

Litigation

RADIO CORPORATION OF AMERICA
December 31, 1962
Financial Review

In January, 1963, Radio Corporation of America and Philco Corporation, a subsidiary of Ford Motor Company, entered into an agreement which resolved their long-standing dispute in the patent license field.

Under the agreement RCA received nonexclusive licenses under all United States patents and patent applications of Ford and Philco existing on January 3, 1963, relating to radio purpose apparatus (including color television), transistors, and data processing equipment. The licenses run for the full lives of the patents. In addition, for five years from January 3, 1963, RCA will be free to use any domestic color television patent issuing to Ford or Philco on an application filed after that date. For the rights received under this agreement, RCA paid $9 million to Philco.

Ford and Philco also received nonexclusive licenses under all existing United States patents and patent applications of RCA relating to radio purpose apparatus (other than color television), transistors, and data processing equipment, for the lives of the patents. The agreement also granted rights to Ford and Philco under RCA color television patents issued prior to October 28, 1958, as well as on applications filed prior to that date covering inventions needed to comply with the Federal Communications Commission standards for color television. Licenses under RCA color television patents issuing since October 28, 1958, will be available to Ford and Philco at RCA's prevailing rates.

At the same time, RCA and Philco also agreed to settle, without payment of damages by either company, the litigation between them that has been pending since 1957 in the United States District Court for the Eastern District of Pennsylvania in Philadelphia. Philco is withdrawing its claim for $150 million damages against RCA, and RCA is withdrawing its claim for $174 million damages against Philco.

Under a separate agreement entered into in January, 1963, NBC and Philco Broadcasting Company filed a joint request with the Federal Communications Commission for withdrawal of Philco Broadcasting's application to operate a television station in Philadelphia over Channel 3. NBC now operates WRCV-TV on that channel. If the Commission approves the request, NBC will reimburse Philco Broadcasting for such expenses as the FCC may find to have been reasonably incurred by it in its application, and the protest previously filed to renewal of NBC's Philadelphia radio and television station licenses will be left for disposition by the Commission.

Contracts Entered into or Cancelled

METRO-GOLDWYN-MAYER, INC.
August 31, 1962
Financial Review

In its program of expansion, M-G-M Records has entered into agreements to distribute records of independent record producers. A highly successful example of such an arrangement was the best-selling Original Sound Track album of "Walk on the Wild Side."

In another important step, M-G-M Records assumed the domestic distribution of new releases of Deutsche Grammophon Gesellschaft, the European company famed for its production of the finest in classical recordings. Beginning in January of 1963, M-G-M will take over the domestic distribution of the complete Deutsche Grammophon catalog, which features the world's foremost artists and a comprehensive repertoire of all forms of classical music. This association, which was formed early in 1962, brings M-G-M Records to the forefront of the recording industry. With major status in classical and popular music, jazz and comedy, M-G-M has achieved a position of strength and stability.

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 1962 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 1962 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 1962 annual reports—397 companies—although several of these companies used *net sales and operating revenue* (*Co. Nos. 8, 56, 166, 387, 429, 592). The term *sales* was used by 104 companies including some companies which used *sales and operating revenues* (*Co. Nos. 70, 103, 120, 153, 535). 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	1962	1960	1955	1950
Net Sales:				
Net Sales	397	382	347	307
Net Sales after deducting discounts, returns, etc.	4	4	10	12
Sales less discounts, returns, etc.	36	48	43	50
Gross Sales less discounts, returns, etc.	13	15	28	46
Both Gross and Net Sales	7	8	12	17
Gross Sales	9	10	21	28
Sales	104	97	105	97
Revenue or Gross Operating Income (*Co. Nos. 36, 58, 119, 275, 436, 532)	21	25	7	2
No "sales"—initial item is:				
Gross Profit (*Co. Nos. 75, 271, 414)	3	5	14	23
Operating Profit (*Co. Nos. 206, 213, 317, 449, 575)	5	5	11	15
No income statement (*Co. No. 423)	1	1	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples

As previously stated, in connection with the exerpts 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 1962 reports follow:

Net Sales

FOREMOST DAIRIES, INC.

Net sales	$430,682,386
Other operating income	1,308,668
Total	$431,991,054

HART SHAFFNER & MARX

Net sales	$97,786,369
Other income	445,873
	$98,232,242

INTERSTATE BAKERIES CORPORATION

Net sales	$149,873,757
Interest and other income	117,840
	$149,991,597

NORTH AMERICAN AVIATION, INC.

Income:	
Net sales	$1,633,675,000
Other	1,408,000
Total	$1,635,083,000

ROYAL McBEE CORPORATION

Income:	*(In Thousands)*
Net sales of products and services	$106,335
Other income	1,179
	$107,514

SCOVILL MANUFACTURING COMPANY

Income:	
Net sales	$164,442,501
Other income	292,078
	$164,734,579

SQUARE D COMPANY

Revenues:	
Net sales	$126,096,700
Miscellaneous (including dividends from Mexican subsidiary, 1962—$384,000; 1961—$384,000)	920,848
	$127,017,548

A. E. STALEY MANUFACTURING COMPANY

Income:	
Net sales	$173,757,723
Other income	884,585
	$174,642,308

UNITED STATES GYPSUM COMPANY

Income:	
Net sales	$228,005,632
Interest income	1,967,905
Royalties and miscellaneous income (net)	335,386
Total income	$290,308,923

Net Sales After Deducting Discounts, Returns, etc.

BIGELOW-SANFORD, INC.

Net sales (after cash and other discounts)	$78,543,302

THE B. F. GOODRICH COMPANY

Net sales (discounts, transportation and excise tax deducted)	$812,025,872
Other income	4,464,730
Total	$816,490,602

HAT CORPORATION OF AMERICA

Net sales, after deducting returns, discounts and allowances	$34,207,465
Cost of sales	24,993,220
Gross profit	$ 9,214,245

SPRAGUE ELECTRIC COMPANY

Net sales, after deducting cash discounts of $871,695	$86,954,897
Other income	447,587
Total income	$87,402,484

Sales, Less Discounts, Returns, etc.

ALPHA PORTLAND CEMENT COMPANY

Revenues:	
Billings to customers, less discounts and allowances	$43,122,731
Other income—net	76,446
	$43,199,177

ARMCO STEEL CORPORATION

Revenues:	
Sales, less discounts, returns, and allowances	$918,561,213
Dividends, royalties, interest, etc.	20,236,429
Total	$938,797,642

BRISTOL-MYERS COMPANY

Income:	
Sales, less returns	$198,765,810
Royalties	3,836,224
Interest	872,310
Dividends received from unconsolidated foreign subsidiaries	85,871
Miscellaneous income	178,211
	$203,738,426

CONTINENTAL STEEL CORPORATION

Sales, Revenues and Other Credits:	
Sales, after deducting cash discounts, returns and allowances	$49,356,225
Discounts on purchases, interest and other income	334,228
	$49,690,453

HOLLY SUGAR CORPORATION

Sales (sugar, by-products, beet seed, fertilizer, and livestock, less discounts, returns, freight, allowances, and Federal excise taxes)	$66,654,248
Other income (oil and gas income, 1962, $143,879; 1961, $137,738)	270,450
Total	$66,924,698

Gross Sales, Less Discounts, Returns, etc.

THE YOUNGSTOWN SHEET AND TUBE COMPANY

Sales and Other Revenues:	
Gross sales, less discounts, returns and allowances	$590,889,979
Dividends, interest and other income	12,433,402
Total	$603,323,381

CHAIN BELT COMPANY

Income:	
Gross sales, less discounts, returns and allowances	$76,234,492
Cost of goods sold	47,450,696
	$28,783,796

McGRAW-HILL PUBLISHING COMPANY, INC.

Operating Revenue:	
Gross sales—less: returns, allowances and agency commissions	$157,003,549
Expenses:	
Operating expenses	$130,243,806
Depreciation on buildings furniture and equipment	908,319
Taxes (other than Federal income taxes)	3,180,159
	$134,332,284
Operating Income	$ 22,671,265

STOKELY-VAN CAMP, INC.

Gross sales, less returns, allowances, freight, and cartage	$196,975,447
Cost of sales	167,709,832
Gross profit on sales	$ 29,265,615

UNITED STATES PLYWOOD CORPORATION

Gross sales, less discounts, returns and allowances	$301,898,132
Costs and Expenses:	
Cost of sales	$236,251,831
Selling, shipping, and general and administrative expenses	45,357,467
Interest expense	3,203,608
Total costs and expenses (including depreciation, depletion and amortization of $10,685,498 in 1962 and $9,068,212 in 1961)	284,812,906
	$ 17,085,226

Gross and Net Sales

FALSTAFF BREWING CORPORATION

Sales	$171,830,283
Less federal excise tax	47,180,624
Net sales	124,649,659
Cost of goods sold	80,827,942
Gross profit	$ 43,821,717

NATIONAL PRESTO INDUSTRIES, INC.

Gross sales	$30,079,607.37
Less excise taxes, freight, discounts, etc.	1,152,590.21
Net sales	28,927,017.16
Cost of sales	17,374,072.06
Gross profit	11,552,945.10
Adjustment for unrealized gross profit on installment sales	192,352.81
Realized gross profit	$11,360,592.29

JACOB RUPPERT

Sales, less discounts, returns, and allowances	$37,899,932
Less federal and state revenue taxes	11,360,473
Net sales	26,539,459
Cost of goods sold	14,363,773
Gross profit	$12,175,686

PITTSBURGH BREWING COMPANY

Sales	$24,962,167
Less: federal and state excise taxes	9,269,581
Net sales	15,692,586
Cost of sales	11,026,257
Gross profit	4,666,329
Less: selling, general and administrative expense	2,850,333
Operating profit	$ 1,815,996

Sales

ALLIS-CHALMERS MANUFACTURING COMPANY

Earnings for the Year:	
Sales and Other Income:	
Sales	$516,093,357
Discounts, interest earned and other income	4,472,473
	$520,565,830

CALIFORNIA PACKING CORPORATION

Sales and Revenues:	
Sales and operating revenues	$379,808,835
Other income	203,643
	$380,012,478

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

Sales and Other Income:	
Gross income from sales, services and rentals	$595,913,251
Other income (less miscellaneous income charges)	816,845
Total	$596,730,096

J. J. NEWBERRY CO.

Sales	$312,511,134
Other income	146,361
	$312,657,495

Revenues or Gross Operating Income

PHILLIPS PETROLEUM COMPANY

Income:	
Gross operating income	$1,244,621,068
Other income	16,375,955
	$1,260,997,023

THE SUPERIOR OIL COMPANY

Income:	
Gross operating income	$138,363,696
Other income	1,532,373
	$139,896,069

UNITED SHOE MACHINERY CORPORATION

Gross Operating Income:	
Machine and merchandise sales and other operating income, including sales of machines outstanding under lease: 1962, $3,825,150; 1961, $6,310,040	$75,139,235
Leased machinery revenues	24,556,690
	$99,695,925

AMERICAN METAL CLIMAX, INC.

Revenues from sales and services	$642,150,000
Cost of sales and services, exclusive of items shown separately below	575,350,000
	66,800,000
Dividend income	8,050,000
Interest on short term investments	2,290,000
Profit on investments, net	280,000
	$ 77,420,000

Gross Profit as Initial Item

THE B & S COMPANY

Gross profit from sales	$2,444,160
Selling, administrative and general expenses	1,631,440
	$ 812,720
Other deductions (including $189,850 loss on sale of plant assets), less other income	223,038
Income before federal and state taxes on income	$ 589,682

GRUEN INDUSTRIES, INC.

Gross profit on sales	$3,106,191
Selling, advertising, administrative, and general expenses	2,532,740
Operating profit or (loss)	$ 573,451

Operating Profit as Initial Item

THE EASTERN COMPANY

Operating profit before depreciation	$1,707,145
Depreciation	378,375
	$1,328,770
Miscellaneous income	17,096
	$1,345,866

JONES & LAMSON MACHINE COMPANY

Operating income before depreciation and amortization (see note) on net sales (1962) of $16,852,402, (1961) of $13,988,346	$645,144
Provision for depreciation and amortization	421,957
Operating income	$223,187

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 variout elements of cost are shown. Although 382 companies in the current survey of the 1962 annual reports disclosed a separate caption and amount for either cost of goods sold or cost of manufacturing, only 113 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 (173) 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 1962 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 STORES COMPANY

Sales	$1,034,878,658
Cost of sales and operating expenses:	
Cost of merchandise sold, including warehousing and transportation expenses	827,869,917
Wages, rents, advertising, administrative and other operating expenses	169,058,490
Depreciation and amortization	9,693,574
	1,006,621,981
Operating profit	$ 28,256,677

PITNEY-BOWES, INC.

Income from:	
Products sold	$38,104,583
Rentals	36,232,513
Machine service	9,803,985
Total income	84,141,081
Costs and expenses:	
Cost of products sold	17,308,467
Depreciation of rental equipment	3,820,100
Selling, servicing, general and administrative	41,251,720
Research and development	3,194,194
Interest, net	306,447
Total costs and expenses	65,880,928
Operating income	$18,260,153

SCOTT PAPER COMPANY

Sales, less discounts and allowances	$354,449,607
Scott's share in the earnings of affiliated companies, note 3	3,144,112
	$357,593,719
Costs and expenses:	
Materials, labor and other product costs	$219,976,730
Marketing and distribution	53,940,218
Research, administration and general	19,411,291
Interest	1,134,176
	$294,462,415
Income before taxes	$ 63,131,304

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold	1962	1960	1955	1950
Income Statement Presentation—				
Single total amount for:				
Cost of goods sold (*Co. Nos. 21, 99, 124, 204, 454, 501)	367	359	318	354
Cost of goods sold together with other expenses (*Co. Nos. 55, 102, 178, 287, 349, 416)	173	187	226	175
Manufacturing cost of goods sold (*Co. Nos. 87, 107, 205, 241, 368, 421)	15	14	22	15
Cost of goods sold shown in:				
Separate elements of cost (*Co. Nos. 11, 61, 127, 235, 305, 437)	35	27	5	13
Detailed section therefor (*Co. No. 249)	1	1	2	2
	591	588	573	559
Not shown in statement—				
Initial item is:				
Gross profit (*Co. Nos. 75, 271, 414)	3	5	14	23
Operating profit (*Co. Nos. 206, 213, 317, 449, 575)	5	6	11	15
No income statement (*Co. No. 423)	1	1	2	3
	9	12	27	41
Total	600	600	600	600
Gross Profit				
Income Statement Presentation—				
As initial item of gross profit (*Co. Nos. 75, 271, 414)	3	5	14	23
With single total amount:				
Designated "gross profit" (*Co. Nos 89, 214, 285, 333, 428, 474)	85	90	110	123
Identifiable as "gross profit" (*Co. Nos. 36, 45, 151, 170, 200, 281)	28	29	26	25
	116	124	150	171
Not shown in statement (*Co. Nos. 62, 72, 180, 193, 220, 236)	478	470	437	411
Initial item is operating profit (*Co. Nos. 206, 213, 317, 449, 575)	5	5	11	15
No income statement (*Co. No. 423)	1	1	2	3
Total	600	600	600	600

*Refer to Company Appendix Section.

AMERICAN VISCOSE CORPORATION

Sales and Other Income:	
Net sales	$239,815,000
Interest and other income	1,697,000
	$241,512,000
Costs and Expenses:	
Materials, labor and other costs	$185,445,000
Depreciation	14,272,000
Selling, general and administrative expenses	18,236,000
	$217,953,000
Operating Income	$ 23,559,000

ANCHOR HOCKING GLASS CORPORATION

Sales, less discounts, returns, allowances and freight	$150,273,175
Cost of products sold (including new mold costs)	$120,649,334
Selling, administrative and general expenses	13,544,516
Depreciation (Note 3)	3,335,855
	$137,529,705
	$ 12,743,470
Other income—interest, royalties, rents, etc. (net)	402,706
	$ 13,146,176

Cost of Goods Sold and Gross Profit

AMETEK, INC.

Net sales	$54,211,399
Cost of sales	42,198,858
Gross profit	$12,012,541

CENTRAL SOYA COMPANY, INC.

Net sales	$324,014,867
Cost of sales	294,729,724
Gross profit	$ 29,285,143

CUMMINS ENGINE COMPANY, INC.

Net sales	$167,345,860
Cost of goods sold	111,767,960
Gross profit on sales	$ 55,577,900

HOWELL ELECTRIC MOTORS COMPANY

Net sales	$16,249,703
Cost of goods sold (excluding depreciation of $370,595 in 1962, $393,705 in 1961)	13,490,048
Gross profit	$ 2,759,655

WALTER KIDDE & COMPANY, INC.

Net sales	$39,602,228
Cost of sales	31,381,382
Gross profit	$ 8,220,846

Cost of Goods Sold Included in Costs and Expenses

THE COLORADO FUEL AND IRON CORPORATION

Sales and operating revenues	$227,173,088
Other income	1,633,843
Total	228,806,931
Costs and Expenses:	
Cost of sales and operating expenses	199,295,672
Selling, administrative and general expenses	22,381,414
Depreciation and depletion	8,178,724
Interest and long-term debt expense	4,177,913
Total	234,033,723
Earnings (Loss)	$ (5,226,792)

CONTINENTAL OIL COMPANY

Revenues:	
Sales and services (including excise taxes—Note 6)	$ 987,899,838
Dividends, interest and other income	10,532,362
Gain on sale of leasehold rights	7,870,075
	$1,006,302,275
Costs, expenses and taxes:	
Costs, operating and general expenses	$639,907,811
Federal, foreign, state and other taxes (Note 6)	177,534,613
Depreciation, depletion and amortization	73,037,768
Surrendered leases and dry hole costs	31,123,754
Interest and debt expense	11,517,209
Minority interest in subsidiaries' income	4,104,489
	$937,225,644

J. C. PENNEY COMPANY

Sales	$1,553,505,660
Deduct:	
Cost of merchandise sold, and selling and general expenses	1,400,519,541
Maintenance and repairs	4,044,548
Depreciation and amortization	13,793,559
Taxes, other than taxes on income	17,441,174
Company contribution to retirement plan	9,359,874
	1,445,158,696
	$108,346,964

REPUBLIC AVIATION CORPORATION

Costs and expenses:	
Cost of sales and administrative and general expenses	279,651,116
Depreciation	3,385,006
Interest and other charges, net	274,903
United States and foreign taxes on income	6,513,000
	$289,824,025

STANDARD OIL COMPANY (INDIANA)

Costs, Expenses, and Taxes:	
Purchased crude oil, petroleum products, and other merchandise	$ 992,288,255
Operating, selling, and administrative expenses	710,275,831
Taxes	554,010,003
Depreciation, depletion, amortization, retirements, and abandonments	220,516,758
Interest expense	16,379,325
Total costs, expenses, and taxes	$2,493,470,172

Cost of Goods Sold Shown in Separate Elements of Cost

ACME STEEL COMPANY

Net Sales and Other Revenues:	
Net sales	$144,589,787
Other revenues	355,942
	144,945,729
Costs and Other Expenses:	
Employment costs:	
Wages and salaries	44,424,331
Pensions and other employee benefits	5,592,184
	50,016,515
Materials, supplies and other expenses	78,618,187
Depreciation and amortization	6,495,570
State, local and miscellaneous taxes	1,216,545
Interest and other costs on long-term debt	1,675,460
Federal income taxes	3,537,000
Total	141,559,277
Net Earnings for the Year	$ 3,386,452

GOLDBLATT BROS., INC.

Net sales	$116,356,955
Deduct:	
Merchandise, supplies and services purchased	$ 83,327,517
Salaries, wages and employee benefits	27,359,452
Provision for depreciation	1,005,660
Rental expense (principally on long-term leases)	2,252,111
Taxes, other than income and social security taxes	1,395,816
Federal income taxes	404,000
	$115,744,556
Net Income	$ 612,399

HERCULES POWDER COMPANY

Gross sales and operating revenues (net sales and operating revenues: 1962—$454,829,408; 1961—$380,181,790	$467,984,706
Other income and (charges)—Net	(1,125,055)
Total	466,859,651
Costs:	
Purchased materials and services	222,388,457
Wage and salary costs	145,327,108
Depreciation and amortization	27,095,839
U.S. and foreign taxes in income	36,088,029
Other taxes	4,698,939
Total	435,598,372
Net Income	$ 31,261,279

TIDEWATER OIL COMPANY

Sales, other revenue and excise taxes	$781,711,000
Less—excise taxes	124,225,000
Net sales and other revenue	657,486,000
Costs, Expenses and Taxes:	
Crude oil, products, materials and services	444,561,000
Salaries, wages and employee benefits	75,691,000
Depreciation, depletion, amortization and dry hole losses	67,528,000
Interest	13,256,000
Taxes, other than income taxes	21,259,000
Income taxes	2,615,000
Total costs, expenses and taxes	624,910,000
Net Income	$ 32,576,000

Cost of Goods Sold Shown in Detailed Section Therefor

GENERAL ELECTRIC COMPANY

Sales of products and services to customers	$4,792,732,530
Deduct operating costs:	
Inventories at January 1 (costs carried over from prior year)	648,447,738
Wages, salaries and employee benefits	2,040,782,602
Materials, supplies and all other costs not shown separately	2,290,816,062
Depreciation (cost of wear and obsolescence of plant and equipment)	127,056,005
Taxes, except those on income	43,043,084
Less — inventories at December 31 (costs carried over to next year)	*722,774,339*
—Wages, salaries and employee benefits directly reimbursed by Atomic Energy Commission	*106,220,875*
Total costs applicable to sales	4,321,150,277
Earnings Resulting from Sales	471,582,352

Gross Profit as Initial Item

THE B & S COMPANY

Gross profit from sales	$2,444,160
Selling, administrative and general expenses	1,631,440
	$ 812,720
Other deductions (including $189,850 loss on sale of plant assets), less other income	223,038
Income before federal and state taxes on income	$ 589,682

OTIS ELEVATOR COMPANY

Gross profit from operations	$64,668,380
Selling, general and administrative expense	32,032,004
Net Operating Profit	$32,636,376

Gross Profit Presented with a Single Total Amount Identifiable as "Gross Profit"

COOK PAINT AND VARNISH COMPANY

Net sales	$44,967,880.69
Cost of products sold	29,748,648.67
	$15,219,232.02
Expenses	13,246,401.91
	$ 1,972,830.11
Other income	289,218.44
	$ 2,262,048.55
Other deduction (interest)	5,799.23
Income before income taxes	$ 2,256,249.32

ENDICOTT JOHNSON CORPORATION

Net sales	$129,333,744
Cost of products sold	99,847,437
	$ 29,486,307
Selling, general and administrative expenses	28,130,154
	$ 1,356,153
Other deductions, including interest expense of $1,710,890—1962; $1,466,857—1961	$ 1,722,568
Other income	465,767
	$ 1,256,801
	$ 99,352
Refundable federal income taxes—(Note 4)	521,783

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, 165 referred to the cost of materials in their 1962 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 127 and 249 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

ALCO PRODUCTS, INCORPORATED

Net sales	$98,718,664
Cost of products sold and operating expenses:	
Materials and services from others	59,500,865
Wages, salaries, life, health and unemployment insurance, pension and old age benefits, etc.	34,033,258
Wear and obsolescence of facilities (depreciation)	1,457,947
	94,992,070
Operating income	3,726,594
Dividends and interest earned	493,920
	4,220,514
Interest on loans ($905,000 in 1962 — $992,000 in 1961) and other expenses net	1,093,089
Income before federal income taxes	$ 3,127,425

STANDARD OIL COMPANY (NEW JERSEY)

Revenues:	
Sales and other operating revenue	$10,326,877,000
Dividends, interest, and other revenue	249,405,000
	10,576,282,000
Costs and other deductions:	
Crude oil, products, materials, and services	4,766,337,000
Taxes and other payments to governments (page 21)	3,282,542,000
Wages, salaries, and employee benefits	991,623,000
Depreciation, depletion, and retirements	586,467,000
Interest and other financial charges	69,488,000
Income applicable to minority interests	38,922,000
	9,735,379,000
Net income	$ 840,903,000

*Refer to Company Appendix Section.

TABLE 3: COST OF MATERIALS

Presentation in Income Statement	1962	1960	1955	1950
With single total amount for—				
Materials and services purchased (*Co. Nos. 9, 81, 277, 286, 318, 456)	12	13	23	15
Materials purchased (*Co. Nos. 273, 356, 377, 493, 500, 515)	6	5	6	6
Materials used (*Co. Nos. 235, 321, 546)	3	3	5	3
Materials, together with other costs (*Co. Nos. 3, 94, 146, 249, 305, 437)	25	31	22	22
	46	52	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. 33, 105, 203, 350, 420, 511)	60	53	66	91
	61	54	67	93
In Graphic Presentation				
With dollar amount shown therein (*Co. Nos. 32, 104, 368, 429, 510, 551)	13	13	20	18
With dollar amount not shown therein (*Co. Nos. 7, 161, 208, 391, 438, 518)	45	58	51	66
	58	71	71	84
Number of Companies				
Referring to material costs	165	177	194	223
Not referring to material costs	435	423	406	377
Total	600	600	600	600

*Refer to Company Appendix Section.

CATERPILLAR TRACTOR CO.

Sales	$826,992,649
Costs:	
Inventories brought forward from previous year	$239,131,352
Materials, supplies, services purchased, etc.	415,498,158
Wages, salaries and contributions for employee benefits	250,176,974
Portion of original cost of buildings, machinery and equipment allocated to operations (depreciation)	39,803,267
Interest on borrowed funds	6,949,678
United States and foreign taxes based on income	52,212,676
	1,003,772,105
Deduct: Inventories carried forward to following year	238,282,120
Costs allocated to year	765,489,985
	61,502,664
Profit of Caterpillar Credit Corporation	420,310
Profit for year—consolidated	$ 61,922,974

SYMINGTON WAYNE CORPORATION

Net sales	$72,690,761
Costs and expenses:	
Material, labor and other product costs	54,464,483
Marketing	5,450,376
Engineering and research	1,486,116
General and administrative, less miscellaneous income	4,355,993
Interest expense	509,525
	66,266,493
Income before taxes on income	$ 6,424,268

GULF OIL CORPORATION

Revenues:	
Sales and other operating revenues	$3,422,614,615
Dividends, interest, and other revenues	32,264,501
	3,454,879,116
Deductions:	
Purchased crude oil, products, and merchandise	1,017,482,195
Operating, selling, and administrative expenses	1,012,749,037
Taxes on income and general taxes	808,798,968
Depreciation, depletion, amortization, and retirements	250,926,824
Interest	8,820,473
Income applicable to minority interests in subsidiaries consolidated	16,010,609
	$3,114,788,106

WM. WRIGLEY JR. COMPANY

Income:	
Net sales	$104,314,088
Interest and dividends from investments	954,191
Net gains from sales of properties and securities	206,297
Miscellaneous other income (net)	212,928
	105,687,504
Costs and expenses:	
Materials, labor, and services consumed in making chewing gum and other products bought by customers	47,815,488
Selling, distribution, and general administrative expenses	33,582,939
Provision for depreciation of properties	3,084,743
	84,483,170
Earnings before income taxes	$ 21,204,334

JONES & LAUGHLIN STEEL CORPORATION

Revenues:	
Net sales and other operating revenues	$790,827,000
Interest and other income	3,819,000
	794,646,000
Costs and expenses:	
Employment costs:	
Wages and salaries	261,809,000
Pensions, insurance and other benefits	28,439,000
Social security taxes	111,281,000
	301,529,000
Materials, supplies, freight and other services	$371,959,000
Depreciation and depletion (Note C)	62,075,000
Interest and long-term debt expense	6,375,000
State, local and miscellaneous taxes	13,697,000
Federal income taxes (Note E)	13,814,000
	769,449,000
Net income	$ 25,197,000

In Supplementary Statements or Schedules

THE ATLANTIC REFINING COMPANY

Distribution of Our Revenues (000's omitted):

	Amount	%
Materials and services	$351,011	59.4
*Wages and salaries	98,254	16.7
Taxes	37,759	6.4
Depreciation, depletion, amortization and retirements	48,574	8.2
Interest on borrowed money	8,762	1.5
Net income	46,266	7.8
	$590,626	100.0

*Excludes labor capitalized.

THE BABCOCK & WILCOX COMPANY

1962 Income and Where It Went

Our income was:		
From products shipped to customers	$330,574,000	
From investment income	2,068,000	
Total	$332,642,000	
We paid out and provided:		
For materials and services purchased	$129,380,000	38.9%
For wages, salaries and employee benefits	144,894,000	43.6

REMINGTON ARMS COMPANY, INC.

The following tabulation is a simplified statement of gross income and its disposition for the year 1962.

	Millions of Dollars	Cents per Dollar of Gross Income
Gross Income:		
Sales and other income	$76.8	100.0¢
Disposition of Gross Income:		
Paid to employees for wages, salaries, and benefits provided under employee relations plans	$30.3	39.4¢
Paid for materials, supplies, and other operating expenses	28.7	37.4
Set aside for taxes—Federal, state, local, and social security	8.5	11.1
Set aside for depreciation and obsolescence of plants and properties	2.1	2.7
Paid to stockholders as dividends on their investment	4.7	6.1
Retained for the needs of the business	2.5	3.3
	$76.8	100.0¢

CONSOLIDATION COAL COMPANY

Digest of Operations:	
Received from customers for sale of coal and other goods and services, etc.	$276,015,029
How these receipts were spent:	
For purchased coal and other merchandise sold	$ 96,027,346
Wages, salaries and other employee benefits	75,717,748
Operating materials, supplies, etc.	49,145,826
Local, state and federal taxes	13,787,195
Wear and tear on plant and equipment and exhaustion of coal	16,978,849
Total	$251,656,964
Net income (before special credit)	$ 24,358,065
Earning per share	2.35
Total dividends paid	$ 16,345,719
Dividends per share—Consolidation Coal Company	1.55
Balance of net income retained in the business (before special credit)	$ 8,012,346*

*Special credit from disposals of operating properties and reserve coal lands amounted to $2,698,499 in 1962 and $4,098,052 in 1961.

THE GENERAL TIRE & RUBBER COMPANY

The Year in Brief:			
The Company Took In		$991,016,028	100 %
Most of this amount came directly from the sales of tires and other products we manufacture. Other income was derived from interest, management and technical fees, rent, collection of excise taxes, sales taxes and other sources.			
The Company Paid Out:			
Outside sources		$494,675,755	49.9%
To pay for the purchase of rubber, fabrics, chemicals and other materials; for advertising space, time and services; for interest we paid on money we borrowed; for insurance, for rent, for utilities and miscellaneous expenses of doing business.			
Employment costs		$395,924,808	39.9%
Salaries and wages paid to the men and women who make and sell our products and to those who manage the business. Included is the money used to pay for pension, group insurance, social security costs and other employee benefits.			
Allocation for wear and replacement		$21,397,825	2.2%
Depreciation of buildings, machinery, equipment.			
Federal, state and other taxes		$ 52,272,838	5.3%
Includes all federal, state and local taxes. Also includes excise taxes.			
Retained and used in business for expansion	$19,147,838		1.9%
Fixed charges paid to holders of preference stocks	$ 1,005,103		.1%
Cash dividends paid to common stockholders	$ 6,591,861		.7%
		$ 26,744,802	
		$991,016,028	100 %

OWENS-ILLINOIS GLASS COMPANY

1962 Income Dollar Distribution

Wages, salaries, and benefits	$ .407
Raw materials, supplies, and fuel	.379
Freight on sales	.068
Taxes excluding social benefits taxes	.053
Depreciation and depletion	.041
Cash dividends	.034
Net earnings less cash dividends (retained earnings)	.018
	$1.00

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 1962. Fifteen companies which indicated such costs in their income statements also included pension or retirement costs (*Co. Nos. 94, 146, 277, 305, 456, 572).

Employment costs were presented by 220 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. Thirteen companies (*Co. Nos. 61, 153, 191, 350, 491, 568) referred to supplemental unemployment benefit plans.

The various methods of presentation of employment costs used by the survey companies in their 1962 annual reports are summarized in Table 4.

Examples

The following examples illustrate the various presentations of employment costs found in the annual reports for 1962. Additional examples will be found in this section, above, under the caption "Cost of Materials—Presentation."

Income Statement Presentation

MIDWEST RUBBER RECLAIMING COMPANY

Sales, less freight allowed to customers	$11,509,698
Costs and Expenses:	
Scrap rubber and manufacturing supplies	$ 4,476,997
Factory payrolls and company contributions for employee benefits	3,070,967
Portion of cost of manufacturing facilities allocated to operations (depreciation)	599,394
Power, maintenance supplies, and other factory expenses	1,009,352
Decrease in inventory of reclaimed rubber during year	134,550
Administrative and sales salaries and other benefits	665,140
Other administrative and sales expenses	568,826
Interest expense	48,951
Miscellaneous income	(51,099)
Costs and Expenses	$10,523,078
Income before Estimated Federal Income Taxes	$ 986,620

TABLE 4: EMPLOYMENT COSTS

Presentation in Income Statement	1962	1960	1955	1950
With single total amount for—				
Wages and salaries (*Co. Nos. 286, 321, 509, 537, 564)	5	6	10	13
Wages, salaries, and employee benefits (*Co. Nos. 9, 127, 249, 377, 452, 553)	14	19	16	13
Wages and salaries together with certain unrelated costs (*Co. Nos 87, 199, 235, 310, 559, 596)	12	13	15	10
In separate section detailing employee costs (*Co. Nos. 3, 146, 277, 305, 456, 572)	16	10	11	6
	47	48	52	42
Disclosed Elsewhere in Report				
In notes to financial statements	—	—	3	3
In supplementary statements or schedules (*Co. Nos. 17, 190, 226, 330, 459, 515)	161	154	154	151
In letter to stockholders (*Co. Nos. 114, 168, 280, 396, 455, 557)	25	29	17	25
	186	183	174	179
In Graphic Presentation				
With dollar amount shown (*Co. Nos. 66, 136, 415, 429, 510, 592)	7	8	23	17
With dollar amount not shown (*Co. Nos. 85, 161, 294, 306, 497, 520)	27	32	30	54
	34	40	53	71
Number of Companies				
Showing employment costs	267	271	279	292
Not showing employment costs	333	329	321	308
Total	600	600	600	600

*Refer to Company Appendix Section.

ALAN WOOD STEEL COMPANY

Revenues:	
Net sales and operating revenues	$58,830,319
Other	145,246
	58,975,565
Costs and Expenses:	
Employment costs:	
Wages and salaries	23,477,516
Pensions, group insurance and supplemental unemployment benefits (Note 5)	2,218,087
Social security taxes	1,040,347
	26,735,950
Materials and services	28,718,013
Depreciation and depletion	4,236,864
Loss (gain) on property sold or retired	(77,755)
Miscellaneous taxes	543,091
Interest and debt expense (Note 2)	2,321,523
	62,477,686
Loss before Income Taxes	$ 3,502,121

Note 5: *Pension plans*—The unfunded past service costs, which are being funded over a 40 year period, are estimated, on a single premium basis at $6,226,000 at December 31, 1962. Amounts charged to income under the Company's pension plans aggregated $708,130 in 1962 and $759,485 in 1961.

BATES MANUFACTURING COMPANY

Sales and Other Income:	
Net sales	$38,226,450
Other income (including rents, interest and dividends)	306,066
Total	38,532,516
Costs:	
Materials and services purchased	21,171,806
Payments to and for the benefit of employes:	
Wages and salaries	12,802,147
Unemployment and old age benefit taxes	660,293
Health and life insurance premiums	251,924
	13,714,364
Wear and exhaustion of buildings, machinery and equipment	828,088
State and local taxes	519,996
Provision for Federal taxes on income, estimated: (Note 4)	
Currently payable	348,875
Deferred	374,000
Charge equivalent to investment credit	42,978
	765,853
Other costs	839,058
Total	37,839,165
Income from Operations	$ 693,351

RADIO CORPORATION OF AMERICA

Cost of Operations:	
Wages and salaries	$ 685,222,000
Retirement plan contributions	9,916,000
Social security, insurance and other employee benefits	43,451,000
Total employment costs	738,589,000
Materials and services purchased	819,714,000
Depreciation	40,977,000
Rent	20,979,000
Interest on long term debt	10,090,000
State, local, foreign and miscellaneous taxes	13,362,000
	$1,643,711,000

PHOENIX STEEL CORPORATION

Costs and Other Expenses:	
Employment Costs:	
Wages and salaries	$17,194,097
Pensions, social insurance and other employee benefits	2,515,099
	$19,709,196

THE PURE OIL COMPANY

Income:	
Gross operating income (Note 6)	$690,896,903
Dividends, interest, etc.	5,785,212
	$696,682,115
Costs and Expenses:	
Costs, operating, selling and general expenses	$419,351,166
Taxes paid (including Federal income tax credit of $2,600,000 in 1962 and $5,075,000 in 1961 (Note 6)	135,831,391
Salaries, wages and employee benefits	72,010,053
Provision for depreciation, depletion and amortization (Note 3)	35,102,632
Interest expense	3,908,475
Cash discounts allowed	1,483,827
Income applicable to minority interests	45,063
	$667,732,607
Net Income for the Year	$ 28,949,508

UNITED STATES STEEL CORPORATION

Products and services sold	$3,500,955,567
Costs:	
Employment costs:	
Wages and salaries	1,395,308,906
Employees benefits (see page 17)	213,012,241
	1,608,321,147
Products and services bought	1,192,422,092
Wear and exhaustion of facilities	265,875,921
Interest and other costs on long-term debt	37,471,879
State, local and miscellaneous taxes	101,184,711
Estimated United States and foreign taxes on income	132,000,000
Total	$3,337,275,750
Income	$ 163,679,817

Financial Review—Page 17

Cost of Employe Benefits:	
Pension costs	$ 38,786,941
Social security taxes	55,227,015
Insurance costs	58,358,471
Supplemental unemployment benefit costs	15,222,666
Savings fund costs	12,193,906
Payments to industry welfare and retirement funds and other employe benefit costs	33,223,242
Total cost	$213,012,241

UNIVERSAL-CYCLOPS STEEL CORPORATION

Costs and Expenses:	
Employment costs:	
Wages and salaries	$37,883,638
Pensions, insurance and other employee benefits—Note 6	5,085,535
	$42,969,173

Note 6: *Pensions*—Provision for employees' pensions has been made through four noncontributory pension plans. A sufficient amount has been provided at December 31, 1962 to cover the entire pension liability to all retired employees at that date.

HARBISON-WALKER REFRACTORIES COMPANY

Revenues:			
Products and services sold			$84,079,322
Dividends, interest and other income			596,165
			84,675,487
Costs:			
Employment:			
Wages and salaries			$28,086,223
Social security taxes			1,218,563
Pensions (page 3), insurance and other fringes			3,024,895
			32,329,681
Materials, supplies and services purchased			33,314,527
Depreciation and depletion			5,226,323
Interest			723,292
			....

SPRAGUE ELECTRIC COMPANY

Net Sales after deducting cash discounts of $871,695		$86,954,897
Other income		447,587
Total Income		$87,402,484
Costs and other charges:		
Raw materials, power, fuel and other purchased items and services	$31,908,772	
Wages and salaries	38,137,984	
Taxes, including Federal income taxes of $4,813,095	7,808,196	
Depreciation of plant and equipment and amortization of intangible assets	2,674,669	
Interest on borrowed money	439,963	80,969,584
Net Income before Special Item		$ 6,432,900

Disclosed Elsewhere

BORG-WARNER CORPORATION
The Year in Brief

Net sales	$658,923,656
Expenses:	
Employees' wages, salaries, and accrued bonus	171,050,603
Officers' salaries and accrued bonus	1,350,000
Materials and services purchased	387,979,304
Depreciation and amortization	16,700,741
Social security, state and other taxes	13,314,481
Total expenses	590,395,129
Earnings before income taxes	$ 68,528,527

THE COLORADO FUEL AND IRON CORPORATION
Letter to Stockholders

Employee Benefit Programs: To provide for the cost of pensions $6,800,678 was charged against earnings in 1962, including $1,694,278 to cover acceleration of retirements in connection with the closing of the Brooke blast furnace and Palmer plant spring mill. During the year pensions were granted to 389 employees and from the inception of the plans these benefits have been granted to a total of 4,566 employees.

Life insurance, disability benefits, hospital and surgical benefit costs were $4,923,695 in 1962 compared with $4,501,531 in 1961. Under supplemental unemployment benefits plans charges against earnings increased from $685,457 in 1961 to $1,259,816 in 1962. Pursuant to contract settlements made in April 1962 a charge against earnings for a new savings and vacation plan was made in the amount of $281,766. Social security taxes were $4,046,563 in 1962 compared with $3,938,763 in 1961.

Payments to the United Mine Workers Health and Welfare Fund amounted to $262,126 in 1962. In 1961 this cost was $304,628. The reduction in these payments was due to lower production of coal.

DETROIT STEEL CORPORATION
Financial Review

Total wages and salaries (including vacation pay, holiday pay, and other direct wage items)	$26,009,803
Other employment costs:	
Pension plans	1,694,348
Social security and unemployment compensation	989,900
Group insurance	1,051,374
Workmen's compensation insurance	370,461
Supplemental unemployment benefit plan and savings and vacation plan	400,090
Total employment costs	$30,515,976

EASTMAN KODAK COMPANY
Summary of the Year

Payrolls	$317,800,000
Employee benefits	$147,800,000

THE L. S. STARRETT COMPANY
Simplified Income Statement

Money taken in from sales and miscellaneous income	$15,778,262
This money was used as follows:	
Wages and salaries to all employees including Social Security Taxes and other benefits	$ 7,579,045
Cost of materials and supplies used to make the goods sold (steel, forgings, castings, boxes, paper, pipe, wire, cutters, drills, oil, etc.)	2,922,069
Other operating costs (depreciation, electric power, advertising, office expenses, etc.)	2,399,160
Federal income, state and town taxes	1,790,976
Four quarterly dividends paid our stockholders during the year	587,120
Retained in the business to strengthen and develop the company	$ 499,892

UNITED ENGINEERING AND FOUNDRY COMPANY
Financial Review

During 1962, our employees received wages and salaries aggregating $26,330,233 and in addition the Company provided $3,561,415 for fringe benefit programs, including the Retirement Plan, Group Insurance, Social Security, Unemployment Insurance, Supplemental Unemployment Benefits, and the Savings and Vacation Plan.

Through the Group Insurance Program, a total of $312,200 in life insurance benefits was paid to the beneficiaries of 62 employees who died during the year, and a total of $989,773 was paid to employees and their families in nonoccupational sickness and hospital benefits.

Retired employees numbering 666 received $586,161 from the Retirement Plan.

THE YALE & TOWNE MANUFACTURING COMPANY
Simplified Statement of Operations

Part of income was used for wages and employee benefits:	
For Time Worked, paid as wages and salaries	$44,822,719
For Time Not Worked, including paid vacations; paid holidays; retirement benefits; premiums for group life and accident insurance; sickness, medical and surgical benefits; federal old age (social security) benefits; unemployment and workmen's compensation insurance; and other forms of employee benefits; the company contributed as "hidden pay," $586 per employee in 1962 and $566 in 1961	6,549,852
Total compensation to 11,168 employees at end of 1962, and 10,369* employees in 1961	51,372,571

*Not including 1,190 employees on strike at year end.

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 386 which indicated that there were pension or retirement plans in operation during 1962. The remaining 214 companies made no reference to the existence of such plans. Four of the survey companies stated in their 1962 reports that they had adopted new pension plans during the year (*Co. Nos. 44, 135, 418, 422), and 23 companies stated that they had amended existing plans (*Co. Nos. 7, 130, 267, 365, 449, 538).

Nineteen of the companies that had referred to pension plans in their 1961 reports made no reference to such plans in their 1962 reports. Approximately 66 per cent of the plans mentioned in the 1962 reports were described as being funded or partially funded. Approximately 6 per cent of the plans were stated to be unfunded; the remaining 28 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 1962 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 1962 reports. Twenty-three per cent of the companies referring to pension or retirement plans failed to disclose the related costs in their annual reports. Six of the companies noted that no provisions were deemed necessary in the current year due to actuarially determined estimates and/or past contributions to the funds (*Co. Nos. 214, 217, 445, 501, 583, 588). 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 1962 annual reports concerning pension and retirement plans.

Current Service Costs Funding with Installment Funding of Past Service Costs

AMERICAN MACHINE & FOUNDRY COMPANY
Notes to Financial Statements

Note 6: *Retirement Plans*—The costs charged to consolidated income in 1962 of plans providing retirement benefits amounted to approximately $3,446,000 of which $754,000 was applicable to past service. Such costs have fluctuated and will fluctuate upon the admission of additional groups to the plans. Unfunded past service benefits at December 31, 1962 are estimated at $12,540,000. While the plans do not require the funding of past service benefits, such benefits are presently being funded over a thirty year period.

PIPER AIRCRAFT CORPORATION
Notes to Financial Statements

Note 2: *Pension Plans*—The cost of a non-contributory pension plan for non-supervisory employees amounted to $327,600 in 1962 and $263,500 in 1961, including $105,600 in 1962 and $85,500 in 1961 for past services. Unfunded past service benefits at September 30, 1962 approximated $650,000.

The Company's share of the cost of a contributory pension plan for supervisory employees amounted to $52,500 in 1962 and $45,500 in 1961. This plan does not provide benefits based on past services.

THE STANDARD TUBE COMPANY
Notes to Financial Statements

Note 3: 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 $144,700 including $76,800 for the funding of past service liability, which aggregated approximately $1,352,000 at December 31, 1962.

*Refer to Company Appendix Section.

TABLE 5: PENSION AND RETIREMENT PLANS

	† Charge to Income Set Forth for: Current and Past Service Costs: Shown Combined	Shown** Separately	Current Service Costs	Pension Costs	Pension Costs with Other Expenses	Charges Not Set Forth	Total 1962 Plans
Funded or Partially Funded Plans*							
A: Current funding of current service costs with installment funding of past service costs	80	29	1	—	4	14	128
B: Current funding of current service costs with funding completed for past service costs	4	2	5	—	3	3	17
C: Current funding of current service costs with past service costs not to be funded	18	3	12	—	5	3	41
D: Basis of funding not disclosed	13	6	2	38	5	22	86
	115	40	20	38	17	42	272
E: *Unfunded plans* with related costs to be absorbed at time of retirements or as benefits are paid	2	1	5	10	1	5	24
Unidentified plans with no reference made to funding or nonfunding of related costs	1	1	—	48	17	48	115
	118	42	25	96	35	95	411
† Charge to Income Set Forth in:							
F: Statement of income	19	8	4	35	20	—	86
G: Notes to financial statements	90	33	18	42	4	—	187
H: Supplementary schedules	3	1	1	4	4	—	13
I: Letter to stockholders or financial review	6	—	2	15	7	—	30
Charges Not Set Forth for:							
Funded pension or retirement plans	—	—	—	—	—	42	42
Unfunded pension or retirement plans	—	—	—	—	—	5	5
Unidentified pension or retirement plans	—	—	—	—	—	48	48
Total	118	42	25	96	35	95	411

Number of Companies	1962
Referring to pension or retirement plans:	
Disclosing related costs	293
Not disclosing related costs	93
	386
Not referring to pension or retirement plans	214
Total	600

Number of Pension or Retirement Plans	1962
Adopted during year	4
Amended during year	23
Report refers to more than one plan	14
Continued as adopted in prior years	370
Total	411

*Refer to Company Appendix Section—A: Co. Nos. 24, 140, 295, 306, 408, 556; B: Co. Nos. 128, 257, 294, 318, 465, 552; C: Co. Nos. 42, 191, 207, 224, 490, 560; D: Co. Nos. 9, 173, 204, 343, 414, 536; E: Co. Nos. 4, 150, 260, 326, 473, 557; F: Co. Nos. 24, 121, 247, 305, 473, 599; G: Co. Nos. 83, 145, 296, 346, 472, 504; H: Co. Nos. 157, 255, 268, 353, 517, 589; I: Co. Nos. 16, 189, 251, 393, 417, 460.
**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.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Notes to Financial Statements

Note 6: Retirement Plans—Contributions of $5,768,000 in 1962 and $4,787,000 in 1961, all charged to income, were made toward current and past service costs under the various retirement plans of the Company and its subsidiaries.

At December 31, 1962, the unfunded past service liability of the plans was estimated by independent actuaries to be approximately $29,200,000. During 1962, the Company made a contribution equal to the interest required on $14,700,000 of this unfunded past service liability, and in addition, made contributions equal to the amounts required to fund, over approximately a 30-year period from January, 1959, $4,700,000 of this liability; no provision was made for the payment of interest on or the funding of the balance of $9,800,000. However, a portion of the unrealized market appreciation on securities held by the Trustee under one of the plans is applied each year toward the liquidation of such plan's past service liability. During 1962, the amount so applied was approximately $500,000.

THE BORDEN COMPANY
Notes to Financial Statements

Employees Retirement Income Plan: The unfunded lump-sum cost of retirement income for past service, which is borne by the Company, was estimated to be approximately $34,170,000 at the close of the last Plan Year, April 1, 1962. The charge to operations for the calendar year 1962 (including $1,690,000, for the amortization of past-service cost) was $4,160,000 which compares with $4,481,000 for 1961.

THE ELECTRIC AUTOLITE COMPANY
Earnings Statement Presentation

Costs and Expenses:

Pension and retirement plans (Note E) . . . $1,652,527

Note E: Pension and Retirement Plans—The Company funds past services costs over a 30-year period. The unfunded past service liability for pension plans is estimated to be $12,030,000 at December 31, 1962. This amount reflects a decrease of approximately $5,470,000 resulting from the closing of one of the Company's plants in June 1962; and an increase of approximately $2,400,000 covering changes in the benefits under certain of the plans, which became effective March 1, 1962. The normal cost and past service cost of the pension and retirement plans for the year have been reduced approximately $540,000 as a result of amendments to and changes in method of funding the retirement plan in 1961 and by gains realized in the sale of securities by the fund for the pension plan.

HOUDAILLE INDUSTRIES, INC.
Notes to Financial Statements

Note F: For the year ended December 31, 1962 contributions by the Corporation and its consolidated subsidiaries to provide retirement benefits for its employees under pension programs aggregated $1,153,000 of which $650,000 represented current service costs and $503,000 represented payments for past service credits. At December 31, 1962 the estimated remaining past service cost under the programs was $8,135,000.

MACK TRUCKS, INC.
Notes to Financial Statements

Note 8: The Company has trusteed non-contributory retirement income plans which cover substantially all of the Company's employees other than officers and directors. During 1962, changes were made in the plans to cover employees at the new Hagerstown Plant and payments into the plans were adjusted to reflect the actuarial report of the Company's Actuary. The amount charged to income in 1962 amounted to $1,459,000 (1961—$2,543,000) of which $822,000 was for past service benefits. In addition, as a result of the actuarial revaluation of the cost of past service benefits provided by the plans, $1,031,000 provided in prior years but not paid was credited to income in 1962. Past service benefits are being funded on a level method basis over forty years and the unfunded past service balance at December 31, 1962 amounted to $17,737,000.

THE MEAD CORPORATION
Notes to Financial Statements

Note E: Retirement Plans—The total cost of retirement plans was $4,400,000 for the year 1962. The aggregate liability for unfunded past service costs is estimated to be $14,200,000 at December 31, 1962. Past service costs are being funded over a 25 year period.

With Funding of Past Service Costs Completed

CELANESE CORPORATION OF AMERICA
Notes to Financial Statements

Note 6: Retirement Income Plan—The Corporation has a contributory 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, 1962 reflect charges aggregating $3,029,520 for the Corporation's contribution to this plan. Based on actuarial determinations, the plan is fully funded with respect to all vested benefits.

GARLOCK INC.
Notes to Financial Statements

Note 2: Retirement income benefits are provided for employees, supplemented by a profit-sharing arrangement. 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 30, 1962, for all participants.

GERBER PRODUCTS COMPANY
Notes to Financial Statements

Employee's Retirement Plans: The Company contributes to various plans to provide retirement benefits for its employees. Such contributions amounted to approximately $500,000 in 1962, and $700,000 in 1961. All past-service costs have been funded.

THE GILLETTE COMPANY
Financial Review

Retirement Plan: The Company and its principal domestic subsidiaries have in effect a non-contributory retirement income plan. The aggregate market value of securities held by the Trustee under the Plan at December 31, 1962, was in excess of the actuarial liability, including past service costs, as determined by independent actuaries as of September 30, 1962. Various pension and retirement plans are in effect for certain subsidiaries operating in foreign countries.

HOOKER CHEMICAL CORPORATION
Notes to Financial Statements

Note 5: Retirement Program—The Company has a retirement program under which benefits for eligible employees are being funded through insurance contracts and a trust established under the program. The annual cost of the program is approximately $2,450,000, and at November 30, 1962, as determined on the basis of actuarial assumptions, the program is substantially fully funded with respect to all vested benefits.

THE TIMKEN ROLLER BEARING COMPANY
Notes to Financial Statements

Note B: The companies made payments aggregating $6,620,235 in 1962 and $5,610,921 in 1961, for cost of current and past service under the various retirement annuity and pension plans in effect. Such payments, together with payments in prior years, exceed the amount required to fully fund retirement benefits payable to all covered employees eligible for retirement at December 31, 1962.

UNION BAG-CAMP PAPER CORPORATION
Notes to Financial Statements

Note 5: In 1962 (as in 1961), no provision was made for current and past service costs of the company's principal retirement plan because in the opinion of the company's actuaries no contributions were necessary, all funding requirements having been met. Cost for 1960 under this plan amounted to approximately $1,200,000.

With Past Service Costs Not Funded

GAR WOOD INDUSTRIES, INC.
Notes to Financial Statements

Note 1: Pension Plans—Unfunded past service costs under the Corporation's pension plans amounted to approximately $1,735,000 at October 31, 1962. For such plans the Corporation pays each year (1) current costs and (2) interest on the unfunded past service costs. Total pension costs aggregated approximately $292,000 for the year ended October 31, 1962, and $207,000 for the year ended October 31, 1961.

THE YOUNGSTOWN SHEET AND TUBE COMPANY
Financial Review

The following table shows in detail a comparison of our payroll and other employment costs for 1962 and 1961:

	1962	1961
Payroll	$161,790,335	$162,925,601
Other employment costs:		
Company contribution to pension funds	7,395,376	6,383,265
Social security and unemployment taxes, provision for supplementary unemployment benefits, and provision for savings and vacation benefits	10,227,496	6,924,772
Welfare benefits and insurance	8,501,989	7,716,780
Total other employment costs	$ 26,124,861	$ 21,024,817
Total employment costs	$187,915,196	$183,950,418

In both 1961 and 1962, pension provisions covered current service costs and interest on past service liability as determined by our actuaries. Pensions paid to retired employees from the Company's pension funds in 1962 totaled $3,973,749 compared with $3,509,941 in 1961.

GIDDINGS & LEWIS MACHINE TOOL COMPANY
Notes to Financial Statements

Note 6: ***Funding of Pension Costs***—The amounts required to cover current costs including interest on unfunded past service costs of the Company's pension funds were $268,524 and $216,201 for the years 1962 and 1961, respectively. Of these amounts $149,458 and $27,209, respectively, were covered by contributions charged to income in the respective years and the balance was covered by application of payments made in prior years in excess of minimum requirements.

MONTGOMERY WARD & CO., INCORPORATED
Notes to Financial Statements

Note 2: Under a retirement pension plan established by the Company and its subsidiaries, there was an estimated unfunded past-service liability of approximately $33,000,000 as of January 31, 1962. Provision was made during the fifty-two week period ended January 31, 1962, for interest on past-service liability and full funding of current-service liability.

PULLMAN INCORPORATED
Notes to Financial Statements

Note 2: ***Funded Pension Plans***—Costs of funded pension plans for 1962 and 1961 include provisions for contributions to pension trusts for normal costs of current service and for interest on unfunded past service liabilities. The unfunded past service liabilities under the plans are estimated by the actuary to be $18,800,000 at December 31, 1962.

Unfunded Plans

CITY STORES COMPANY
Notes to Financial Statements

Note 3: 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 $85,900 in 1961 and will increase to an annual rate of approximately $435,000 in 1969. Payments under informal arrangements to presently retired employees (approximately $420,000 this year) will gradually decline, based on mortality factors. The amount which would have been necessary to fund this plan, as at February 3, 1962, 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 $5,965,000. The past service cost for other eligible employees has not been computed.

COLLINS & AIKMAN CORPORATION
Notes to Financial Statements

Note 5: *Employees' Pension Plan*—Company employees may apply for retirement on pension after reaching a certain age and after having had a specified period of service with the Company. The Company reserves the right to discontinue granting pensions at any time without notice and also reserves the right, by amendment of the plan effective November 19, 1952, to reduce pensions granted after such date, but pensions granted before that date may not be reduced.

Upon amendment of the plan on November 19, 1952 the Company discontinued its former practice of providing a reserve on an actuarial basis for pensions as granted. Payments of pensions granted prior to November 19, 1952, amounting to $22,574, less applicable reduction of $11,777 in federal income taxes, were charged to the reserve for pensions in 1962. Payments of pensions granted after November 19, 1952 are charged to income as made; these payments aggregated $160,258 in the current year.

RAYBESTOS MANHATTAN, INC.
Notes to Financial Statements

Note 2: Non-contributory, unfunded retirement plans in effect are subject to termination upon sixty days' notice, and do not establish any vested rights. On an actuarial basis and allowing for the estimated tax reduction, it is estimated that an amount of approximately $19,130,000 at December 31, 1962, would be necessary to fund the plans. Payments to retired employees charged against income on a pay-as-you-go basis amounted to $885,624 in 1962 and $798,747 in 1961. The Canadian subsidiary has a funded plan under which the company's contributions amounted to $15,397 in 1962 and $16,936 in 1961.

GIMBEL BROTHERS, INC.
Notes to Financial Statements

Note 7: The Company has a non-contributory pension plan. The financial statements reflect accruals equal to the present worth, net of taxes, of its existing pension commitments. The total charge for the year ended January 31, 1962 was $215,000 after giving effect to applicable tax credits. The Company is not making any provision for insuring or funding the plan or any benefits thereunder but it may at its option make such arrangements in the future. The total amount which would have been necessary to fund the plan as of February 1, 1962 with respect to past services is estimated at $10,200,000, and the estimated cost for current services for the year ended January 31, 1962 would have been, on an actuarial basis, $270,000 net of taxes. The Company reserves the right to amend, modify or terminate the plan.

KEYSTONE STEEL & WIRE COMPANY
Notes to Financial Statements

Note F: Keystone 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, 1962 amounted to $500,480. Based on a five-year actuarial projection of the parent company's payments under its plan, it is estimated that the costs of the plans of the parent and the subsidiary will increase an average of $75,000 each year for the next five years.

Another subsidiary has a trusteed plan under which it contributed the current year cost of $425,000 and an additional $75,000 on past service cost. The unfunded past service cost under this plan at June 30, 1962 amounted to $2,000,000.

DEPLETION

Annual Charge

An annual charge for depletion was disclosed by 115 of the survey companies in their 1962 reports. An additional 7 companies presented accumulated depletion accounts in their balance sheets but made no reference to an annual depletion charge in the income statements (*Co. Nos. 135, 136, 142, 244, 417, 426, 450). 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, 102 companies made no reference to the method or basis used in the determination of the amount provided. Nine companies disclosed both basis and method used for computing depletion, of which 6 companies indicated use of the unit-of-production method (*Co. Nos. 20, 121, 433, 452, 518, 534) while two companies indicated use of the cost method (*Co. Nos. 336, 530) and one used the percentage method (*Co. No. 348).

Eight companies indicated use of the percentage method for tax purposes (*Co. Nos. 45, 53, 79, 234, 254, 399, 433, 444).

Three companies (*Co. Nos. 53, 325, 561) reported net income for the year "without deduction for depletion" of metal mines.

*Refer to Company Appendix Section.

TABLE 6: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement	1962	1960	1955	1950
Listed among other costs with single total amount for—				
Depletion (*Co. Nos. 121, 175, 219, 433, 480, 517)	12	13	16	24
Depletion and depreciation (*Co. Nos. 8, 129, 269, 336, 455, 532)	36	39	32	35
Depletion, amortization, and depreciation (*Co. Nos. 29, 157, 222, 356, 452, 514)	29	30	30	12
Depletion and amortization (*Co. No. 67)	1	1	4	4
Combined with other costs or expenses (*Co. Nos. 20, 27, 141, 273, 504, 515)	8	6	1	—
Disclosed within income statement in note or schedule (*Co. Nos. 21, 164, 293, 398, 448, 565)	8	7	6	2
Disclosed at foot of income statement in note or schedule (*Co. Nos. 79, 177, 232, 328, 460, 481)	10	13	13	14
	104	109	102	91
Disclosed Elsewhere in Annual Report				
In notes to financial statements (*Co. Nos. 65, 80, 248, 299, 315, 544)	8	9	5	12
In letter to stockholders	—	—	1	1
Depletion not deducted from net income (*Co. Nos. 234, 325, 561)	3	2	2	2
	11	11	8	15
Number of Companies Referring to				
Annual depletion charge	115	120	110	106
Accumulated depletion but not referring to annual depletion charge	7	6	7	8
Not referring to depletion	478	474	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 25 per cent of the survey companies which referred to depletion in their reports. Examples of capitalization of such costs are cited in connection with Intangible Assets in Section 2, Table 23.

Examples

Examples showing the charges to income are included among those shown below which illustrate the methods used to disclose depletion in the accounts.

Set Forth in Notes to Financial Statements

THE ARUNDEL CORPORATION

Note D: Included in costs and expenses are depreciation and depletion charges (excluding joint ventures) of $1,154,333 in 1962 and $1,012,497 in 1961.

GENERAL DYNAMICS CORPORATION

Note 8: *Properties*—Property, plant and equipment at December 31, 1962, includes land of $9,844,070. The provisions for depreciation, amortization and depletion charged to cost aggregated $34,656,285 in 1962 and $31,725,950 in 1961.

HUDSON PULP & PAPER CORP.

Note B: Depreciation, amortization and depletion charged to income for the year ended August 31, 1962 amounted to $4,089,192.

TIME INCORPORATED

Note A: Costs and Expenses include depreciation, amortization and depletion of property and equipment amounting to $7,274,000 for 1962 and $7,057,000 for 1961.

Presentation in Income Statement

AMERADA PETROLEUM CORPORATION

Operating Income:		
Oil and gas sales and other operating income	$113,970,647	
Deduct:		
Operating, geophysical, geological and administrative expenses, lease rentals, taxes, etc.	51,563,329	
	62,407,318	
Other Income (the more important items for 1962 are explained in text of this report)	2,706,581	
Profit before providing for intangible drilling and development costs, depreciation, depletion and leases abandoned and expired	65,113,899	
Deduct:		
Intangible drilling and development costs	16,713,219	
Depreciation, depletion and leases abandoned and expired	14,890,398	
	31,603,617	
Net Income for the Year	$ 33,510,282	

Synopsis of Accounting Practices

All intangible drilling and development costs incurred are charged against income each year through a 100% reserve, except those applicable to productive wells in the United Kingdom of Libya, which are amortized through charges against income under the "straight-line" method commencing with the first year in which production and income are obtained from such wells.

All geological and geophysical expenses are charged against income as incurred. Lease rentals are charged off in full when paid.

Nearly all the Corporation's production is obtained from properties purchased prior to the discovery of oil or gas thereon. Properties that become productive are still carried in the accounts at cost, less depletion, and consequently the increase in value resulting from the discovery of oil or gas is not reflected in the Balance Sheet. The cost of each producing property is amortized by annual charges for depletion in the proportion which the production for the year bears to the estimated recovery of oil or gas, calculated separately for each property, except for costs applicable to producing fields in Libya which are amortized through charges against income under the "straight-line" method.

AMERICAN CYANAMID COMPANY

Net sales	$649,211,240
Dividends from associated companies, 40% to 50% owned	3,622,051
Interest and sundry dividends	2,529,459
Royalties and licenses	7,140,968
Other income—net	2,178,434
	664,682,152
Deduct:	
Cost of sales	310,733,173
Selling and advertising expenses	99,984,192
Administrative and general expenses	43,548,736
Depreciation, amortization and depletion (including amortization of certified facilities $2,578,068; 1961, $2,977,301) (Note 3)	44,811,369
Research and process development expenses	32,795,963
Interest charges on funded and other debt	4,078,132
Employees' pension and group insurance plans	13,409,885
	549,361,450
Earnings before Taxes on Income	115,320,702
Provision for Federal and foreign taxes on income (Note 3)	56,000,000
Net Earnings	$ 59,320,702

MASONITE CORPORATION

Net Sales	$80,251,752
Cost of Sales	58,690,122
Gross profit on sales	$21,561,630
Selling, Administrative and Research Expenses	12,033,681
Income from operations	$ 9,527,949
Other Income and (Expense):	
Profit from sale of timber	$ 984,729
Income from oil operations, net of expense	321,488
Interest income	127,208
Interest expense	(268,565)
Miscellaneous, net	189,098
	$ 1,353,958
Income before taxes (after depreciation, depletion and amortization of $4,9999,736 in 1962 and $4,483,981 in 1961)	$10,881,907
Provision for Federal and State Income Taxes	5,275,000
Net Income for Year	$ 5,606,907

ASHLAND OIL & REFINING COMPANY

Income:	
Net sales	$318,139,197
Dividends, royalties and miscellaneous income	3,305,993
	$321,445,190
Costs and Expenses:	
Cost of goods sold	$238,943,514
Selling, administrative and general expenses	37,984,707
Provision for depletion, depreciation and amortization:	
Depletion (including amortization of intangible drilling costs)	2,340,179
Depreciation	14,362,264
Exploratory and development expenses including nonproductive wells	1,891,658
Interest on long-term debt	1,598,421
	297,120,743
Income before Taxes on Income	$ 24,324,447
Taxes on income	9,000,000
Net Income	$ 15,324,447

CONSOLIDATION COAL COMPANY

Net sales, operating revenues, rentals and royalties	$269,400,484
Interest, dividends and miscellaneous income	6,240,038
Gain-loss on disposal of miscellaneous properties and securities—net	374,507
	$276,015,029
Deduct:	
Cost of goods sold and operating expenses	$203,626,272
Selling, general and administrative expenses	20,997,716
Provision for depreciation	15,598,707
Provision for depletion	1,380,142
Interest	974,127
Supplemental retirement fund payment—	180,000
Provision for estimated taxes on income—	8,900,000
	$251,656,964

Presentation at Foot of Income Statement

CROWN ZELLERBACH CORPORATION

Depreciation, amortization, and depletion charged to operations was $28,063,000 in 1962 and $26,252,000 in 1961.

REYNOLDS METALS COMPANY

Depreciation, depletion, and amortization included in costs and expenses	$38,750,317

SCOTT PAPER COMPANY

Costs and expenses include depreciation and depletion of $17,587,173 in 1962 and $16,013,505 in 1961.

Depletion Not Deducted from Net Income

THE ANACONDA COMPANY
Notes to Financial Statements

Note G: 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.

UNITED PARK CITY MINES COMPANY
Notes to Financial Statements

Note A: *Property, Plant and Equipment*—The Company and its predecessors have consistently followed the practice of publishing their respective accounts without deduction for depletion of metal mines, and no such deduction is included in these financial statements.

DEPRECIATION

Annual Charge

Depreciation was disclosed by all 600 survey companies. However, 5 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 595 companies, 484 presented the annual charge for depreciation in the income statement, and 111 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 1962.

Method

The Internal Revenue Code of 1954 permits corporate taxpayers under certain circumstances to use as alternatives to straight-line depreciation other methods of depreciation such as:

1. Double declining-balance depreciation,
2. The sum-of-the-years-digits method, or
3. Any other consistent depreciation method which would not give an aggregate depreciation write-off at the end of the first 2/3rds of the useful life of the property any larger than under the double declining-balance method.

The taxpayer may use different methods, provided he is consistent, for different assets or classes of assets. The alternative methods apply to property additions after December 31, 1953.

In July, 1958, the committee on accounting procedure of the American Institute of Certified Public Accountants issued *Accounting Research Bulletin No. 44 (Revised)—Declining-balance Depreciation* which discusses the problems to be considered and the need for accounting recognition for such changes in methods. Among other things this bulletin states in part:

> When a change to the declining-balance method is made for general accounting purposes, and depreciation is a significant factor in the determination of net income, the change in method, including the effect thereof, should be disclosed in the year in which the change is made.
>
> There may be situations in which the declining-balance method is adopted for income-tax purposes but other appropriate methods are used for financial accounting purposes. In such cases, accounting recognition should be given to deferred income taxes if the amounts thereof are material. . . .
>
> Where it may reasonably be presumed that the accumulative difference between taxable income and financial income will continue for a long or indefinite period, it is alternatively appropriate, instead of crediting a deferred tax account, to recognize the related tax effect as additional amortization or depreciation applicable to such assets in recognition of the loss of future deductibility for income tax purposes.

Of the 600 survey companies, only 50 referred in their 1962 reports to the method of depreciation used, while 63 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 companies often disclose new methods adopted during the year but thereafter make no further reference thereto.

In the 1962 annual reports, 7 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. 95, 554) (**590)	3
Sum-of-the-years-digits method (*Co. No. 127)	1
Accelerated depreciation method (**Co. No. 152)	1
Sum-of-the-years-digits and accelerated depreciation methods (*Co. Nos. 409, 488)	2

An additional 11 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. 233)) (**49)	2
Accelerated depreciation method (*Co. Nos. 14, 130, 241, 263)	8
Accelerated depreciation and declining balance methods (*Co. No. 573)	1

In the 1962 reports of 95 survey companies, the method of depreciation was given simply as follows:

Straight-line method (*Co. Nos. 16, 232, 300, 429, 505)	36
Straight-line and production methods (*Co. Nos. 53, 121, 433, 534)	4
Accelerated depreciation method (*Co. Nos. 1, 57, 234, 340, 474) (**46, 104, 332, 491, 548)	46
Production method (unit of production) (*Co. Nos. 452, 568)	2
Various other methods (*Co. Nos. 178, 195, 384, 597, 599)	7

*Refer to Company Appendix Section.
**Companies using alternative methods for tax purposes only.

TABLE 7: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement	1962	1960	1955	1950
Listed among other costs with single total amount for—				
Depreciation (*Co. Nos. 60, 175, 289, 341, 456, 591)	152	145	159	237
Depreciation and amortization (*Co. Nos. 89, 105, 211, 331, 424, 507)	98	105	124	68
Depreciation, amortization, and depletion (*Co. Nos. 13, 168, 233, 305, 465, 500)	29	30	30	12
Depreciation and depletion (*Co. Nos. 22, 145, 277, 348, 402, 551)	36	39	32	35
Depreciation and related costs (*Co. Nos. 123, 128, 203, 325, 463, 543)	14	7	3	2
Segregated within income statement in note or schedule (*Co. Nos. 32, 126, 258, 322, 472, 501)	60	57	38	18
Presented at foot of income statement in note or schedule (*Co. Nos. 51, 130, 214, 345, 484, 506)	95	107	92	114
	484	490	478	486
Disclosed Elsewhere in Annual Report				
In notes to financial statements or in supplementary schedules (*Co. Nos. 66, 122, 248, 349, 482, 525)	100	89	82	66
In letter to stockholders (*Co. Nos. 90, 201, 253, 290, 406, 441)	11	9	15	17
	111	98	97	83
Number of Companies Referring to—				
Annual depreciation charge	595	588	575	569
Accumulated depreciation but not referring to annual depreciation charge	5	12	25	31
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples

Examples of the various methods used have been selected from the 1962 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," the comments under the caption "Allocation of Income Taxes," and to the examples given in connection with "Tax Reserves.")

Straight-Line and Declining-Balance

BIGELOW-SANFORD, INC.
Notes to Financial Statements

Note 4: The Company records depreciation in its accounts at straight-line and 150% declining balance rates, but has elected to use the double declining balance method of depreciation for Federal income tax purposes. The resulting reduction in current income taxes has been deferred and will be used to offset income taxes payable in subsequent years when the recorded depreciation exceeds that allowable for income tax purposes.

UNION TANK CAR COMPANY
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 has been or will be claimed for tax purposes under the new Internal Revenue Service procedures and the Certificates of Necessity which resulted in deferring Federal income taxes of $5,800,000 in 1962 and $1,241,000 in 1961. It is not now possible to determine when and in what amounts these deferred taxes will become payable.

Straight-Line and Sum-of-the-Years-Digits

CATERPILLAR TRACTOR CO.
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 provision in 1962 was determined on the basis of lives comparable to the "guideline" service lives recently established by the U.S. Internal Revenue Service. These are generally shorter than the lives used in 1961 and earlier years. The adoption of this revised basis had the effect of increasing the provision for depreciation by $6.4 million and of reducing the reported profit after tax for 1962 by $3.1 million or 11¢ per share of common stock.

The plant assets currently in use were 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 1962 and used in determining profit was therefore substantially lower than if a provision had been made on the basis of current replacement cost levels.

Straight-Line and Accelerated Methods

COLONIAL STORES INCORPORATED
Notes to Financial Statements

Note 4: *Federal Taxes on Income*—For tax purposes, the company has used accelerated depreciation methods on fixtures and equipment, and transportation equipment acquired new since 1954; however, for general accounting purposes these assets have been depreciated by the straight-line method. As a result, depreciation deductible for income tax purposes has materially exceeded such expense per the books. Income has been charged and deferred Federal taxes on income credited with the estimated tax reductions arising from these differences. Portions of this deferred tax provision will be restored to income in years when depreciation provisions deductible for tax purposes become less than related charges to book income.

Straight-Line, Accelerated Depreciation, and Sum-of-the-Years-Digits

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
Financial Review

Depreciation on the former Navy-owned property from March 1, 1962 totalled $563 thousand on the 150% declining balance method, about 11.4% of the cost of the depreciable property purchased.

Small tools (i.e., items costing less than $50 through June, 1960, and $100 thereafter) are charged off when purchased. Other small tools are amortized over 5 years by direct credits to the asset account on the sum-of-the-years digits method. Other equipment with relatively short life expectancies is similarly amortized over a 10-year period.

All of the Company's other depreciable property acquired since January 1, 1954 has been depreciated at maximum rates under one or the other of the so-called "accelerated" depreciation methods permitted under the Revenue Act of 1954.

SEARS, ROEBUCK AND CO.
Notes to Financial Statements

Depreciation: Depreciation of plant and equipment charged against 1961 operations was $36,890,047 compared with $35,205,361 last year.

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. On new assets acquired in 1954 and subsequent years, the Company uses the "sum-of-the-years-digits" method of depreciation. On those buildings purchased during the year from The Supplemental Savings and Retirement Plan, the Company uses the straight-line method based on asset life allowed in computing Federal taxable income.

EXTRAORDINARY DEPRECIATION

In the annual reports for 1962 only seven of the survey companies indicated that they followed the policy of recorded extraordinary depreciation or obsolescence charges in addition to the normal or accelerated amount of annual depreciation (*Co. Nos. 7, 158, 164, 230, 261, 329, 340). Several companies had previously indicated a policy of recording extraordinary depreciation; however, their 1962 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, and the new *Depreciation Guidelines and Rules* in Revenue Procedure 62-21.

Examples

Examples illustrating the presentations of providing for extraordinary depreciation are as follows:

FIRST NATIONAL STORES INC.
Notes to Financial Statements

Note 4: 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 $299,519 in 1962 and $529,223 in 1961 and is not currently deductible for federal income tax purposes.

AIR REDUCTION COMPANY, INCORPORATED
Retained Earnings Statement

Retained earnings at beginning of the year (Note A)	$ 90,674,631
Net income for the year (exclusive, for 1961, of net income of Speer Carbon Company for the period prior to combination, $1,031,961—Note A)	16,353,800
Total	107,028,431
Deductions:	
Dividends:	
Common stock ($2.50 per share)	11,468,115
Common stock of Pittsburgh Metallurgical Company, Incorporated, prior to combination	1,024,813
Provision for loss resulting from obsolescence of certain plant facilities, less estimated federal income tax reductions, $3,163,187 (Note H)	3,030,410
Total	15,523,338
Retained earnings at end of the year (Notes A and D)	$ 91,505,093

Note H: *Plant Replacement Program*—In 1962 the Company undertook a program, to be completed within the next few years, for the replacement of a substantial number of small high cost industrial gas plants and related facilities with much lower cost liquid air separation plants and related facilities. The estimated loss and abandonment expenses applicable to the plants affected by the replacement program, less the estimated Federal income tax reductions, has been charged to retained earnings. The provision for current Federal taxes on income for 1962 is before a reduction of $169,539 relating to the facilities abandoned during the year.

CONTAINER CORPORATION OF AMERICA
Notes to Financial Statements

Note 3: A reserve of $1,200,000 has been established out of 1962 earnings to provide for the write-off of certain obsolete plants and related expenses. The effect on earnings was largely offset by the net proceeds, after costs and taxes, from the sale of oil and mineral rights.

KOPPERS COMPANY, INC.
Notes to Financial Statements

Note 5: *Adjustments*—At January 1, 1962 the Federal tax basis of the Company's depreciable assets exceeded their book basis by $4,115,000. This was principally due to taking more depreciation for book purposes than for tax purposes in prior years. During 1962 the Company realized the income tax benefit ($2,139,800) of this excess by adopting a "guideline depreciation" for Federal tax purposes. Also during 1962, the Company made a special provision of $1,450,000 for obsolescence of buildings and equipment, and a provision of $725,000 for decline in value of investments. These three items are shown in the accompanying income statement as a net charge to income of $35,200.

LIBBEY-OWENS-FORD GLASS COMPANY
The Year's Review

Plants: Libbey-Owens-Ford spent $15,358,751 in capital improvements during the year, bringing to $63,672,500 the total amount spent in the 5-year period ended December 31, 1962.

During the year, normal depreciation charged against earnings amounted to $7,172,088 and accelerated depreciation amounted to $3,457,318 or a total of $10,629,406. Effective in January, 1962, your Company has adopted for tax reporting purposes the new depreciation rules permitted by the Internal Revenue Service. As a result, the depreciation deduction for tax purposes was $2,733,594 greater than the depreciation charged against published earnings. This additional depreciation deduction for tax purposes over book charges increases published earnings by 26 cents a share. In 1962 a deduction was also made for the allowable 7 per cent capital investment tax credit. This investment tax credit increases published earnings by an additional 8 cents a share.

Cost of plants and properties, as shown on the balance sheet, totaled $234,437,243 on December 31, 1962. These holdings, including machinery and equipment, are carried on the books at a depreciated value of $54,418,932.

*Refer to Company Appendix Section.

NEW DEPRECIATION GUIDELINES AND RULES

In November, 1962, the accounting principles board of the American Institute of Certified Public Accountants issued *Interpretive Opinions No. 1* in connection with the new *Depreciation Guidelines and Rules* issued by the United States Treasury Department Internal Revenue Service as Revenue Procedure 62-21, effective July 12, 1962, from which the following informative quotation is taken:

> 2. The service lives suggested in the Guidelines for broad classes of depreciable assets are, in general, appreciably shorter than the individual lives given in Bulletin "F," which was previously used as a guide in the determination of deductible depreciation for income-tax purposes. The Guidelines purport to bring the lives used for income-tax purposes into line with the actual experience of taxpayers, and thereby reduce the areas of controversy as to the amount of deductible depreciation, but not to provide another type of accelerated depreciation.
>
> 4. A taxpayer should carefully review the estimates of useful life of depreciable property adopted for financial accounting purposes, with the objective of conforming them with Guideline lives to the extent that the latter fall within a reasonable range of estimated useful lives applicable in his business.
>
> 5. . . . . . .
>
> net income for the period should not be *increased* as the result of the adoption of Guideline lives for income-tax purposes only. Accordingly, where Guideline lives shorter than the lives used for financial accounting purposes are adopted for income-tax purposes, and there is an excess of tax-return depreciation over book depreciation, provision for deferred income taxes should be made with respect to the part of the excess that is attributable to the adoption of Guideline lives, in the same manner as provided by *Accounting Research Bulletin No. 44 (Revised)*, "Declining-balance Depreciation," for liberalized depreciation under the Internal Revenue Code of 1954.

The following tabulation shows that 199 of the 600 survey companies indicated in their 1962 reports the adoption (in part or in full) of the new guideline rules. An additional 35 companies referred to guidelines in their annual reports but did not definitely indicate their adoption. Of the 366 companies not referring to the new depreciation guidelines it may be mentioned that many of these companies closed their fiscal years before the "guidelines" were announced.

In October, 1961, the Treasury Department issued revised schedules of useful lives for textile machinery. Three companies covered in the 1963 survey which are engaged in the textile industry are included in this tabulation, of which two (*Co. Nos. 524, 560) referred to the revised schedules in question; the other (*Co. No. 186) adopted the new depreciation guidelines and rules.

Adoption of Guidelines:	Number of Companies
For tax purposes only (*Co. Nos. 1, 186, 261, 340, 409, 505)	121
For both book and tax purposes (*Co. Nos. 47, 172, 201, 368, 458, 551)	76
Adopted in part only	2
Total	199
Adopting new guideline rules	199
Referring to new guideline rules but not to the adoption of them	35
Not referring to the new guideline rules	366
Total	600

*Refer to Company Appendix Section.

Examples

Examples illustrating the various presentations of new depreciation guidelines taken from the annual reports for 1962 follow:

Adoption for Tax Purposes Only

THE AMERICAN HARDWARE CORPORATION
Notes to Financial Statements

Note 5: The Company and its domestic subsidiaries adopted Federal "guidelines for depreciation" on certain property for income tax purposes which resulted in income tax benefits of $389,000, of which $321,000 represented a reduction of provisions for 1962 income taxes; the balance is being deferred.

BELDING HEMINWAY COMPANY, INC.
Notes to Financial Statements

Note C: The Company and a wholly-owned subsidiary have computed depreciation on certain fixed assets, for income tax reporting purposes, as provided for in Revenue Procedure 62-21 issued during 1962 by the Internal Revenue Service. Such depreciation is greater than the amount computed for book purposes and, accordingly, the accompanying financial statements include a provision for deferred Federal income taxes of approximately $127,000.

CHAIN BELT COMPANY
Notes to Financial Statements

Note 2: In 1962, the Government issued a ruling prescribing overall lives for depreciable asset classes. On the basis of this ruling, the Company will claim greater depreciation on its 1962 tax returns than it has charged to 1962 financial operations. This procedure will reduce the 1962 tax liability by approximately $250,000. That amount has been included in the 1962 tax provision and has been reflected as a deferred tax liability on the balance sheet. It will eventually be payable in the years in which the depreciation charged to operations exceeds the depreciation deductible for tax purposes. The Company has used the government-approved shorter lives in depreciating the 1962 property additions.
*Refer to Company Appendix Section.

DAN RIVER MILLS, INCORPORATED
Notes to Financial Statements

Note 5b: In prior years the Corporation and its subsidiary companies followed the practice of computing depreciation on each individual item of machinery and equipment for both financial reporting and for tax purposes. The Corporation and its manufacturing subsidiary companies intend to adopt, effective January 1, 1962, for tax purposes only, the multiple asset method for depreciation computation and guideline lives for the textile industry, in accordance with the provisions of Revenue Procedure 62-21. The change in method of computing depreciation for tax purposes had no effect on income for the year as the resulting tax saving, $812,800, has been provided (at current tax rates) as deferred income taxes to be utilized when book depreciation exceeds tax depreciation.

Adoption for Both Book and Tax Purposes

THE GRIESS-PFLEGER TANNING CO.
Notes to Financial Statements

Note 4: In 1962, the Company recomputed its depreciation under the Treasury Department's new depreciation rules. As a result, the current year's allowance for depreciation was increased approximately $86,000 and net earnings were reduced $35,300, compared with results which would have been obtained under the former method.

THE MAYTAG COMPANY
Notes to Financial Statements

Note E: *Depreciation and Investment Credit*—Revisions in 1962 of estimated useful lives of depreciable property (based on new rules published by the U.S. Treasury Department) resulted in additional depreciation of $562,100 being provided for accounting and income tax purposes. A reduction ($69,800) in federal income taxes payable for the year under the investment credit provisions of the Revenue Act of 1962 has been treated as a deferred credit to be taken into income over the depreciable life of the applicable equipment.

No Adoption of Revised Depreciation Rules

CALUMET & HECLA, INC.
Notes to Financial Statements

Note 2: *Property, Plants and Equipment Valuations*—Land and standing timber are carried at cost. Mine lands are carried at values assigned thereto in 1923 plus subsequent additions at cost.

Plants and equipment are carried at cost. Depletion of mine lands and depreciation of mining equipment and facilities are computed, in general, on the unit of production basis. Other plants and equipment are depreciated on the straight-line method, based on estimated useful life of such properties. Accumulated depreciation and amortization at December 31, 1962 and 1961 amounted to $35,260,778 and $32,471,518, respectively, and depreciation and amortization charged to operations in 1962 was $2,778,450. The company has ascertained, based upon a preliminary survey, that depreciation charges for 1962 would not be materially affected by application of depreciation guidelines promulgated by the Internal Revenue Service.

E. I. du PONT de NEMOURS & COMPANY
Notes to Financial Statements

Note 4: *Taxes*—The new depreciation guidelines issued by the U.S. Treasury Department in 1962 would appear to have little effect upon the company's depreciation provision if adopted; therefore, no recognition has been given to these guidelines in computing the provisions for Federal taxes and depreciation.

NATIONAL STARCH AND CHEMICAL CORPORATION
Letter to Stockholders

The new guideline depreciation schedules recommended by the Internal Revenue Department were considered by the Company, but their use would not have had any significant effect on operating income.

SAFEWAY STORES, INCORPORATED
Financial Summary

We made no changes in our depreciation rates as a result of the U.S. Internal Revenue Depreciation Guidelines and Rules issued in July, 1962. Adequate depreciation has consistently been provided and the rates have been approved by the Internal Revenue Service. Federal income tax returns have been audited and approved through 1960.

Adoption of Revised Schedules for Textile Machinery

J. P. STEVENS & CO., INC.
Notes to Financial Statements

Note C: In computing depreciation on machinery and equipment of certain classifications during the 1961 fiscal year, the Company adopted the revised schedules of estimated useful lives for textile machinery announced by the Treasury Department in October 1961. During the 1962 fiscal year the Company adopted a supplementary revised schedule of estimated useful lives for other items of textile machinery and equipment announced by the Treasury Department in February 1962. The adoption of this supplementary schedule resulted in additional depreciation charges of approximately $1,725,000, including an adjustment of $566,000 applicable to the preceding year. These additional depreciation charges reduced consolidated net income after taxes by approximately $795,000.

UNITED MERCHANTS AND MANUFACTURERS, INC.
Notes to Financial Statements

Note C: *Property, Plant and Equipment*—The Corporation has adopted revised useful lives in its computation of depreciation on certain machinery and equipment. Such lives are substantially in agreement with those set forth in the revised schedule of useful lives announced by the Treasury Department in October 1961. The adoption of the revised lives increased depreciation by approximately $500,000 for the year ended June 30, 1962 and reduced consolidated net income by approximately $240,000.

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 committees on accounting procedure and accounting terminology of the American Institute of Certified Public Accountants in 1961 issued *Accounting Research and Terminology Bulletins — Final Edition* 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 facili-

TABLE 8: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1962	1955	1952
Deducted for both Book and Tax purposes, with charge for Accelerated Amortization of Emergency Facilities—			
Separately set forth in:			
Statement of income	—	20	25
Notes to financial statements	—	37	28
Letter to stockholders or financial review (*Co. Nos. 94, 555)	2	20	16
Schedule of fixed assets (*Co. No. 61)	1	3	4
Combined with normal depreciation on regular facilities set forth in:			
Statement of income (*Co. Nos. 11, 29)	2	7	7
Notes to financial statements	—	14	21
Letter to stockholders or financial review	—	1	15
Schedule of fixed assets (*Co. No. 568)	1	1	6
	6	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, 531)	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	—	19	7
Notes to financial statements (*Co. Nos. 86, 223, 442, 532, 599)	6	14	5
Letter to stockholders or financial review	—	3	—
	6	36	12
Number of Companies Referring to:			
Certificates of necessity and amortization of emergency facilities	14	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. 184, 210, 254)	3	2	—
Emergency facilities fully amortized for tax purposes	5	—	—
Emergency facilities not completed or application pending	—	—	33
Not referring to certificates of necessity	578	453	432
Total	600	600	600

*Refer to Company Appendix Section.

ties for which certificates of necessity have been obtained is materialy 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 22 of the survey companies referred to the amortization of emergency facilities under certificates of necessity in their 1962 annual reports. Of these companies, 6 deducted accelerated amortization for both tax and accounting purposes. An additional 6 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.

Five 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. 85, 255, 268, 309, 377).

Examples

Examples illustrating the various presentations of the amortization of emergency facilities are as follows:

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

BETHLEHEM STEEL CORPORATION
Letter to Stockholders

Depreciation: The provision for depreciation, amortization and depletion amounted to $155,466,900 in 1962, whereas the provision in 1961 (restated for purposes of comparison) was $113,175,-045. The 1962 amount includes a provision for amortization of emergency facilities under the Internal Revenue Code of $8,365,787, as compared with $12,195,754 in 1961. It also includes approximately $37,500,000 of depreciation allowable for tax purposes under the new regulations issued by the Internal Revenue Service which would not have been allowable under previous regulations.

*Refer to Company Appendix Section.

ARMCO STEEL CORPORATION
Schedule of Fixed Assets

Properties and Accumulated Depreciation:
Year ended December 31, 1962 (in thousands of dollars)

Property, plant and equipment—at cost:		
Balance, January 1, 1962	$876,180	
Capital expenditures during 1962	90,504	
Total	$966,684	
Less retirements	10,737	
Balance, December 31, 1962, consisting of:		
Buildings		$127,450
Machinery and equipment		712,087
Other (including $42,908 of construction in progress)		116,410
Total		$955,947*
Accumulated Depreciation:		
Balance, January 1, 1962	$442,788	
Provision for depreciation during 1962	57,383	
Total	$500,171	
Less accumulated depreciation on properties sold, dismantled, etc.	8,578	
Balance, December 31, 1962, applicable to:		
Buildings		$ 57,891
Machinery and equipment		398,459
Other		35,243
Total		$491,593
Property, plant, and equipment—Net		$464,354

*Includes $111,696,839 representing the cost of facilities covered by Certificates of Necessity issued by Government Agencies. Amortization for 1962, $1,977,348, is included in the above provision for depreciation; accumulatd amortization amountd to $110,232,247 at December 31, 1962.

UNITED AIRCRAFT CORPORATION
Letter to Stockholders

Fixed Assets: Provisions for depreciation and amortization for 1962 aggregated $30,466,657 compared to $29,947,434 in the previous year. Amortization included in these figures, in excess of depreciation at regular rates, amounted to $4,977,718 in 1962 and $5,805,153 in 1961. Such amortization was applicable to fixed assets acquired in years prior to 1960, under certificates of necessity as provided for under the Internal Revenue Code. The portion of the cost covered by such certificates is amortized on the books and for tax purposes over a five-year period. The Treasury Department's new depreciation guidelines and rules are under study by the corporation for possible adoption in 1963.

Reserve for Deferred Taxes re Accelerated Amortization Now Being Used

CUTLER-HAMMER, INC.
Notes to Financial Statements

Note 2: Depreciation charges included in costs and expenses amounted to $2,976,118 in 1962 and $3,045,158 in 1961. A portion of these charges are not deductible for Federal income tax purposes as they represent depreciation computed at normal rates on the cost of certain facilities covered by a necessity certificate which was amortized for tax purposes in prior years. The additional income taxes resulting from the non-deductible portion of the depreciation, amounting to $132,219 in 1962 and $135,591 in 1961, have been charged to the reserve for deferred Federal taxes on income.

FMC CORPORATION
Financial Review

Income and Other Taxes: The reserve for deferred Federal income taxes resulted from claiming accelerated amortization for tax purposes in excess of normal depreciation recorded in the accounts on substantially all Certificate of Necessity facilities constructed since 1950. As the amortization period has expired for tax purposes on 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 1962 and 1961, $3,684,000 and $4,049,000 of such taxes became payable and were charged against the reserve provided in prior years.

Amortization of Emergency Facilities Deducted for Tax Purposes Only

SUNRAY DX OIL COMPANY
Financial Review

Changes in Accounting Policy: Prior to 1962, the excess of depreciation and amortization of emergency facilities expensed annually for income tax purposes over the amount expensed for financial statement purposes was considered too small to justify providing a reserve for income taxes payable in future years, except by a subsidiary company prior to merger; however, the variation became material in 1962 due to the use of new guideline depreciation rates promulgated by the Treasury Department. The adoption of deferred income tax accounting represents a change in policy for the parent company and had the effect of decreasing reported income by $3,100,000 for 1962 and $1,262,000 for 1961 and decreasing retained earnings at January 1, 1961 by $9,387,000.

HIGHER PLANT REPLACEMENT COSTS

During the year under review only one of the 600 companies covered by the survey increased its reserve for higher plant replacement costs, and one company reduced its reserve. These changes were effected through the statement of retained earnings. The only other company involved did not report any change in the amount of its reserve.

As shown in Table 9, there were just three companies which disclosed reserves for higher plant replacement costs in their annual reports for 1962, which indicates that such reserves are being gradually eliminated. The reason for this has been attributed to the liberalized depreciation methods allowed for tax purposes under the Internal Revenue Code of 1954. This Code has now been augmented by the Revenue Act of 1962, and by the new *Depreciation Guidelines and Rules* issued by the United States Treasury Department Internal Revenue Service, since they all relate to the determination of deductible depreciation for income tax purposes.

Companies showing higher plant replacement reserves are also classified by balance sheet presentation in Section 2, Table 37—"Property Reserves." Table 9 this section has lost its significance and it is proposed to eliminate it in future editions of this publication.

TABLE 9: HIGHER PLANT REPLACEMENT COSTS

Presentation in Report	1962	1955	1952
Income statement, separate last section	—	—	1
Transfer from other reserves	—	—	1
Charge to Retained Earnings (*Co. No. 109)	1	2	4
	1	2	6
Credit to Retained Earnings (*Co. No. 374)	1	—	3
Number of Companies with Reserves for Higher Plant Replacement Costs:			
At beginning of year	3	9	21
Established during year	—	—	2
Eliminated during year	—	—	(4)
At end of year (*Co. Nos. 109, 264, 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.

Six companies which referred to the existence of charitable foundations in 1961 made no mention of such foundations in their 1962 reports nor did they indicate whether such foundations had been dissolved.

Of the 600 survey companies, there were 17 companies that disclosed the existence of such foundations in their 1962 reports.

None of the companies made reference to a donation in their financial statements. Two companies (*Co. Nos. 299, 424) made the disclosure in the notes to financial statements, and the remaining 15 companies (*Co. Nos. 125, 140, 373, 399, 482, 568) in the president's letter or in the financial review section.

Examples

Examples from the 1962 annual reports illustrating the nature of the disclosures given with regard to charitable foundations follow:

*Refer to Company Appendix Section.

In President's Letter or Financial Review

HUNT FOODS AND INDUSTRIES, INC.
Financial Review

Foundation Contributions: In September, 1962, the Hunt Foods Foundation Library opened in Fullerton, and the first group of Hunt Foods Scholarship recipients entered their senior years in colleges across the country. The library represents a $485,000 gift to the corporation's headquarters city; the Hunt Foods Scholarship program makes college educations possible for a number of outstanding students from Hunt employee families, with successful applicants chosen by an outside Scholarship Board.

Hunt's corporate gifts are made through several specially-created Foundations, whose combined assets now exceed $5,000,000. The Foundations, assured of regular income from invested funds, can sponsor important programs of a continuing nature, such as the Hunt Foods Scholarships; can commit participation sufficient to insure the success of major projects, such as the Hunt Foods Foundation Library; and can give significant support to selected educational and charitable causes, including the United Fund or similar combined charities in the communities where Hunt operations are located.

INLAND STEEL COMPANY
Financial Review

Foundation Programs Expand: The Inland Steel-Ryerson Foundation, Inc., received a contribution of $1,000,000 in 1962 from the company to enable the Foundation to carry on its expanded programs of support to educational and charitable causes. The Foundation reports that it in turn made grants during the year totaling $969,310, compared to total grants in 1961 of $903,076. (A copy of the Foundation's annual report, covering its 1962 operations in detail, will be available later this year and sent to stockholders on request.)

Inland Steel-Ryerson Foundation Grants

	1962	1961
Community welfare	$338,833	$332,740
Health agencies and medical research	17,125	14,175
Hospitals	44,650	32,800
Higher education	479,271	434,336
Cultural activities	15,600	14,050
Civil activities	73,831	74,975
	$969,310	$903,076

NATIONAL LEAD COMPANY
President's Letter

The National Lead Foundation, Inc. was established in 1953 for the purpose of making contributions to charitable, educational, scientific and other philanthropic organizations. One of its activities is the Program for Matching Employee Gifts to Educational Institutions, initiated in 1958. Since its inception, the Matching Gifts Program has built a steady record of increased participation. Dollar volume of employee gifts and thereby Foundation gifts, to educational institutions has increased fivefold and the number of recipient institutions has grown from forty-nine in 1958 to one hundred and sixty-six in 1962. The Foundation enacted various revisions to the Matching Gifts Program in 1962, including a provision to raise the maximum annual matching contribution from $1,000 to $2,500 for each employee.

UNITED STATES STEEL CORPORATION
President's Letter

United States Steel Foundation, Inc.: United States Steel Foundation, Inc., which was formed in 1953, continues to provide aid for charitable, educational and scientific organizations and activities. A contribution of $3.0 million was made by U.S. Steel to the Foundation in 1962. In 1961 the contribution was $6.0 million.

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 $258,345 of which $216,124 was made to The Abraham Mazer Family Fund, Inc., a non-profit philanthropic corporation.

FEDERAL INCOME TAXES—CURRENT ESTIMATE

Table 10 summarizes the income statement presentation of the current estimates for federal, state, foreign and other income taxes as shown in the 1962 survey reports. Of the 600 survey companies, 540 presented estimated federal income taxes. Of these, 155 included the estimates among other costs, while 385 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 285 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

BIGELOW-SANFORD, INC.

Costs and Expenses:	
Cost of goods sold (including field warehousing costs) (Note 1)	$60,181,345
Selling, advertising and administrative expenses	10,872,473
Provision for depreciation	1,907,145
Interest expense	617,354
Provision for or in lieu of federal taxes on income	2,541,000
Total costs and expenses	$76,119,317

CONTINENTAL STEEL CORPORATION

Cost of Sales, Expenses and Other Deductions:	
Cost of sales, administrative and selling expenses	$39,390,863
Provision for depreciation and amortization	1,565,736
Interest on 3¾% promissory note	42,099
Provision for federal taxes on income	4,580,000
	$45,578,698

THE NATIONAL SUGAR REFINING COMPANY

Costs and Expenses:	
Cost of goods sold (including depreciation: 1962, $1,387,536; 1961, $1,625,-607) (Note 2)	$143,451,548
Selling, general, and administrative expenses	6,578,928
Interest	391,301
Other	69,698
Federal taxes on income (Note 4):	
Current (1961 credit resulting from carry-back of tax operating loss)	405,235
Deferred	218,453
State taxes on income	19,974
Total	$151,135,137

Note 4: Federal Taxes on Income—The current provision for Federal taxes on income included in the 1962 statement of earnings is offset by the income tax reductions relating to plant property losses included in the 1962 statement of earnings retained for general use in the business. Accordingly, there is no Federal income tax payable at December 31, 1962.

TABLE 10: CURRENT ESTIMATE FOR FEDERAL AND OTHER INCOME TAXES

Income Statement Designation	Listed Among other costs	Set forth in last section	1962 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	59	193	252
"Federal income" and various other income taxes	59	145	204
"Income taxes" not further designated	37	47	84
Total	155	385	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			27
Operating loss shown in statement			16
No income statement presented			1
			60
Total			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	3	26	29
"State income" and other income taxes	17	29	46
"State and foreign income taxes"	5	25	30
"Foreign income taxes"	10	26	36
Various other	40	104	144
Total	75	210	285

The Revenue Act of 1962 provides for an investment credit which amounted to $84,877 for 1962. Since no Federal income tax is payable for 1962, the investment credit is not reflected in the accompanying financial statements but is available as an offset against future Federal income tax payments within a period of five years.

LIBBY, McNEIL & LIBBY

Costs and Expenses:	
Cost of sales and services	$227,955,783
Selling and administrative expenses	40,684,486
Depreciation	5,819,160
Pension contributions	950,546
Interest on long term debt	1,791,518
Other interest	1,714,323
Income taxes	3,467,081
Minority interest in net income of subsidiary company	711,586
	$283,094,483

THE MEAD CORPORATION

Costs and Expenses—including depreciation and depletion of $13,270,921 in 1962; $13,627,202 in 1961 (Note B):	
Cost of products sold	$361,955,645
Selling, administrative and research	45,706,839
Interest and debt expenses	3,231,032
Taxes on income	12,850,000
	$423,743,516

MEREDITH PUBLISHING COMPANY

Costs and Expenses:	
Materials, wages, and expenses	$62,632,454
Provision for depreciation and amortization	2,286,076
Interest	510,178
Federal and state income taxes	1,787,000
Total costs and expenses	$67,215,708

MOTOR WHEEL CORPORATION

Deductions from income:	
Cost of products sold	$52,240,080
Selling, advertising, and administrative expenses	3,689,827
Interest expense	202,407
Expenses attributable to unused plant facilities	287,866
Federal and Canadian income taxes	900,000
	$57,320,180

SUN CHEMICAL CORPORATION

Costs and Expenses:	
Cost of sales and operating expenses, excluding depreciation and amortization	$61,862,870
Depreciation and amortization	1,421,753
Interest	602,977
Other charges	475,053
Provision for federal and foreign taxes on income	816,361
	$65,179,014

NOPCO CHEMICAL COMPANY

Earnings before income taxes	$3,762,700
United States and Canadian income taxes, estimated (Note 4):	
Current amount payable	1,159,000
Payment deferred to future years	752,000
Total income taxes	1,911,000
Net Earnings	$1,851,700

Note 4: *United States Income Taxes Payable*—Pursuant to the Revenue Act of 1962, the Company will receive an "investment credit" of approximately $161,500 which will reduce the tax depreciation base of certain qualified facilities and the liability for taxes currently payable in the same account. Provision has been made in the amount of $82,500 for the approximate amount of deferred taxes which will be payable in the future because of reduced allowable depreciation. The balance of the credit, which has been included in accumulated depreciation and amortization in the balance sheet, is being taken into income ratably over the estimated life of the related facilities.

The Company has elected to determine depreciation for United States income tax purposes based on the guideline rates which exceed, for the most part, those used for financial reporting purposes. In addition, the Company has also deducted for tax purposes but deferred in its accounts pre-operating expenses relating to its toluene diisocyanate plant which is not yet in commercial production. The deferred taxes relating to such items in the approximate amount of $669,500 wil be utilized in subsequent periods when charges to income will exceed allowable tax deductions.

WESTINGHOUSE AIR BRAKE COMPANY

Income before income taxes	$16,093,190
Federal and state income taxes	7,751,000
Net income	$ 8,342,190

Set Forth in Last Section

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

Income before income taxes	$27,822,162
Provision for income taxes:	
United States	$12,273,300
Foreign	2,397,979
	$14,671,279
Net income	$13,150,883

CENTRAL SOYA COMPANY, INC.

Income before provision for income taxes	$13,524,898
Provision for Income Taxes (including deferred income taxes of $340,200 in 1962 and $274,000 in 1961)	6,939,496
Net income	$6,585,402

GENERAL BOX COMPANY

Income before income taxes	$477,279
Income taxes (Note 2)	252,200
Net income	$225,079

Note 2: The Company will obtain an "investment credit" against federal income taxes payable for 1962 of $21,913, which amount was used to reduce the carrying value of the assets purchased and had no effect on 1962 income.

The Company has provided deferred income tax of $148,000 in 1962 and $29,000 in 1961, which amounts equal the tax reduction resulting from use for tax purposes of an accelerated depreciation method and, in 1962, guideline lives.

INTERNATIONAL HARVESTER COMPANY

Income Before Taxes on Income	$125,311,336
Taxes on Income:	
Current	59,122,948
Deferred	5,960,942
Total	$ 65,083,890
Net Income	$ 60,227,446

ADJUSTMENTS FOR PRIOR YEAR INCOME TAXES

Accounting Research and Terminology Bulletins—Final Edition, published in 1961, by the committees on accounting procedure and accounting terminology 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 fifty-one of the 600 survey companies presented a total of 168 income tax adjustment items in their 1962 annual reports. Table 11 summarizes the various methods of presentation of the tax adjustments as shown by the survey companies. Of the 168 income tax adjustments, 95 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 19 items were shown in the retained earnings statement.

TABLE 11: INCOME TAX ADJUSTMENTS AND ALLOCATION—1962

	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	1962 Total Items
Prior year tax accrual adjustment	—	—	—	6	3	1	10	9	19
Additional tax assessment or payment	—	—	—	—	10	1	11	4	15
Carry-back: Operating loss	1	1	4	7	2	—	15	1	16
Carry-forward: Operating loss	2	—	5	5	18	3	33	—	33
Interest expense on assessments	—	—	—	3	4	1	8	3	11
Interest received on tax refund	—	—	—	1	—	—	1	—	1
Tax adjustments not identified	—	2	4	10	3	2	21	—	21
Tax adjustment—other items	2	4	15	23	5	1	50	2	52
Adjustments—Total	5	7	28	55	45	9	149	19	168
Allocation of Current Income Taxes, with:									
Extraordinary items shown net of related tax	—	—	—	28	2	3	33	39	72
Extraordinary items shown in full amount	—	26	—	10	3	2	41	6	47
Only tax effect of extraordinary items shown	—	—	2	—	—	—	2	3	5
Deferment of income tax benefit	5	5	24	29	30	1	94	—	94
Reduction of deferred income tax benefit	1	—	2	4	8	1	16	—	16
Allocation—Total	6	31	28	71	43	7	186	48	234
Total	11	38	56	126	88	16	335	67	402

Number of Companies Presenting Special:	1962
Income tax adjustment items only (*Co. Nos. 30, 64, 214, 242, 277, 387)	54
Income tax allocation items only (*Co. Nos. 47, 83, 86, 89, 344, 461)	91
Both adjustments and allocation items (*Co. Nos. 131, 294, 490, 491, 550, 551)	97
	242
Number of Companies Not Presenting Special Items	358
Total	600

*Refer to Company Appendix Section.
**See Table 12 for Percentage of Materiality.
See Tables 13 and 14 for Extraordinary Items.

The income account was utilized for 149 income tax adjustments by 135 companies, and the retained earnings account for 19 items by 16 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.

The number of items listed on Tables 11 and 12 as "Tax adjustment—other items" and "Deferment of income tax benefit" has almost doubled since last year due to the introduction of the new "Investment Credit" which is discussed elsewhere in this edition of *Accounting Trends and Techniques.*

Examples of similar adjustments reflected by the survey companies in their surplus accounts during 1962 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 151 of the 600 survey companies in their 1962 reports, the percentages of materiality and the accounts adjusted for such items are summarized in Table 12.

TABLE 12: INCOME TAX ADJUSTMENTS AND ALLOCATION—1962

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1962
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	2	2	1	3	10	3	1	4	1	—	—	9	19
Additional tax assessment or payment	4	1	—	—	3	3	11	2	—	1	—	1	—	4	15
Carry-back: Operating loss	3	—	2	1	8	1	15	—	—	—	—	—	1	1	16
Carry-forward: Operating loss	2	1	6	4	10	10	33	—	—	—	—	—	—	—	33
Interest expense on assessments	4	—	—	—	—	4	8	1	—	—	1	—	1	3	11
Interest received on tax refund	—	1	—	—	—	—	1	—	—	—	—	—	—	—	1
Tax adjustments not identified	9	6	1	2	2	1	21	—	—	—	—	—	—	—	21
Tax adjustment—other items	12	10	8	13	7	—	50	1	—	—	1	—	—	2	52
Adjustments—Total	34	21	19	22	31	22	149	7	1	5	3	1	2	19	168
Allocation of Current Income Taxes, with:															
Extraordinary items shown net of related tax	8	3	9	6	3	4	33	10	2	8	9	8	2	39	72
Extraordinary items shown in full amount	13	7	6	9	4	2	41	2	—	2	1	1	—	6	47
Only tax effect of extraordinary items shown	1	—	—	1	—	—	2	1	—	—	1	1	—	3	5
Deferment of income tax benefit	20	13	14	18	10	19	94	—	—	—	—	—	—	—	94
Reduction of deferred tax benefit	8	3	—	3	—	2	16	—	—	—	—	—	—	—	16
Allocation—Total	50	26	29	37	17	27	186	13	2	10	11	10	2	48	234
Total	84	47	48	59	48	49	335	20	3	15	14	11	4	67	402

	Accounts Adjusted for Special Items:		
Number of income tax adjustments	Income	Retained Earnings	1962 Total
For prior year accruals, etc.	149	19	168
For allocations arising from special items	186	48	234
Total	335	67	402

*See Table 11 for Presentation of Income Tax Adjustments. See Tables 13 and 14 for Extraordinary Items.
N—Percentage of materiality not determinable.

The percentage of materiality of income tax adjustments was determined by the ratio of such items to 1962 net income, computed without regard for either income tax adjustments or extraordinary items.

Examples

The following examples, taken from the 1962 reports, illustrate the presentation and treatment of adjustments in connection with prior year income taxes:

Adjustments for Prior Year Income Taxes

FOOTE MINERAL COMPANY

Net earnings	$286,810
Special items:	
Net credit resulting from settlement of Federal income taxes for years 1954 through 1960, less loss on liquidation of Italian subsidiary, net of tax benefits	266,009
Net earnings and special items	$552,819

Letter to Shareholders

Special Items in Earnings: During the year the disagreement concerning depletion allowances and the resultant effect on income taxes for the years 1954 through 1960 was settled with the Internal Revenue Service. This settlement resulted in a payment of additional Federal income taxes for the years in question, which amounts were charged to the provision for income taxes that had been provided out of earnings during the corresponding periods. Inasmuch as the amount of the provision exceeded the tax payments, the Company was desirous of restoring the excess income to the earnings statement in a manner that would not distort comparability with prior years. Accordingly, a special item has been shown on the earnings statement which represents the excess of the provision less the after-tax amounts of the following non-recurring charges.

The interest and applicable additional state income taxes in connection with the settlement with the Internal Revenue Service are deductible for current income tax purposes. The payments for these items less the amount of reduction in current taxes have been included in the special item.

In December 1960 we formed an Italian company for the purpose of operating an electrolytic manganese facility within the Common Market. Due to material changes in the marketplace we decided to liquidate the company. Therefore, all costs attendant to the venture, less the income tax effect, have been written off as a special item.

MELVILLE SHOE CORPORATION

Net earnings	$ 4,987,371
Retained earnings at beginning of year	10,686,493
	$15,673,864
Add adjustment of depreciation applicable to 1959 and 1960, less related Federal income taxes $599,591 (note 1)	1,154,666
	$16,828,530
Deduct cash dividends paid:	
Preferred stock, Series A, $4.75 a share	73,846
Preferred stock, Series B, $4.00 a share	511,028
Common stock, $1.60 a share	4,464,730
	$ 5,049,604
Retained earnings at end of year	$11,778,926

Notes to Financial Statements

Note 1: The Federal income tax returns of the company and its subsidiaries for 1959, 1960 and 1961 are presently under examination by the Internal Revenue Service. The Service has proposed increasing the estimated useful lives of store equipment and fixtures, and leasehold improvements, which would result in reductions in annual charges for depreciation and amortization. The company has tentatively agreed to the proposed changes pending resolution of other matters not deemed material and has adopted these increased lives for financial reporting. This has had the effect of increasing net earnings reported for 1962 by $358,142 (decrease in depreciation charges $474,749, less additional Federal income taxes $116,607). For comparative purposes the 1961 figures have been adjusted retroactively. The adjustments relating to 1959 and 1960 are reflected in the statement of retained earnings.

The company has adopted the policy of taking into income the investment credit deductible from Federal income taxes payable as provided by the Revenue Act of 1962 to the extent that such deduction represents a permanent reduction in taxes payable. The effect of this policy on net earnings for 1962 is not material.

AMERICAN ENKA CORPORATION

Net income	$ 8,470,062
Accumulated income retained for use in the business at beginning of year	58,874,479
Adjustment of Federal income taxes (Note 3)	2,059,000
	$69,403,541
Dividends (per share: 1962—$2.55; 1961—$1.20)	3,330,857
Adjustment of treasury stock (Note 4)	194,939
	$ 3,525,796
Accumulated income retained for use in the business at end of year	$65,877,745

Note 3: *Adjustment of Federal Income Taxes*—The Company has elected to compute depreciation, for tax purposes only, in conformity with the rules issued by the Internal Revenue Service in 1962. This has resulted in a Federal income tax reduction of $2,059,000. Since accumulated depreciation for accounting purposes in the past exceeded that for tax purposes, the reduction represents, in effect a recovery of prior years' taxes and accordingly has been credited to accumulated income retained for use in the business.

ST. JOSEPH LEAD COMPANY

Net earnings for the year (1962, $.93 per share; 1961, $2.12 per share, based on 2,989,382 shares outstanding December 31, 1962)		$ 2,787,632
Special credit—capitalization of items previously expensed, tax adjustments, etc., as a result of settlement of Company's Federal income tax returns for the years 1949 through 1959 (Note 4)		1,532,241
Net earnings for the year and special credit (1962, $1.44 per share)		4,319,873
Retained earnings at beginning of the year		37,615,273
		41,935,146
Dividends paid during the year:		
Cash ($1.00 per share)	$2,717,622	—
Stock (10%)	6,576,640	9,294,262
Retained earnings at end of the year		$32,640,884

Note 4: Reference is made in the text of this report relative to earnings, charges against income, taxes on income, long-term debt (including the amount of retained earnings available for dividends) and stock option incentive plan.

President's Letter

Taxes on Income: The provision in 1962 for United States and foreign income taxes was $506,502, which is equivalent to 17¢ per share. This compares with a 1961 provision of $1,846,444, or 68¢ per share, which included a tax of $491,428 on the profit from the sale of the Company's investment in Brunswick Mining and Smelting Corporation Limited.

Following the successful termination of the Company's suit for a refund of federal income taxes for the year 1949, referred to in the 1961 report, the Company's income tax liabilities for the years 1949 through 1959 have been settled. The settlements involved a net refund of $670,663 of taxes for the years 1949 through 1954 and a tax deficiency of $1,496,949 for the years 1955 through 1959. The latter deficiency was brought about principally by the capitalization of items which had previously been treated as expenses; the disallowance of deductions for accelerated amortization of emergency facilities, which will result in increased depreciation deductions in later years; and the adjustment of depreciation allowances through lengthening of service lives of certain properties.

As a result of these settlements, and the related capitalization of items previously treated as expenses, a Special Credit of $1,532,241 was added to the Company's 1962 earnings.

SPRAGUE ELECTRIC COMPANY

Net income before special item	$ 6,432,900
Special item:	
Additional Federal income taxes — prior years (Note 3)	$ 439,075
Interest thereon, net of Federal income tax effect of $243,407	224,683
	$ 663,758
Less: Transfer from appropriated retained earnings	300,000
	$ 363,758
Net income before minority interest	$ 6,069,142
Minority interest	2,823
Net income after all costs and taxes and minority interest	$ 6,066,319
Dividends to stockholders	1,773,109
Balance of income reinvested in plant expansion, inventories, working capital and other needs of the business	$ 4,293,210
Retained Earnings:	
Appropriated for Contingencies:	
Balance—January 1, 1962	$ 300,000
Deduct:	
Transfer to income to apply against charge for Special Item of additional Federal income taxes—prior years (Note 3)	300,000
Balance—December 31, 1962	$ —

Note 3: *Federal Income and Excess Profits Taxes*—The Federal tax returns of Sprague Electric Company have been examined by the Internal Revenue Service through the year 1957, and all tax liabilities therefor have been reflected in the accounts. The Revenue Agent's report for the years 1954 to 1956, inclusive, indicating a refund, has been accepted by the Company and is pending final approval by the Internal Revenue Service.

With respect to the years 1941 to 1946, inclusive, the Internal Revenue Service alleged a net additional tax amounting to $725,003, comprising taxes deferred under Section 721 of the Internal Revenue Code of 1939 aggregating $602,108 and additional taxes aggregating $122,895 applicable to other issues which were conceded by the Company. The Section 721 issues, under which the Company filed claims substantially in excess of $725,003, were tried in the Tax Court of the United States. As a result of the Tax Court's decision in 1962 with respect to the Section 721 issues, the net additional tax liability therefor and for the other issues which were conceded by the Company amount in the aggregate to $439,075, which with interest of $468,090 has been reflected in the financial statements. The Company has entered an appeal of the Tax Court's decision to the Circuit Court of Appeals.

ACME STEEL COMPANY

Net Earnings for the Year	$ 3,386,452
Retained Earnings, January 1	23,425,845
	$26,812,297
Special charges:	
Provision for Federal income taxes on prior years' foreign earnings	$ 1,300,000
Provision for losses on sale and abandonment of certain operating facilities (net of Federal income taxes)	1,078,000
	$ 2,378,000

UNITED FRUIT COMPANY

Statement of Consolidated Earnings:	
Sales of products and services to customers	$319,786,983
Deduct:	
Depreciation	17,403,481
Property losses (gains)	1,060,595
All other operating costs and expenses	288,465,892
	$306,929,968
Income from operations	12,857,015
Interest and other income	3,398,873
Net income before taxes	16,255,888
Provision for United States and foreign income taxes—(Note 7)	5,250,000
Net earnings—(Note 8)	$ 11,005,888
Statement of Consolidated Retained Earnings:	
Amount at beginning of year	$ 99,580,247
Net earnings for year	11,005,888
Nonrecurring profits from sale of tropical properties (net after taxes)	2,694,638
	113,280,773
Deduct:	
Dividends declared (1962—$.62½ per share; 1961—$.50 per share)	5,330,515
Adjustment of income taxes, principally pertaining to the 1960 write-down of certain tropical banana facilities to estimated economic value	639,723
	5,970,238
Amount at end of year	$107,310,535

Notes to Financial Statements

Note 7: The Provision for United States and foreign income taxes is composed of the following amounts: (1) currently payable, $3,722,071, (2) amortization of deferred income tax expense, $1,093,929 arising from 1960 write-down of certain tropical banana facilities, and (3) provision for deferred European income taxes, $434,000.

F. W. WOOLWORTH CO.

Consolidated Statement of Earned Surplus

Balance at beginning of year		$410,440,554
Accumulated earnings of subsidiary brought into consolidation (Note A)		4,378,385
Net income for the year		48,479,311
Dividends paid—$2.50 per share		*24,259,503*
Extraordinary items (Note E):		
Provision for accrual of real estate, personal property and state income and franchise taxes less $2,710,000 related adjustment of federal income taxes	*$4,089,531*	
Exchange loss on net current assets in Canada	*1,724,123*	*5,813,654*
Balance at end of year		$433,225,093

Italics denote charges to surplus

Note E: *Extraordinary Items*—During 1962 the Company reached a compromise agreement with the federal government with respect to its right to deduct for federal income tax purposes all real estate, personal property, and state income and franchise taxes as determined on an accrual basis. Heretofore, these taxes had been allowed in part on an accrual basis and in part only in the year paid; generally, the Company's book provisions were made accordingly. An adjustment of $6,799,531 to record the aforementioned taxes on the Company's books as of December 31, 1961 on the basis now acceptable for federal income tax purposes has been charged to earned surplus, and the related adjustment to federal income taxes of prior years in the amount of $2,710,000 has been charged to earned surplus, and the related adjustment change on consolidated net income for the year ended December 31, 1962 was not significant.

Tax Assessments, Refunds and Refundable Taxes

ALPHA PORTLAND CEMENT COMPANY

Net income	$ 3,581,200
Earned surplus at beginning of year	24,724,348
	$28,305,548
Provision for additional prior years' taxes and interest less resultant tax benefit, $95,000 (Note B)	975,000
Dividends per share—1962, $1.25; 1961, $1.50	2,258,620
	$ 3,233,620
Earned surplus at end of year	$25,071,928

Note B: *Income Taxes*—Additional Federal income taxes for the period from 1955 through 1959 were assessed against and paid by the Company as the result of the re-examination and disallowance by the regional office of the Internal Revenue Service of the percentage depletion deduction for those years originally agreed to by the Internal Revenue Service district office. The Company has provided $975,000 for these prior years' taxes and interest thereon by a charge to earned surplus.

THE AMERICAN TOBACCO COMPANY

Income, before taxes on income	$140,463,612
Federal and other taxes on income	75,799,023
	64,664,589
Refunds and adjustments of prior years' federal and state taxes including interest	3,915,265
Net income (Note 2)	$ 68,579,854

FEDDERS CORPORATION

Income before provision for federal income tax	$4,896,344
Provision for federal income tax:	
Current year	—
Deferred (Note 4)	2,385,000
Net income for year	$2,511,344

Note 4: *Deferred Federal Income Tax*—Deferred federal income tax arises primarily from the use of the instalment method of reporting income for tax purposes commencing September 1, 1961. Under the instalment method, the tax on profits from instalment sales is payable when the profit is realized by collection of the account. The deferred federal income tax includes $819,000 which represents a refund arising from the deferral for tax purposes of profits on instalment sales. For financial statement purposes, the Company continues to prepare its statements on the accrual basis and includes the profit on instalment sales in income at the time of sale, and the provision for federal income tax thereon is charged against income concurrently.

OXFORD PAPER COMPANY

Income from operations before income taxes	$8,391,375
United States and Canadian income taxes	4,365,500
Net income from operations for the year	$4,025,875
Net proceeds from Federal income tax refund	484,606
Net income and Federal income tax refunds	$4,510,481

STANDARD KOLLSMAN INDUSTRIES INC.

Income before federal taxes on income	$4,334,871
Federal taxes on income (net of subsidiary's estimated refunds of taxes of $228,000 and $537,150 for the respective periods)	2,010,055
Net income for the year	$2,324,816

THE STANDARD OIL COMPANY (OHIO)

Net income	$24,221,585
Special credit—settlement of income and excess profits tax claims for the years 1940-1944	2,478,779
Net income and special credit	$20,700,364

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 1962 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 1962 reports of the survey companies.

Carry-back of Operating Loss

AMERICAN-SAINT GOBAIN CORPORATION

Loss before income tax credits	$1,175,614
Federal income tax credits arising from carry-back of operating loss	498,400
Net loss	$ 677,214

ENDICOTT JOHNSON CORPORATION

Net sales	$129,333,744
Cost of products sold	99,847,437
	$ 29,486,307
Selling, general and administrative expenses	28,130,154
	$ 1,356,153
Other deductions, including interest expense of $1,710,890—1962; $1,466,857—1961	$ 1,722,568
Other income	465,767
	$ 1,256,801
	$ 99,352
Refundable federal income taxes (Note 4)	521,783
Net earnings	$ 621,135
Special credit—collection on indebtedness carried at nominal amount	509,691
Net earnings and special credit	$ 1,130,826

Note 4: Refundable federal income taxes are based on a consolidated return and arise from operating loss carry backs, which in 1962 represent current operating losses of certain subsidiary companies carried back to fiscal 1959, for which year individual tax returns were filed.

ERIE FORGE & STEEL CORPORATION

Loss before income tax credits	$525,304.98
Income tax credits:	
Net refundable taxes on income of prior years, arising from carry-back of operating loss—estimated	76,481.75
Net Loss	$448,823.23

EVANS PRODUCTS COMPANY

Earnings before income tax credit and special charge	$176,695
Income tax credit arising from carry-back of operating loss, less Canadian taxes on income ($47,000 in 1962 and $33,220 in 1961)	96,000
Net earnings	$272,695

Notes to Financial Statements

Note H: Federal Taxes on Income—At December 31, 1962, the Company and its United States subsidiaries had accumulated operating losses of approximately $2,000,000 (primarily from prior years) which are available for application against future taxable earnings.

TWENTIETH CENTURY-FOX FILM CORPORATION

Net (loss) before taxes on income		$(45,327,691)
Federal and foreign taxes on income:		
Federal taxes—refund in 1962, credit in 1961 (Note 5)	$ 7,327,692	
Foreign taxes—(provision)	(1,796,095)	
		$ 5,531,597
Net (loss)		$(39,796,094)

Note 5: *Federal Taxes on Income*—Consolidated Federal income tax returns are filed. The estimated claim for refund of Federal taxes on income in 1962 arises from the allowable carry-back of the current year's loss.

The Federal income tax returns for the years 1953 through 1960 are currently being examined by the Internal Revenue Service. Management believes that there is adequate provision in the accounts for any liability payable with respect to open years.

At December 29, 1962, the company estimates that the net operating loss carry-forward, and various provisions recorded for financial statement purposes that have not been claimed on Federal tax returns and which may be available for use in future years aggregated approximately $20,000,000.

WARD BAKING COMPANY

Loss before federal income taxes	$ 586,156
Federal income tax carry-back claims, less deferred taxes; in 1961, also less tax of subsidiary filing separate return and $96,000 adjustment made in 1962 (Note 1)	377,934
Net loss for year (Note 1)	$ 208,222
Earned surplus beginning of year	9,688,482
	$9,480,260
Federal income tax carry-back claim arising from dissolution of subsidiary (Note 1)	378,000
Adjustments arising from change in 1962 in method of accounting for investment in British subsidiary (Note 1)	—
	$9,858,260
Deduct:	
Write off of intangible assets on dissolution of subsidiary (Note 1)	450,857
Dividends declared on preferred stock ($5.50 per share)	300,482
	$ 751,339
Earned surplus, end of year (includes equity in undistributed earnings of British subsidiary since acquisition: $952,900 in 1962 and $836,835 in 1961) (Notes 1 and 6)	$9,106,921

Note 1: The consolidated statements of income and earned surplus include the operations of domestic subsidiaries absorbed by the company during 1962, and reflect total tax savings of approximately $590,000 which would not have been available currently had the subsidiaries been continued as such. Of this amount, approximately $212,000 is reflected in the income account for 1962 as being applicable to the loss for the year, and the balance of $378,000 is credited to earned surplus. The latter account has been charged for the write-off of intangible assets of one such subsidiary.

The company, in 1962, adopted the practice of carrying its investment in its approximately 90% owned British subsidiary at cost plus equity in undistributed earnings since acquisition. No provision is made for income taxes (less credits) on such undistributed earnings.

For purpose of comparison, the financial statements for 1961 have been restated to give retroactive effect to a net credit to earned surplus in 1962 resulting from the change in practice mentioned above, and from a reduction of the 1961 Federal income tax carry-back claims. As a result, the consolidated net loss for 1961 is increased by $79,583 and the consolidated earned surplus at December 30, 1961, is increased by $880,941, over the respective amounts previously reported.

Carry-forward of Operating Loss

CONSOLIDATED PAPER COMPANY
Notes to Financial Statements

Note F: Provision for Federal Income Taxes—The Company has obtained refunds of all federal income taxes refundable under the carryback provisions of the Internal Revenue Code. No provision for federal income taxes is necessary for 1962 after applying the operating loss carryover from 1961 and approximately $780,000 remains available from the 1961 carryover for application against future taxable income of the Company through the year 1966. In addition, the subsidiary has operating loss carryovers available for application against its future taxable income of approximately $125,000 expiring in 1966 and 1967.

Under the provisions of the Revenue Act of 1962, the Company is entitled to an investment credit in an amount equal to a specified percentage (maximum of 7%) of the cost of qualified depreciable property purchased and put into use since January 1, 1962. Since no federal income taxes are payable for 1962, this credit of approximately $40,000 is available as a carryover until 1967 to reduce taxes payable in subsequent years.

THE DUPLAN CORPORATION

Income before U.S. federal income tax	$1,921,555
Provision for income tax (Note 3):	
U.S. federal income tax	$ 835,000
Less current year's tax effect of losses provided for in prior years, and carry forward losses	435,000
	$ 400,000
Net income	$1,521,555

Note 3: The U. S. federal income tax provision for the year ended September 30, 1962 was reduced by approximately $385,000 arising from losses of $740,000 realized on disposal of surplus properties (which losses had been provided for in 1955 and 1956) and also by approximately $50,000 resulting from available carry forward losses of approximately $100,000.

No provision is required for Canadian income taxes for the year ended September 30, 1962 because of available carry forward losses and unclaimed depreciation. There is approximately $500,000 of unclaimed depreciation available in varying amounts against future Canadian income, if any, that would otherwise be taxable.

GENERAL DYNAMICS CORPORATION

Profit before income taxes	$58,483,460
Provision (credit) for United States and Canadian income taxes:	
General Dynamics Corporation—	
Credit resulting from carry back of portion of 1961 loss; no tax provision for 1962 as result of carry forward of unused 1961 loss	$ —
Subsidiaries	5,624,815
	$ 5,624,815
Net income	$52,858,645

Notes to Financial Statements

Note 1: *Income Taxes*—The earnings of General Dynamics Corporation for 1962 were not subject to United States income taxes as a result of carrying forward the unused portion of the 1961 loss. Without benefit of this loss carry forward, such taxes would have amounted to approximately $23,850,000, and consolidated net income would have approximated $29,009,000.

The balance of the 1961 loss before taxes of approximately $65,500,000 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 $34,000,000.

United States income tax returns of the Corporation are subject to review by the Internal Revenue Service for all years subsequent to 1953.

HEYWOOD-WAKEFIELD COMPANY
Report of Operations

Taxes: Taxes paid in 1962 of $5,600 are federal income taxes on earnings of a wholly-owned subsidiary. Under the loss carry forward provisions of the Internal Revenue Act, there were no income taxes payable on earnings of the parent Company.

SCREW AND BOLT CORPORATION OF AMERICA
Notes to Financial Statements

Note 1: *Federal Income Taxes*—No provision has been made for federal income taxes in the current year because of the operating loss carry-forward from 1961, of which approximately $475,000 remains available for future years.

THE SEEBURG CORPORATION

Earned surplus:	
Balance, beginning of year	$5,913,276
Net income before special credit	$1,546,310
Special credit, representing federal income taxes eliminated due to carry forward of losses from prior years (Note 1)	150,000
Net income and special credit	$1,696,310
Balance, end of year (Notes 1 and 2)	$7,609,586

Note 1: *Federal Income Taxes*—As of October 31, 1962, prior-year loss carry-forwards have been exhausted. Through October 31, 1962, approximately $2,650,000 of Federal income tax provisions have been eliminated by reason of deductions of operating loss carry-forwards; the deduction of these loss carry-forwards is subject to review by the Internal Revenue Service. In the opinion of special tax counsel for the Company, these loss carry-forwards are allowable deductions in computing income subject to Federal income taxes.

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 *Accounting Research and Terminology Bulletins—Final Edition* (Chapter 10, Section B) issued in 1961, by the committees on accounting procedure and accounting terminology 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. Also, giving rise to deferred income taxes are the new "Guidelines" regulations, promulgated by the Treasury Department in 1962, and the Investment Tax Credit available under the Revenue Act of 1962, discussed elsewhere in this section.

Presentation of Income Tax Allocation

Table 11 shows there were 234 items of income tax allocation for extraordinary items and deferment of income tax benefits disclosed by the survey companies in their 1962 annual reports. In 72 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 6 of these cases. The extraordinary item was shown "in full amount" in 47 cases. Allocation of current income taxes was reported by 94 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 16 instances, a reduction of deferred tax benefit was disclosed. In the remaining five instances, the amount of the extraordinary item was not clearly determinable in the 1962 reports, and the current year entry showed only "the related tax effect" thereof. During 1962, the income account and the retained earnings account were utilized to reflect 186 and 48 allocations, respectively.

Examples

Extraordinary Items Shown Net of Related Tax

ALUMINUM COMPANY OF AMERICA

Net income	$56,446,559
Special gain on sale of investment, less applicable taxes on income	7,875,000
Net income and special gain	$64,321,559

AVCO CORPORATION

Earnings before nonrecurring income	$18,790,276
Profit on sale of a television broadcasting property, less applicable U.S. federal income tax of $447,000	1,249,989
Net earnings	$20,040,265

THE NATIONAL SUGAR REFINING COMPANY

Earnings retained for general use in the business:	
Balance at beginning of year	$12,060,146
Net earnings as above	593,899
Total	$12,654,045
Less:	
Loss incurred on disposal and abandonment, and loss of useful value, of plant property, and provision for estimated loss on plant property to be disposed of, less estimated income tax reductions of $1,522,652 (Note 1))	$ 1,634,629
Balance at end of year (Note 3)	$11,019,416

Note 1: *Modernization Program*—As more fully explained in the accompanying letter to shareholders and employees, the Company is undertaking a modernization program at the New York refinery, to be completed in 1965, at a cost of approximately $9,000,000. In addition to the modernization program, the Company's capital improvement program is being continued at both the New York and Philadelphia refineries. The unexpended portion of amounts authorized for capital expenditures at December 31, 1962 approximated $1,880,000, as to which commitments of approximately $758,000 had been made.

The modernization and improvements programs provide for the disposal of certain existing facilities. Provision has been made for the estimated loss (net of estimated income tax reductions) on disposal of such facilities, exclusive of net removal costs to be incurred.

AMERICAN ZINC, LEAD & SMELTING COMPANY

Net income	$1,159,954
Special items:	
Income, net of tax effect, from sale of Uranium Reduction Company stock, $1,302,724, less $216,214 of non-recurring expenditures	1,086,510
Net income and special items	$2,246,464

SPERRY RAND CORPORATION

Net income		$ 24,373,816
Earned surplus, beginning of year		248,647,683
		$273,021,499
Deduct:		
Extraordinary adjustments for revaluation of data-processing rental equipment and related inventories, less applicable income tax effect of $46,300,000 (Note A)		$ 50,373,545
Dividends:		
Cash:		
On Preferred Stock—$4.50 per share	$	460,184
On Common Stock—$.60 per share		
Stock: 2% on Common Stock, capitalized at fair market value at dates of declaration — 1962, 578,300 shares at $25.49 per share; 1961, 565,986 shares at $21.20 per share		14,740,867
		$ 15,201,051
		$ 65,574,596
Earned surplus, end of year		$207,446,903

Note A: Rapid technological improvements, due to intensive research and development in the data-processing industry, have resulted in extraordinary obsolescence. As of March 31, 1962, the Company made an extensive review of the future utility of its early models of data-processing rental equipment and related inventories of spare parts and components. As a result of this review, the book amounts have been adjusted to reflect estimated future net proceeds from rentals and residual sales. This adjustment, net of applicable income tax effect, has been recognized by a charge of $50,373,545 to earned surplus. It is not practicable to determine the exact period when such obsolescence occurred.

Extraordinary Items Shown in Full Amount

THE DUPLAN CORPORATION

Income from operations		$2,474,872
Deduct:		
Expense related to surplus properties, net	$	46,164
Loss on disposal of surplus properties (Note 1)		135,133
Interest expense		299,456
Provision for loss on Canadian exchange		72,564
		$553,317
Income before U.S. federal income tax		$1,921,555

Note 1: In fiscal 1955 and 1956, $3,200,000 was provided for possible losses on disposition of surplus properties and equipment, including related costs. In fiscal 1962, the remaining surplus properties were disposed of at a loss of $135,133 in excess of the estimated loss.

TIDEWATER OIL COMPANY

Net income	$32,576,000
Special item—gain on sale of non-producing properties	3,644,000
Net income and special item	$36,220,000

Only Tax Effect of Extraordinary Items Shown

THE GENERAL TIRE & RUBBER COMPANY

Earned Surplus:	
Balance November 30, 1961	$105,396,882
Add—RKO General, Inc. earned surplus credit (Note A)	947,550
	$106,344,432
Net income for year	26,744,802
	$133,089,234

Note A: . . . A charge in lieu of federal taxes on income of RKO General, Inc. in the amount of $947,550 has been provided for the year ended September 30, 1962 because of utilization for tax purposes of losses and expenses charged since June 30, 1958 to the reserve for losses and expenses in connection with the discontinuance of theatrical film operations. Such reserve was provided from earned surplus as of June 30, 1958 in the aggregate amount of $9,600,000 without consideration of potential federal income tax benefits to RKO. As benefits have been realized to the extent of the charge in lieu of taxes, such amount has been credited to earned surplus. . . .

UNITED STATES RUBBER COMPANY

Profit before income taxes and other charges	$52,559,875
Federal and foreign income taxes, less $2,395,000 in 1962 representing taxes paid on depreciation charged to prior years' operations but not deducted for tax purpose in those years (see note on page 19)	22,618,743
Restricted foreign earnings and minority interests	1,955,018
Foreign exchange losses	2,291,714
	$26,865,475
Net income	$25,694,400

Notes to Financial Statements

Liberalized Depreciation and Investment Credit: For financial accounting purposes, depreciation of property, plant and equipment is provided on a straight line basis at rates presently considered adequate to amortize the total cost of the property and equipment over the life of the assets.

For 1962 Federal income tax purposes, the Company adopted the liberalized depreciation "Guideline" rates announced by the U. S. Treasury Department in July, 1962. The resulting reduction of Federal income taxes has been considered a deferred liability, after deducting therefrom the balance of taxes paid in prior years for depreciation charged to operations in excess of the amount claimed in those years for Federal income tax purposes. The net result was a reduction in Federal income taxes charged to 1962 operations of $2,395,000 and a credit to deferred income tax liability of $1,141,000; this deferred liability of $1,141,000 is included in the amount of $15,588,108 carried under accrued Federal income taxes in the consolidated balance sheet.

The Investment Credit made available under the Revenue Act of 1962, representing about 7 per cent of the cost of certain new machinery and equipment purchased for domestic operations, will reduce our Federal income tax payments by $1,123,000. This credit will benefit income in future years through lower depreciation charges.

Deferment of Income Tax Benefit

ANCHOR HOCKING GLASS CORPORATION

United States and Canadian income taxes: (Note 2)	
Current year	$5,608,116
Deferred	564,501
	$6,172,617

Note 2: *Reserve for Deferred Federal Income Taxes*—Effective as of January 1, 1962 the corporation revised its methods of computing depreciation for federal income tax purposes in accordance with procedures issued by the U. S. Treasury Department during the year. This change has had no effect on net income reported for 1962 as an amount equal to the resulting reduction in current federal income tax liability has been provided as a reserve for deferred federal income taxes, thus reflecting the potential liability for future income taxes allocable to such years as may reflect greater depreciation charges to reported income than are allowable for federal income tax purposes.

The investment tax credit for new equipment under the Revenue Act of 1962 reduces federal income taxes currently payable by $372,000. Net income for 1962 includes $178,000, or 48% of the investment credit, and the remaining 52% has been provided as a reserve for deferred federal income taxes payable over the estimated service lives of the equipment additions.

ALLEGHENY LUDLUM STEEL CORPORATION

Costs:		
Employee costs:		
Wages and salaries	$ 92,731,060	
Social security taxes	3,747,352	
Pensions and other (Note 6)	10,923,121	
	107,401,533	
Materials, services and other costs	121,295,605	
Depreciation, depletion, amortization and plant retirements	8,931,585	
Interest and amortization of debenture expense	1,914,505	
Minority shareowners' share of earnings of subsidiary	14,187	
State, local and miscellaneous taxes	2,714,696	
Federal taxes on income, including $210,960 in 1962 for investment credit deferred income taxes (Note 7)	8,304,000	
Total costs and income taxes	$250,576,111	

Note 7: *Investment Credit*—Pursuant to Revenue Act of 1962, the company and its subsidiaries have obtained a credit of $418,000 against the Federal income tax liability for 1962. Of such amount, 48% has been treated as a reduction of Federal income tax expense for 1962 and the balance of 52% has been deferred to subsequent periods to offset future income taxes resulting from reduced depreciation allowances for tax purposes.

MEDUSA PORTLAND CEMENT COMPANY

Income before taxes on income	$7,606,807
Taxes on income—estimated:	
Federal:	
Payable currently	$2,790,000
Deferment attributable to additional depreciation to be claimed for tax purposes only	473,000
Deferment of investment credit	73,000
State and Canadian	209,000
	$3,545,000
Net income	$4,061,807

NATIONAL DAIRY PRODUCTS CORPORATION

Profit before federal and foreign taxes on income	$104,477,618
Less:	
Provision for Federal and foreign taxes on income	$ 51,475,000
Provision for deferred taxes relating to investment credit (See note)	1,700,000
Total	$ 53,175,000
Net profit for the year	$ 51,302,618

Notes to Financial Statements

Note: *Investment Credit*—The Revenue Act of 1962 provides for an "Investment Credit" amounting to 7% of the purchase price of certain depreciable assets acquired and placed in service after December 31, 1961. This credit takes the form of a reduction in Federal income taxes otherwise payable in the year such assets are acquired. The Corporation has adopted the policy of amortizing the investment credit generally over the useful life of the related property. On this basis, $200,000 of the credit available for 1962 has been reflected in profits in 1962, and $1,700,000 has been deferred to future operations.

LEAR SIEGLER, INC.

Earnings before income taxes	$12,384,015
Federal and foreign income taxes:	
Current	6,005,009
Deferred—applicable to accelerated depreciation for tax purposes	374,000
	$ 6,379,009
Net earnings	$ 6,005,006

Reduction of Deferred Tax Benefit

CUTLER-HAMMER, INC.
Notes to Financial Statements

Note 2: Depreciation charges included in costs and expenses amounted to $2,976,118 in 1962 and $3,045,158 in 1961. A portion of these charges are not deductible for Federal income tax purposes as they represent depreciation computed at normal rates on the cost of certain facilities covered by a necessity certificate which was amortized for tax purposes in prior years. The additional income taxes resulting from the non-deductible portion of the depreciation, amounting to $132,219 in 1962 and $135,591 in 1961, have been charged to the reserve for deferred Federal taxes on income.

GRANITE CITY STEEL COMPANY

Income before federal income taxes	$14,630,419
Estimated provision for federal income taxes:	
Current year	$ 5,742,000
Income tax deferment resulting from accelerated methods of depreciation and investment credit (Note 2)	2,450,000
Income taxes deferred in prior years, currently payable	(992,000)
	$ 7,200,000
Net income for the year	$ 7,430,419

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Earnings before income taxes	$9,418,407
Provision for income taxes:	
Federal and state income taxes (after credits of $116,000 in 1962 and $595,000 in 1961 for deferred taxes)	1,196,069
Excess prior years' provisions	(196,069)
	1,000,000
Net earnings	$8,418,407

MIDWEST RUBBER RECLAIMING COMPANY

Income before estimated federal income taxes	$986,620
Estimated federal income taxes:	
Current year	$526,000
Deferred due to accelerated depreciation	27,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income taxes	(48,000)
Estimated federal income taxes	$505,000
Net income for the year	$481,620

WAITT & BOND, INC.

Income (loss) before income taxes	($476,212)
Reduction of deferred tax liability (1962) and provision for federal and state income taxes, 1961 (Note 5)	(86,540)
Net income (loss)	($389,672)

Note 5: Because of current and prior years' losses it is estimated that book income of $280,000 may be realized in future years without provision for income taxes.

EXTRAORDINARY ITEMS

Extraordinary items are extensively discussed in the *Accounting Research and Terminology Bulletins—Final Edition,* issued in 1961, by the committees on accounting procedure and accounting terminology of the American Institute of Certified Public Accountants. The committees state therein, (Chapter 8) "Income and Earned Surplus":

1. The purpose of this chapter is to recommend criteria for use in identifying material extraordinary charges and credits which may in some cases and should in other cases be excluded from the determination of net income and to recommend methods of presenting these charges and credits.

2. In dealing with the problem of selecting the most useful form of income statement, the danger of understatement or overstatement of income must be recognized. An important objective of income presentation should be the avoidance of any practice that leads to income equalization.

11. The committee has indicated elsewhere[1] that in its opinion it is plainly desirable that over the years all profits and losses of a business be reflected in net income, but at the same time has recognized that, under appropriate circumstances, it is proper to exclude certain material charges and credits from the determination of the net income of a single year, even though they clearly affect the cumulative total of income for a series of years. In harmony with this view, it is the opinion of the committee that there should be a general presumption that all items of profit and loss recognized during the period are to be used in determining the figure reported as net income. The only possible exception to this presumption relates to items which in the aggregate are material in relation to the company's net income and are clearly not identifiable with or do not result from the usual or typical business operations of the period. Thus, only extraordinary items such as the following may be excluded from the determination of net income for the year, and they should be excluded when their inclusion would impair the significance of net income so that misleading inferences might be drawn therefrom:[2]

(a) Material charges or credits (other than ordinary adjustments of a recurring nature) specifically related to operations of prior years, such as the elimination of unused reserves provided in prior years and adjustments of income taxes for prior years;

(b) Material charges or credits resulting from unusual sales of assets not acquired for resale and not of the type in which the company generally deals;

(c) Material losses of a type not usually insured against, such as those resulting from wars, riots,

[1]References, not reproduced.
[2]References, not reproduced.

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 369 extraordinary items were disclosed in the 1962 annual reports of 234 of the 600 survey companies. The disposal or sale of assets comprised the largest group. Other items resulted from such varied transactions or events as changes in the basis of valuation of inventories or other assets, and miscellaneous extraordinary expenses, losses, or gains.

Table 13 summarizes the various methods of presentation of extraordinary items as shown in the 1962 annual reports. Of the 369 extraordinary items, the majority were set forth in the income statement (222 items), a number were disclosed in either the footnotes or in the letter to stockholders (51 items), and the balance (96 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 369 extraordinary items presented by the survey companies in their 1962 annual reports. The percentage of materiality of extraordinary items was determined by the ratio of such items to the 1962 earnings adjusted for both extraordinary items and prior income tax adjustment items. Table 14 shows that 165 of the extraordinary items did not exceed a materiality percentage of 10 per cent; 45 items were within an 11-20 per cent range of materiality; 50 items varied from 21-50 per cent, and 60 exceeded 50 per cent of materiality. In the case of 49 of the 369 extraordinary items, the reports did not contain sufficient information for determination of the materiality.

The income account (including footnotes, etc.) was utilized for the recording of 273 extraordinary items, the retained earnings account for 93 extraordinary items, and the capital surplus account for three items. A combination of such accounts was frequently employed by the survey companies in recording the extraordinary items.

[3]References, not reproduced.
[4]References, not reproduced.

Examples

Illustrative examples showing the retained earnings and capital surplus accounts adjusted during 1962 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

GENERAL REFRACTORIES COMPANY

Profit from operations, exclusive of depreciation, depletion and taxes	$2,822,070
Depreciation	3,858,833
Depletion	17,483
Taxes other than income taxes	1,552,206
	$5,428,022
Profit (loss) from operations	($2,605,952)
Other income and deductions:	
Income received from foreign affiliates	5,443,413
Gain on disposal of fixed assets, etc., net	122,464
Dividends on stocks of domestic companies	240,362
Royalties, purchase discounts, etc.	466,136
	6,272,375
Interest and other debt expense	1,212,910
	$5,059,465
Income before income taxes, etc.	$2,453,513
Adjustments of federal income tax benefits (Note 5)	(45,173)
Net income	$2,498,686

PENN FRUIT CO., INC.

Net income from operations before taxes on income	$1,566,388
Federal and state taxes on income	847,818
Net income from operations	718,570
Provision for loss on disposition of unprofitable operations and leases	(607,800)
Net income	$ 110,770

TABLE 13: EXTRAORDINARY ITEMS—1962

Nature of Extraordinary Item	Presentation in Report*: A: Income — Income Statement: Listed Among Other Costs	Shown in Separate Last Section	Shown After Net Income for Year	Set Forth Elsewhere: In Footnotes, President's Letter or Financial Review	Total Income or not Determinable	B: Retained Earnings	1962 Total Items
Disposal or sale of:							
Fixed assets	53	13	4	6	76	10	86
Investments or securities	14	4	5	2	25	4	29
Subsidiary, affiliate, or division	4	8	5	6	23	7	30
Other assets	4	—	2	2	8	1	9
Change in valuation bases:							
Inventory write-down to market	—	2	2	1	5	1	6
"Lifo" liquidation on replacement	—	—	1	—	1	—	1
Change in investment valuation	4	2	—	1	7	5	12
Fixed assets conformed to "tax" basis	—	—	—	1	1	1	2
Other fixed asset adjustments	2	—	1	—	3	6	9
Miscellaneous adjustments	1	1	—	2	4	4	8
Expenses, losses, gains, etc.:							
Foreign exchange adjustments	19	12	3	12	46	11	57
Government contracts	—	1	1	1	3	—	3
Nonrecurring plant expenses	10	5	2	11	28	10	38
Various other gains and losses	4	4	2	3	13	2	15
Various prior year adjustments	2	4	1	—	7	8†	15
Catastrophe—fire, flood, etc.	—	—	—	1	1	1	2
Miscellaneous other items:							
Lump-sum intangible asset reduction	—	—	3	1	4	7	11
Higher plant replacement costs or extraordinary depreciation	—	—	—	—	—	1	1
Transfer to reserves or reversal	3	6	2	1	12	13†	25
Other	—	5	1	—	6	4†	10
Total	120	67	35	51	273	96	369

Number of Companies Presenting:	1962
Nonrecurring extraordinary items	234
No special or extraordinary items	366
Total	600

*See Table 14 for Percentage of Materiality.
See also Tables 11 and 12.
†Includes one entry to capital surplus.

REXALL DRUGS AND CHEMICAL COMPANY

Income:	
Sales, less returns, allowances and discounts	$280,850,000
Gain on sales of investments and properties	1,447,000
Other income	762,000
	283,059,000
Deductions:	
Cost of goods sold	172,658,000
Selling, distribution, promotional and administrative expenses	86,318,000
Depreciation	6,804,000
Interest on indebtedness	3,361,000
	$269,141,000
Earnings before taxes on income	$ 13,918,000

TIDEWATER OIL COMPANY

Sales, other revenue and excise taxes	$781,711,000
Less—Excise taxes	124,225,000
Net sales and other revenue	657,486,000
Costs, expenses and taxes	
Crude oil, products, materials and services	444,561,000
Salaries, wages and employee benefits	75,691,000
Depreciation, depletion, and amortization	67,528,000
Interest	13,256,000
Taxes, other than income taxes	21,259,000
Income taxes	2,615,000
Total costs, expenses and taxes	624,910,000
Net income	32,576,000
Special item—gain on sale of non-producing properties	3,644,000
Net income and special item	$ 36,220,000

TABLE 14: EXTRAORDINARY ITEMS—1962

	Percentage of Materiality*														
	Income Account (including footnotes, etc.)							Retained Earnings Account							1962
Nature of Extraordinary Item	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Total Items
Disposal or sale of:															
Fixed assets	32	14	5	10	6	9	76	1	1	1	3	1	3	10	86
Investments or securities	10	3	2	3	2	5	25	—	—	—	1	2	1	4	29
Subsidiary, affiliate, or division	5	1	5	4	3	5	23	2	—	1	—	3	1	7	30
Other assets	2	1	2	1	1	1	8	1	—	—	—	—	—	1	9
Change in valuation bases:															
Inventory write-down to market	1	1	—	—	2	1	5	—	—	—	1	—	—	1	6
"Lifo" liquidation or replacement	—	—	—	—	1	—	1	—	—	—	—	—	—	—	1
Change in investment valuation	3	2	1	—	1	—	7	1	—	—	3	—	1	5	12
Fixed assets conformed to "tax" basis	—	1	—	—	—	—	1	—	—	1	—	—	—	1	2
Other fixed asset adjustments	1	—	1	—	—	1	3	1	—	2	2	1	—	6	9
Miscellaneous adjustments	2	—	1	—	—	1	4	1	1	—	1	1	—	4	8
Expenses, losses, gains, etc.:															
Foreign exchange adjustments	25	5	6	1	1	8	46	3	2	3	1	1	1	11	57
Government contracts	—	1	—	—	2	—	3	—	—	—	—	—	—	—	3
Nonrecurring plant expenses	3	3	1	7	7	7	28	2	—	1	2	2	3	10	38
Various other gains and losses	4	3	2	1	3	—	13	—	1	—	—	1	—	2	15
Various prior year adjustments	2	1	1	1	1	1	7	4†	—	1	1	2	—	8†	15
Catastrophe—fire, flood, etc.	1	—	—	—	—	—	1	1	—	—	—	—	—	1	2
Miscellaneous other items:															
Lump-sum intangible asset reduction	1	2	—	—	1	—	4	—	1	2	—	4	—	7	11
Higher plant replacement costs or extraordinary depreciation	—	—	—	—	—	—	—	1	—	—	—	—	—	1	1
Transfer to reserves or reversal	6	—	2	1	3	—	12	2	1	1	3	6†	—	13†	25
Other	—	—	2	2	2	—	6	2†	—	1	1	—	—	4†	10
Total	98	38	31	31	36	39	273	22	7	14	19	24	10	96	369

	Accounts Adjusted for Special Items:			
Number of Companies, adjusting accounts:	Income	Retained Earnings	Capital Surplus	1962 Total
For extraordinary items	186	45	3	234

*Ratio of item to 1962 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.

ST. REGIS PAPER COMPANY

Net sales	$579,017,961
Costs and expenses including materials, labor, services, depreciation, amortization and depletion	542,653,352
Operating income	36,364,609
Income credits:	
Dividend and interest income	4,132,983
Profit (loss) from sales of investments	1,771,400
Profit from sales of fixed assets	164.743
Other	858,896
	6,928,022
Total	43,292,631
Income charges:	
Interest expense	4,446,490
Other	1,819,393
	6,265,883
Earnings before provision for taxes on earnings	$ 37,026,748

VANADIUM-ALLOYS STEEL COMPANY

Revenue:	
Sales, less discounts, returns, and allowances	$29,491,021
Dividend and interest income	71,639
Net gain on sale of securities	155,569
Net gain (loss) on disposal of fixed assets	(1,281)
Miscellaneous	125,898
	29,842,846
Costs and expenses:	
Cost of goods sold	20,825,994
Selling, administrative, and general expense	3,509,239
Additional compensation to directors, officers, and employees	832,862
Interest paid	118,922
Prior years' tax adjustments	(9,405)
	25,277,612
Net income before taxes on income	$ 4,565,234

Valuation Changes

CANADA DRY CORPORATION

Income before United States and foreign income taxes	$7,474,575
Provision for United States and foreign income taxes:	
United States	2,765,028
Foreign	423,573
Deferred	485,000
Total	3,673,601
Net income	3,800,974
Special items:	
Net gain (recorded as determined) on expropriation of Montreal plant less, in 1962, $300,000 write-down of portion of German facilities to estimated disposal value, etc.	1,135,341
Net income and special items	$ 4,936,315

HOWELL ELECTRIC MOTORS COMPANY

Net income (loss) for year	$ (82,064)
Special item:	
Increase in inventory valuation arising from change in method of pricing (Note 6)	392,507
Less, federal income tax thereon	206,500
	186,007
Special item less net loss—1962, net income—1961	103,943
Earnings retained, beginning of year	3,707,387
	$3,811,330

Note 6: *Accounting Change*—In 1962 the company elected to file its federal income tax return on a consolidated basis. In connection therewith the method of pricing inventory of one subsidiary was changed from the last-in, first-out basis to the first-in, first-out basis to conform with the inventory valuation methods of the parent company and the other subsidiaries. The effect thereof was an increase in inventory valuation of $392,507, which amount is set forth as a "special item."

THE NATIONAL SUGAR REFINING COMPANY

Net sales and other operating revenue	$151,456,886
Other income	272,150
Total	$151,729,036
Costs and expenses:	
Cost of goods sold (including depreciation: 1962, $1,387,536; 1961, $1,625,607) (Note 2)	$143,451,548
Selling, general, and administrative expenses	6,578,928
Interest	391,301
Other	69,698
Federal taxes on income (Note 4):	
Current	405,235
Deferred	218,453
State taxes on income	19,974
Total	$151,135,137
Net earnings for the year	$ 593,899

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

The raw sugar base price of 5.65¢ a pound, which was established as of December 31, 1956, was adjusted to 6.00¢ a pound effective December 31, 1962. The adjusted base price is considered to be a more realistic inventory valuation basis in the light of increases in raw sugar prices which occurred during 1962. Adjustment of the base price resulted in increases of $175,000 in the valuation of the base stock inventory and $84,000 in net earnings for 1962.

CONTINENTAL MOTORS CORPORATION

Revenues:	
Net sales	$171,963,825
Dividends received from Continental Aviation and Engineering Corporation	94,500
Miscellaneous	460,304
	$172,518,629
Costs and expenses:	
Cost of products sold	$152,037,027
Shipping, service, selling, and administrative expenses	11,543,182
Depreciation of plant and equipment	1,570,253
Amortization of tools, dies, and patterns	720,219
Adjustment of carrying amount of investment	200,000
Interest on long-term debt	84,930
Other interest	377,396
	$166,533,007
Earnings before taxes on income and minority interest	$ 5,985,622

GENERAL SIGNAL CORPORATION

Earnings before U.S., Canadian and state taxes on income	$5,311,639
Provision for U.S., Canadian and state taxes on income	2,704,899
Net earnings before special items	2,606,740
Reduction in carrying value of investments in nonconsolidated subsidiaries (Note 3)	125,000
Net earnings	$2,481,740

Note 3: *Investments*—At December 31, 1962 investments in and advances to nonconsolidated subsidiaries are stated at cost less $125,000 to reduce the carrying value to an amount approximately equivalent to the Company's equity in these subsidiaries' underlying net assets.

The market value of the Company's investments in capital stock of other companies was in excess of cost at December 31, 1962.

SUN OIL COMPANY

Sales and other operating income	$794,025,321
Other income	10,245,259
	804,270,580
Costs and expenses:	
Costs, operating and general expenses	599,486,127
Taxes, including income taxes	64,784,655
Intangible development costs	28,705,578
Depreciation, cost depletion and retirements	57,116,021
Interest charges	983,611
	751,075,992
Net income	$ 53,194,588

Notes to Financial Statements

The provision for depreciation in 1962 was decreased by $10,900,000 (of which $6,200,000 related to prior years) in order to record a revision of the estimated lives of certain fixed assets and the result of recent Revenue Agent's examinations of Federal Income Tax returns of prior years. As a result, net income for 1962 includes $3,000,000 applicable to prior years, consisting of the depreciation adjustment of $6,200,000, less related United States income taxes of $3,200,000.

UNITED STATES SMELTING REFINING AND MINING COMPANY

Net operating profit	$1,710,476
Special items:	
Net gain on sales of property (see Note 5, page 16)	4,515,913
Gain (loss) on metal price fluctuations	214,495
Additional property reserves	(1,336,818)
Net income and special items	$5,104,066

Special Expenses, Losses, or Gains

ADMIRAL CORPORATION

Net sales	$201,505,441
Cost of goods sold and operating expenses, including depreciation and amortization of $4,011,949 in 1962 and $4,052,702 in 1961	195,996,447
	5,508,994
Other income, including interest earned, royalties, miscellaneous other items	953,209
	6,462,203
Interest expense	1,657,183
Net income before provision for income taxes and item set forth below	4,805,020
Provision for federal, state and foreign income taxes, including amount applicable to variation in the reserves for warranties —Note B	2,346,000
Net income before item set forth below	2,459,020
Loss on operations of Italian subsidiary company (net of applicable taxes)—Note A(4)	493,519
Net income—per accompanying consolidated statement of surplus	$ 1,965,501

AMERICAN HOME PRODUCTS CORPORATION

Sales	$543,875,476
Less, returns, allowances, delivery, etc.	41,021,777
Net sales	502,853,699
Other income	3,623,967
	506,477,666
Cost of goods sold	193,857,572
Selling, administrative and general expenses	191,842,076
Employees' insurance, annuities, etc.	4,187,750
Interest	755,335
Miscellaneous deductions, principally foreign losses and exchange adjustments	4,811,258
	395,453,991
Income, before federal and foreign taxes on income	$111,023,675

ANCHOR HOCKING GLASS CORPORATION

Operating income for the year	$ 6,973,559
Devaluation of Canadian currency	340,455
Net income for the year (Notes 2 and 3)	$ 6,633,104
Earned surplus at beginning of year	40,329,185
	$46,962,289

ART METAL, INC.

Net loss	$ (421,809)
Prior years' adjustments:	
Additional recoveries of prior years' federal income taxes over amounts previously estimated	388,764
Adjustment of estimated liability for litigation and other adjustments applicable to prior years	93,971
Total	482,735
Net addition to retained earnings	60,926
Retained earnings, beginning of year	7,784,735
Retained earnings, end of year	$7,845,661

CELANESE CORPORATION OF AMERICA

	In Thousands
Net earnings from domestic operations	$24,631
Foreign operations (net of U.S. taxes on income received)	
Equity in operating earnings of foreign subsidiaries	4,054
Other income from foreign sources	2,309
Provision for exchange losses and, in 1962, for other revaluations	(3,500)
Net earnings from foreign operations (Note 1)	2,863
Net earnings for year	$27,494

CROWN CORK & SEAL COMPANY, INC.

Sales and other income:	
Products sold	$190,178,000
Interest, royalties and other income	505,000
	190,683,000
Costs and expenses:	
Cost of products sold excluding depreciation	150,093,000
Selling and administrative expenses	14,694,000
Depreciation of plant and equipment	4,908,000
Interest	1,579,000
Non-recurring expenses covering relocation of operating facilities, etc.	1,820,000
	173,094,000
Profit from operations before taxes on income	$ 17,589,000

DEERE & COMPANY

Sales and other income:	
Net sales	$541,532,753
Interest and miscellaneous income	10,448,270
Total sales and other income	551,981,023
Less:	
Cost of goods sold	390,806,202
Shipping, selling, administrative and general expenses	67,466,229
Provision for federal, Canadian and state income taxes	44,000,000
Interest	7,890,705
Provision for foreign losses and miscellaneous charges	5,500,779
Total deductions	515,663,915
Net income for the year	$ 36,317,108

ELGIN NATIONAL WATCH COMPANY

Net sales	$40,429,116
Cost of goods sold	30,168,927
Gross profit	$10,260,189
Advertising, selling, general and administrative expenses	$ 9,118,086
Income before special credit and federal income taxes	$ 1,142,103
Special credit—recovery of costs and expenses charged to prior year's operation through settlement of contract claim	265,178
Federal income taxes (federal income taxes of $730,000 in 1962 and $54,000 in 1961 have been eliminated as a result of the carry-forward of prior year's loss) (Note 4)	—
Net income and special credit including federal income tax reduction from carry-forward of prior year's loss	$ 1,407,281

THE COLORADO FUEL AND IRON CORPORATION

Sales and operating revenues	$227,173,088
Other income	1,633,843
Total	228,806,931
Costs and expenses:	
Cost of sales and operating expenses	199,295,672
Selling, administrative and general expenses	22,381,414
Depreciation and depletion	8,178,724
Interest and long-term debt expense	4,177,913
Total	234,033,723
Earnings (Loss)	(5,226,792)
Special Items:	
Loss in connection with closing of plants	3,881,990
Provision in prior years for federal income taxes no longer required	(2,196,712)
	1,685,278
Earnings (loss) after special items	$ (6,912,070)

Other Extraordinary Items

AMERICA CORPORATION

Net operating income	$ 1,461,382
Other income—rents, interest, dividends and miscellaneous (net)	438,207
	1,899,589
Other expenses:	
Interest and financial charges	646,890
Amortization of film processing contract costs (Notes 2 and 6)	423,809
	1,070,699
	828,890
Interest and finance charges in connection with acquisition of common stock of Republic Corporation (Note 7)	218,503
Writedown of investments and advances in connection with motion pictures and distribution rights	1,016,768
Net loss on discontinued operations (Note 1)	281,469
Loss on notes receivable due from Oz Pub-Publishing Corporation	469,508
	1,986,248
Net loss (after depreciation, depletion and amortization of $1,327,000)	$(1,157,358)

J. P. STEVENS & CO., INC.

Net income before state and federal taxes based on income	$33,618,796
Provision for state and federal taxes based on income:	
State taxes (including franchise taxes) based on income	1,250,000
Federal income taxes	16,350,000
	17,600,000
Net income	16,018,796
Special item:	
Writeoff of intangibles applicable to a merged subsidiary—Note G	1,340,806
Net income and special item	$14,677,990

Note G: Intangibles which have been written off as a special item represent the excess of cost of the investment in D. B. Fuller & Co., Inc. (merged into the Company in 1958) over the subsidiary's net assets as shown by its books as at date of acquisition, less amortization. The operations of the subsidiary were continued after merger as the Fuller Fabrics Division; subsequently changes were effected in the Division culminating in the 1962 fiscal year in the consolidation of its remaining operations with those of the Cotton Division and the completion of plans for the disposition of Fuller plant assets.

THE AMERICAN SHIP BUILDING COMPANY

Revenue	$19,836,762
Other income	160,266
	$19,997,028
Deductions:	
Costs and operating expenses	$17,344,337
Provision for depreciation	1,725,411
Administrative and general	2,053,299
Interest expense	155,363
	$21,278,410
	($ 1,281,382)
Refundable federal taxes on income, in 1962, arising from carry back of loss—1961 (provision)	716,000
Net (loss) income) before special credit	($ 565,382)
Special credit resulting from escalation award received on prior years' contract, net of applicable federal taxes on income	314,871
Net (loss) income and special credit	($ 250,511)

FAIRBANKS WHITNEY CORPORATION

Net loss for the year	($ 4,757,723)
Special charges:	
Provision for estimated costs of program for consolidation, relocation and rehabilitation of manufacturing facilities and losses relating to discontinuation of certain product lines	$10,650,685
Adjustment to reflect changes in valuation of inventories and treatment of engineering costs applicable to new products, warranty expenses and supplemental retirement payments	6,247,381
Provision for possible nonrecovery of costs accumulated in connection with the investment in and advances to Desalination Plants, Limited (Note 3)	2,165,000
Provision for estimated liabilities and losses relating to long-term lease commitments, contracts, claims, etc.	3,226,997
Total special charges	($22,290,063)
Net loss for the year and special charges	($27,047,786)

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Operating profit	$50,527,000
Interest and amortization of expense on long-term debt	*8,359,000*
Other income and *expense*, net (Note 7)	118,000
	42,286,000
Provision for federal taxes on income (Note 8)	18,060,000
Net income for the year	$24,226,000

Note 7: *Other Income and Expense*—Other income includes net gains on sales of investments and other property of $1,579,000 in 1962 and $3,627,000 in 1961. Other expense in 1962 includes $2,174,000 for the elimination of intangibles relating to operations disposed of and in 1961 includes $7,167,000 for the write-off of manufacturing facilities no longer used.

DESIGNATION OF FINAL FIGURE

The *Accounting Research and Terminology Bulletins —Final Edition,* issued by the committees on accounting procedure and accounting terminology 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" in this section.

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 63 survey companies that presented such items in a separate last section of the 1962 income statements. Thirty-one companies indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year, 27 companies clearly indicated the *exclusion* of such charges and credits from the figure of net income for the year, while 5 companies did not clearly designate the net income figure.

Examples illustrating the presentation of the final figure of the income statement of the 1962 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

AMERICAN ZINC, LEAD AND SMELTING COMPANY

Net income	$1,159,954
Special items:	
Income, net of tax effect, from sale of Uranium Reduction Company stock, $1,302,724, less $216,214 of non-recurring expenditures	1,086,510
Net income and special items	$2,246.464

FOOTE MINERAL COMPANY

Net earnings	$286,810
Special items:	
Net credit resulting from settlement of federal income taxes for years 1954 through 1960, less loss on liquidation of Italian subsidiary, net of tax benefits	266,009
Net earnings and special items	$552,819

TABLE 15: DESIGNATION OF FINAL FIGURE—1962

Number of Companies presenting:*	1962
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*	25
B: *Net income for the year* and final figure of the income statement as *transferred to retained earnings*	2
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*	24
D: *Net operating income* and final figure of the income statement as *net income*	3
E: Setting forth an *undesignated* figure preceding extraordinary item and designating final figure of the income statement as *net income for the year*	4
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	63

*Refer to Company Appendix Section—A: Co. Nos. 18, 50, 111, 217, 234, 320; B: Co. Nos. 64, 409; C: Co. Nos. 121, 137, 157, 186, 200, 209; D: Co. Nos. 26, 233, 424; E: Co. Nos. 21, 172, 265, 372; F: Co. Nos. 44, 163, 214, 489, 509.

BROWN & SHARPE MANUFACTURING COMPANY

Net income for the year	$1,925,781
Appropriation for reserve for possible moving expenses (see comments page 1)	200,000
Net income after special charge	$1,725,781

Page 1: The year 1962's earnings reflect, significantly, a $200,000 appropriation from these earnings for possible moving expenses. The Company is presently studying the feasibility of relocating its machine tool, industrial product and B & S pump manufacturing facilities in a modern, single-story plant that would be constructed in the suburban town of North Kingstown, Rhode Island. Although studies are still far from complete, the Directors at their regular February meeting thought well enough of the plan to appropriate funds as a reserve for expenses which will certainly be considerable, should they eventually be incurred.

THE CELOTEX CORPORATION

Net (loss) or income	$(1,706,978)
Special items—Net (loss) or gain on sale or other disposition of fixed assets, after applicable federal income tax of $750,000 (refund) in 1962 and $704,000 in 1961	(698,469)
Net (loss) or income and special items	$(2,405,447)

ENDICOTT JOHNSON CORPORATION

Net earnings (loss)	$ 621,135
Special credit—collection on indebtedness carried at nominal amount	509,691
Net earnings (loss) and special credit	$1,130,826

ART METAL, INC.

Net loss	$(421,809)
Prior years' adjustments:	
Additional recoveries of prior years' federal income taxes over amounts previously estimated	388,764
Adjustment of estimated liability for litigation and other adjustments applicable to prior years	93,971
Total	482,735
Net addition to retained earnings	$ 60,926

JOY MANUFACTURING COMPANY

Net income	$1,338,928
Special charge—	
Canadian currency devaluation	357,912
Net income less special charge	$ 981,016

WALTER KIDDE & COMPANY, INC.

Net income for the year	$752,586
Special items (Note 11)	203,012
Net income and special items	$955,598

Note 11: Special items in 1962 consisted of $600,000 received from Specialties Management Corporation as consideration for an early cancellation of the Company's lease; less losses ($191,288) on the sale of the Company's Brazilian and Mexican subsidiaries and net adjustments principally for related income taxes ($205,700).

RADIO CORPORATION OF AMERICA

Net profit for year	$51,535,000
Gain on sale of Whirlpool Corporation stock, less federal tax of $2,320,000	6,960,000
Total net profit and capital gain	$58,495,000

Indicating Inclusion in the Net Income

AVCO CORPORATION

Earnings before nonrecurring income	$18,790,276
Profit on sale of a television broadcasting property, less applicable U.S. federal income tax of $447,000	1,249,989
Net earnings	$20,040,265

CALUMET & HECLA, INC.

Net income before special charge	$1,329,244
Special charge—unrealized loss on Canadian exchange—(Note 1)	357,556
Net income	$ 971,688

Note 1: Prior to 1962, the accounts of Canadian subsidiaries were consolidated at par of exchange. Due to the official action by the Canadian Government in devaluing its currency in 1962, it is deemed appropriate to recognize the resultant significant exchange differential in the Consolidated Accounts for this year. Accordingly, the accounts of all Canadian subsidiaries have been translated into U. S. dollars at applicable rates. The resulting charge is treated as a special item in the Consolidated Statement of Income and Retained Earnings.

CHERRY-BURRELL CORPORATION

(Loss) or earning before special items	$ (582,545)
Special items:	
Relocation expenses, less applicable carry-back tax refund ($101,010)	(212,920)
Loss on investment in Mexican affiliate	(206,993)
	(419,913)
Net (loss) or earnings for the year	$(1,002,458)

COMMERCIAL SOLVENTS CORPORATION

Earnings before special charge	$5,868,898
Special charge (see page 6 of the President's letter)	924,408
Net earnings for year ($1.69 per share in 1962; $1.88 in 1961)	$4,944,490

Page 6: Commercial Solvents estimates a recovery over an extended period of $3,700,000 on the $5,625,850 which was carried as receivables in the Estes account. This estimate is based on the terms of the compromise agreement for liquidation of the Estes estate which was approved by the Bankruptcy Court. A special charge of $924,408 was made against 1962 third quarter earnings to reflect the net after-tax effect of the resulting writeoff of $1,925,850.

CORN PRODUCTS COMPANY

Income before provision for taxes on income	$93,314,061
Provision for United States and foreign taxes on income	43,891,104
	$49,422,957
Minority interest	1,286,885
	$48,136,072
Unrealized losses on foreign exchange, net	1,885,875
Net income for the year	$46,250,197

THE FIRESTONE TIRE & RUBBER COMPANY

Net income before devaluation loss	$63,238,209
Deduct:	
Loss arising from devaluation of assets in foreign countries in excess of reserve provided in prior years	3,203,838
Net income	$60,034,371

A. G. SPALDING & BROS. INC.

Earnings before amortization of good will and special charge	$980,787
Loss on devaluation of Canadian currency	158,733
Amortization of good will	108,676
	$267,409
Net earnings	$713,378

Other

CONSOLIDATION COAL COMPANY

Income (before special credit)	$24,358,065
Special credit:	
Profit on disposals of operating properties and reserve coal lands, less applicable taxes on income (1962, $550,000; 1961, $1,400,000)	2,698,499
Net income and special credit	$27,056,564

ELGIN NATIONAL WATCH COMPANY

Income before special credit and federal income taxes	$1,142,103
Special credit—recovery of costs and expenses charged to prior year's operation through settlement of contract claim	265,178
Federal income taxes (federal income taxes of $730,000 in 1962 and $54,000 in 1961 have been eliminated as a result of the carry-forward of prior year's loss) (Note 4)	—
Net income and special credit including federal income tax reduction from carry-forward of prior year's loss	$1,407,281

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) When 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 1962 survey, 553 disclosed comparative earnings per share figures for two years or more. Seven companies disclosed earnings per share for the current year only, and 40 companies made no such disclosures.

Examples

The following examples selected from the 1962 annual reports illustrate the various methods used to present earnings per share and to disclose the basis for computation:

TABLE 16: EARNINGS PER SHARE—1962

Method of Presentation or Computation	1962
Comparative Earnings per share—	
Adjusted retroactively for:	
Stock dividends (*Co. Nos. 87, 124, 216, 328, 422, 507)	49
Stock splits (*Co. Nos. 25, 120, 286, 358, 402, 585)	34
Stock conversions (*Co. No. 10)	1
Stock options or other increases:	
Based on number of shares outstanding at end of current year (*Co. Nos. 6, 192, 265, 380, 468, 560)	24
	108
Not adjusted retroactively for:	
Stock dividends (*Co. Nos. 80, 110, 143, 195, 206, 511)	8
Stock conversions (*Co. Nos. 67, 299)	2
Stock options or other increases:	
Based on number of shares outstanding at end of each year (*Co. Nos. 2, 138, 209, 303, 489, 590)	143
Based on average number of shares outstanding during each year (*Co. Nos. 42, 187, 227, 306, 499, 593)	40
	193
No adjustments necessary:	
No material change in number of shares outstanding during the year	252
Total	553
Number of Companies	
Disclosing comparative earnings per share	553
Disclosing earnings per share for current year only (*Co. Nos. 173, 437, 441, 462, 505, 578)	7
Not disclosing earnings per share (*Co. Nos. 21, 137, 222, 339, 458, 562)	40
Total	600

*Refer to Company Appendix Section.

Adjusted Retroactively for Stock Dividends, Stock Splits, Conversions, or Other Increases in the Number of Shares Outstanding

THE AMERICAN TOBACCO COMPANY
Financial Review

	1962	1961
Net sales	$1,169,239	$1,153,950
Income, before taxes on income	140,464	141,965
Taxes on income	71,884	76,403
Net income:		
Amount	68,580	65,562
Available per common share (Note 2)	2.51	2.40
Dividends:		
Common:		
Amount	39,075	36,470
Per share (Note 2)	1.50	1.40
Preferred ($6 per share)	3,167	3,167
Added to retained earnings	26,338	25,925

Note 2: Based on 26,050,088 shares for 1954 to 1962, inclusive, and 25,816,440 shares for 1953. Shares for years prior to 1962 are after adjustment to reflect the two-for-one stock splits in 1960 and 1962.

BRIGGS & STRATTON CORPORATION
Highlights

	1962	1961
Net sales	$101,796,296	$80,338,423
Income before provision for income taxes	25,910,342	16,319,439
Net income	11,650,342	7,379,439
% of net sales	11.4%	9.2%
Per share*—		
Income before provision for income taxes	$7.20	$4.53
Net income	3.24	2.05

*Adjusted for 2-for-1 stock split in 1962.

CONSOLIDATED CIGAR CORPORATION
Financial Review

Net earnings for the year increased to $7,344,137 from $4,985,060 in 1961. After payment of dividends on the $5.00 Dividend Cumulative Preferred Stock, all of which was exchanged or redeemed on or before May 31st, earnings amounted to $2.94 per share on the 2,493,091 shares of Common Stock outstanding at the year end. This compared with earnings in 1961, after payment of dividends on the Preferred Stock, of $1.87 per share, if computed on the same 2,493,091 shares. The reported 1961 per-share earnings of $2.08 were computed on 2,241,950 shares, the average number of shares outstanding in 1961 increased for the three-for-two split early in 1962.

DURA CORPORATION
Financial Review

	1962	1961
Net sales	$56,519,501	$56,266,719
Profit before income taxes	$ 3,019,112	$ 1,259,291
Net earnings	$ 1,450,612	$ 245,791
Per share*	$ 2.40	$ .41
Cash dividends paid or declared	$ 240,178	$ 226,909
Per share (effective annual rate)	$ .40	$ .40

*The number of shares outstanding and the related per share figures for earnings and equity have been adjusted to give effect to the 10% stock dividend in 1959 and the 5% stock dividends in 1961 and 1962.

THE HOBART MANUFACTURING COMPANY
Highlights

	1962	1961
Net sales (shipments)	$85,050,068	$77,006,311
Income before provisions for income taxes and exchange adjustment	13,577,422	11,831,564
Taxes—federal and foreign income	6,642,728	5,791,036
Income before exchange adjustment:		
For the year	6,934,694	6,040,528
Per share*	$2.56	$2.26
Income after exchange adjustment:		
For the year	6,665,323	5,751,658
Per share*	$2.46	$2.15

*Based on number of shares outstanding December 31, of each year (with 1961 restated to give effect to the two-for-one stock split of May, 1962).

NORTHROP CORPORATION
Letter to Stockholders

Northrop Corporation's sales for the fiscal year ended July 29, 1962, were $347,460,547, an increase of 30% over the previous year. Net earnings for the year were $9,051,323, an increase of about $378,000. This, after taxes, represented a return of 2.6% on sales. The earnings were equivalent to $2.16 per share on the 4,185,156 shares outstanding at the year end as compared with $2.11 per share on the 4,105,760 outstanding a year earlier, adjusted for the two-for-one stock split.

THE PITTSTON COMPANY
Summary of Financial Data

Calendar Year	COMMON STOCK Shares Outstanding At Year End (B)	Earnings Per Share (A), (B), & (D)
1962	1,471,648	$5.10
1961	1,437,843	4.79
1960	1,413,479	4.19
1959	1,403,302	3.43
1958	1,384,228	2.66
1957	1,359,367	5.62
1956	1,317,541	4.71
1955	1,140,462	2.28
1954	976,461	.38
1953	932,541	.90

(A) Adjusted to give effect to the merger with Clinchfield Coal Corporation retroactively to the four year period 1953 through 1956.
(B) Adjusted retroactively to give effect to stock dividends paid in each year 1955 through 1962.
(C) Actually paid during each year plus stock dividends of 5% declared in each year 1954 through 1961, and 4% in 1962.
(D) Excludes special credits per share—1954 $.63 and 1959 $.50.

Not Adjusted Retroactively for Stock Dividends, Stock Splits, Conversions, or Other Increases in the Number of Shares Outstanding

AMERICAN METAL PRODUCTS COMPANY
President's Letter

Earnings, after taxes, on sales of $62,393,841 were $2,047,296, equal to $1.47 per share on 1,392,203 average number of Common Shares outstanding. 1961 earnings were $1,556,283, after taxes, on sales of $56,500,432, equal to $1.10 per share on 1,410,660 average number of Common Shares outstanding.

ATLAS CHEMICAL INDUSTRIES, INC.
Statement of Earnings

	1962	1961
Net earnings for the year	$2,749,000	$3,656,000
Shares of common stock outstanding at end of year	3,466,132	3,453,171
Net earnings per share of common stock, after dividends on Class A stock	$ .74	$1.06

AVCO CORPORATION
President's Letter

In the fiscal year ended November 30, 1962, earnings before nonrecurring income were $18,790,276, equal to $1.72 per share. Nonrecurring income resulting from a capital gain on the sale of a television broadcasting property amounted to $1,249,989, or 11 cents per share. Consolidated net earnings including nonrecurring income totaled $20,040,265, equal to $1.83 per share based on an average of 10,937,474 shares outstanding during the year.

In 1961 consolidated net earnings were $12,982,052, equal to $1.24 per share based on an average of 10,511,500 shares outstanding during the year.

WALT DISNEY PRODUCTIONS
President's Letter

Consolidated net profit after taxes of Walt Disney Productions and its five wholly-owned domestic subsidiaries for the fiscal year ended September 29, 1962 was $5,263,491, representing $3.14 per share on the 1,674,804 shares outstanding at the fiscal year end, and compares with last year's net profit of $4,465,486, equal to $2.75 per share on the 1,626,023 common shares then outstanding.

EASTERN STAINLESS STEEL CORPORATION
Financial Summary

Consolidated net income for 1962 was $2,049,499, an increase of $28,580 or 1.4% over the $2,020,919 earned in 1961. Based on the average number of shares outstanding during each period (1,459,430 in 1962 as against 1,442,281 in 1961), earnings were equal to $1.40 per share for each period.

INTERCHEMICAL CORPORATION
Financial Highlights

	1962	1961
Net income per common share	$ 2.56*	$ 2.21*
Dividends paid per common share	1.40	1.40
Book value per common share	22.86	21.72
Number of common shares at year end	2,137,414	2,119,795
Number of preferred shares at year end	67,866	69,422
Dividends paid per preferred share	$ 4.50	$ 4.50

*Based on the average number of common shares outstanding during the year, 2,129,490 in 1962 and 2,114,880 in 1961.

NORTH AMERICAN AVIATION, INC.
Statistical Review

Operating results:	1962	1961
Net sales	$1,633,675,000	$1,262,333,000
United States taxes on income	37,600,000	28,900,000
Net income	34,557,000	27,750,000
Per share*†	4.15	3.38
Dividends	16,689,000	16,445,000
Per share†	2.00	2.00
Retained earnings	17,868,000	11,305,000

*Based upon average number of shares outstanding during the year.
†Adjusted for two-for-one stock split in August 1956.

THATCHER GLASS MANUFACTURING COMPANY, INC.
Highlights

	1962	1961
Net sales	$53,691,047	$55,078,357
Income before federal income taxes	4,619,095	3,522,927
Federal income taxes	2,315,000	1,713,825
Net income	2,304,095	1,809,102
Income per common share	1.96[1]	1.63[1]
Dividends paid per share	1.40	1.40

[1]Based on shares outstanding at end of each year.

Earnings Per Share Figure for Current Year Only

PHOENIX STEEL CORPORATION
Statement of Earnings

Net earnings for the year (loss)	$(5,045,067)
Earnings per share of common stock outstanding (loss) $(4.66)	

PITTSBURGH BREWING COMPANY
President's Letter

Sales for the year were $24,962,167 as compared with $24,970,564 for the preceding year. After provision for Income Taxes in the amount of $914,590, net earnings for the fiscal year were $827,903, equivalent to 58½ cents per share after all charges including preferred dividend provisions.

VTR, INCORPORATED
Financial Highlights

Net sales and royalties	$2,393,353
Plus: other income	24,433
Equals: Total income	$2,417,786
Less: Total costs and other deductions	2,086,968
Leaves: Net income—see note	$ 330,818
Net income per share	$ .27

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 and Terminology Bulletins—Final Edition* issued in 1961 by the committees on accounting procedure and accounting terminology 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 and Terminology Bulletins—Final Edition,* 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 1962 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. 56, 329, 487, 550)
- With no provision for related U.S. tax on unremitted earnings evident
  (*Co. Nos. 120, 127, 128, 421)
- With no information as to the related provision for U.S. tax
  (*Co. Nos. 117, 194, 229, 335)

Foreign Subsidiaries—Not Consolidated

Income fully taken up:
- With U.S. tax provided for (by a reserve, or net after taxes, etc.)
  (*Co. Nos. 38, 338, 438)
- Income taken up only as dividends are received
  (*Co. Nos. 39, 185, 455, 510)
- Income not taken up—no reference to dividends received
  (*Co. Nos. 144, 401, 431, 519)
- Foreign subsidiaries evident but no information as to the accounting treatment of income
  (*Co. Nos. 13, 277, 303, 547)

Examples of various presentations found in the 1962 reports are as follows:

Foreign Subsidiaries—Consolidated With U. S. Tax Provided for All Income Including Unremitted Earnings

ABBOTT LABORATORIES
Noncurrent Liabilities

Reserve applicable to international operations —(Note A)	$1,430,000

Note A: A reserve has been provided out of 1962 overseas earnings and unrealized exchange gains. This reserve consists of $800,000 that has been set aside for deferred income taxes expected to be incurred upon further transfers of such earnings to the United States and $630,000 for exchange or other adjustments arising from international operations. The transfer of funds from certain subsidiaries and branches located outside the United States may be subject to restrictive regulations of the respective governments. The amounts which may be subject to these regulations are considered to be insifinificant.

*Refer to Company Appendix Section.

ANDERSON, CLAYTON & CO.
Notes to Financial Statements

Note 4: The company and its subsidiaries have made full provision as of July 31, 1962, 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, 1962, this appropriation for theoretical tax liability amounted to $6,715,045 as compared with $5,599,969 as of July 31, 1961, an increase of $1,115,076 for the current year.

With No Provision for U. S. Tax on Unremitted Earnings

SYMINGTON WAYNE CORPORATION
Notes to Financial Statements

Note 1: *Consolidated Statements*—The consolidated financial statements include the accounts of the parent company and its more than 50% owned domestic and foreign subsidiaries with the exception of its Brazilian subsidiary which has been excluded from consolidation because of the instability of the Brazilian currency. Results of operations of Wayne Italiana, S.p.A. in which the company increased its interest to 51% during 1961 have been consolidated for the first full year of operations under company control.

The net income of those foreign subsidiaries included in the consolidated statement of income was $530,500 for 1962 and $768,800 for 1961. Consolidated retained earnings include roundly $4,420,000 at December 31, 1962, and $4,052,000 at December 31, 1961 of the undistributed earnings of foreign subsidiaries. Taxes which might become payable if such earnings were remitted to the parent company have not been provided in view of the continuing expansion programs in such companies.

Foreign Subsidiaries—Not Consolidated With U. S. Tax Provided for All Income Including Unremitted Earnings

LESLIE SALT CO.
Statement of Consolidated Income

Income before equity in earnings of foreign subsidiaries and affiliated company	$751,302
Equity in earnings of foreign subsidiaries and affiliated company (Note 1)	156,024
Net income (Note 1)	$907,326

Note 1: The consolidated financial statements include the accounts of the Company and its domestic subsidiaries, all of which are wholly owned. In 1962 the Company changed its method of reporting its investments in and income from foreign subsidiaries not consolidated and a 50% owned affiliated company to reflect its equity in underlying net assets and earnings of such companies in the consolidated financial statements, net of estimated U. S. income taxes which would be payable upon distribution. Prior to 1962 investments were carried at cost, and earnings of these companies were not included in the consolidated statement of income. The effect of this change was to increase consolidated net income for 1962 and investment in foreign subsidiaries and affiliated company at December 31, 1962 by $156,024 and $377,313, respectively. For comparative purposes, the accompanying financial statements for 1961 have been restated to conform with this change.

Income Taken Up Only as Dividends Are Received

THE BUDD COMPANY
Notes to Financial Statements

Foreign Investments: The Company's equity in the underlying net assets of its foreign investments, based on the most recently available audited statements, exceeded the cost of investments therein. The Company takes into earnings only dividends as received from such investments which for 1962 amounted to $249,437.

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 such statements.

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 the analysis of the 600 companies included in this survey for the past three years.

Number of Companies:	1962	1961	1960
Referring to "cash flow"	101	80	61
Not referring to "cash flow"	499	520	539
Total	600	600	600

Method of Presentation or Location in Reports	1962	1961	1960
Referred to in:			
President's letter or financial review	45	42	38
Operating summaries or statistics	29	16	4
Highlights	12	9	8
Separate statements	13	8	8
Chart form	9	6	12
Total	108	81	70

As indicated by the above tabulation 101 companies referred to "cash flow," "cash flow earnings," or "internal cash generation," etc., in 1962, compared with 80 companies in 1961 and 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 101 companies referring to cash flow, 36 presented the information in dollar amounts (*Co. Nos. 80, 199, 315, 330, 465, 524); 18 presented per-share amounts (*Co. Nos. 34, 160, 200, 384, 416, 542); and 47 presented both the totals and per-share amounts (*Co. Nos. 3, 142, 239, 329, 460, 551).

Examples of the manner of presentation follow:

Presented in Dollar Amount

ASHLAND OIL & REFINING COMPANY

Year in Brief

Net sales	$318,139,197
Net income	$ 15,324,447
Income per common share	$2.06
Cash dividends paid per common share	$1.20
Stock dividend on common stock	—
Cash dividends paid on common stock	$ 8,530,138
Cash dividends paid on preferred stock	$ 691,273
Working capital	$ 54,769,741
Long term debt	$ 40,370,000
Depreciation, depletion and amortization	$ 16,702,443
Expenditures for capital additions	$ 16,280,390
Depreciated book value of properties	$107,890,805
Cash flow—net income plus depreciation, etc.	$ 32,026,890

UNION OIL COMPANY OF CALIFORNIA

Financial Summary	*(In Thousands)*
Total revenues	$569,377
Less cash costs and expenses:	
Materials and services	247,073
Taxes	129,208
Salaries, wages, and employee benefits	65,779
Interest	7,066
Cash flow from operations	$120,251

*Refer to Company Appendix Section.

BASIC PRODUCTS CORPORATION
Financial Highlights

Net sales	$48,295,791
Income before taxes	2,419,266
Net Income	1,269,266
Cash flow	$ 2,247,717

SIGNODE STEEL STRAPPING COMPANY
Financial Summary

Operating revenues (sales and rentals)	$70,481
Earnings before taxes	9,114
Provision for taxes on income	4,550
Net earnings	4,564
Cash dividends	1,957
Depreciation of property and equipment and strapping tools and machines	3,393
Capital expenditures for property and equipment and strapping tools and machines	3,928
Cash flow (net earnings plus depreciation)	7,957
Company profit sharing contributions	$ 1,186

The above figures rounded to nearest thousand

Presented in Per-share Amount

CRANE CO.
Financial Highlights

Sales	$333,767,000
Earnings	3,194,000
Earnings per common share	2.21
Depreciation per common share	6.52
Cash flow per common share	8.73

FMC CORPORATION
Highlights

	Dollars in thousands except per share amounts
Gross income	$506,459
Net income:	
Before federal and foreign taxes	$ 49,899
After federal and foreign taxes	$ 26,099
Per common share[a]	$ 1.81
Cash flow per common share[a]	$ 3.18

(a) Adjusted for 100 per cent stock distribution in 1962.

GENERAL CABLE CORPORATION
Letter to Stockholders

In 1962 the Corporation was again able to reduce substantially its gross capital expenditures for additions and improvements; such expenditures totalled $4,625,067 which were $1,630,468 lower than 1961 and $3,365,617 lower than in 1960. Capital expenditures in 1962 were below the depreciation charges of $5,142,640. The cash flow on each share of Common Stock in 1962 was $5.28 compared with $4.21 in 1961.

STANDARD OIL COMPANY (INDIANA)
Letter to Stockholders

Cash income—the sum of net earnings and charges against earnings for depreciation, depletion, amortization, retirements, and abandonments—was $10.68 per share. It was $9.95 per share in 1961.

Presented in Both Total and Per-share Amounts

AMERICAN VISCOSE CORPORATION
Financial Review

The larger sales of rayon and acetate products accounted for the substantial increase in earnings for the year 1962. Net income amounted to $14 million, up from $9.8 million in 1961—an increase of 44 per cent. These earnings consisted of $10.5 million from business operations and $3.5 million from Monsanto dividends. The cash flow—earnings plus depreciation—was $28.3 million or $5.95 per share of common stock.

CONTINENTAL OIL COMPANY
Ten Year Financial Review

Revenues	$1,006,302
Sales of refined products (includes product excise taxes collected)	639,330
Sales of crude oil	250,367
Other	116,605
Purchases of crude oil	267,539
Net earnings—total	69,077
Net earnings—per share	3.23
Dividends paid—total	37,433
Dividends paid—per share	1.75
Net cash flow from operations—total	177,343
Net cash flow from operations—per share	8.29

LONE STAR CEMENT CORPORATION
Financial Review

Net income plus depreciation and depletion was at a record high of $24,869,545 in 1962, or $2.92 per share, compared with $24,258,198 or $2.84 per share in 1961. An additional $2,300,000 of cash flow resulted from the Corporation's adoption of new depreciation guidelines (see notes to financial statements). This cash flow provides considerable flexibility of reinvestment in determining the future character of the Corporation.

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 1962 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 1962 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 1962 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, 547 survey companies declared cash dividends. Of these companies, 262 displayed such dividends in the retained earnings statement, 245 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 506 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 36 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 1962 is given in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

Of the 600 survey companies 406 referred in their 1962 reports to the existence of restrictions on retained earnings limiting the declaration of cash dividends. This compares with 398 in 1961, 350 in 1955, and 313 in 1951, which is indicative of a rising 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 Dividends Restrictions—Examples

Typical examples of restrictions limiting the declaration of cash dividends, as presented in the 1962 reports, are as follows:

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Presented:	1962	1960	1955	1950
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in:				
Retained earnings statements (*Co. Nos. 21, 148, 241, 332, 402, 545)	261	283	310	325
Combined retained earnings and income statement (*Co. Nos. 30, 102, 221, 318, 464, 537)	213	207	182	150
Combined retained earnings and capital surplus statement (*Co. Nos. 53, 173, 560)	3	2	7	20
Stockholders' equity statement (*Co. Nos. 79, 195, 273, 371, 471, 553)	21	20	14	11
Balance sheet (*Co. Nos. 65, 108, 319, 355, 359, 420)	6	5	14	17
Unclassified surplus statement (*Co. No. 433)	1	1	7	8
Combined unclassified surplus and income statement (*Co. No. 317)	1	1	2	2
	506	519	536	533
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in:				
Retained earnings statement (*Co. No. 250)	1	1	5	5
Combined retained earnings and income statement (*Co. Nos. 81, 166, 208, 367, 466, 588)	32	36	32	33
Income, costs, and changes in capital investment	—	1	—	—
Stockholders' equity statement (*Co. Nos. 227, 267, 412)	3	1	1	—
Statement of surplus	—	—	1	—
	36	39	39	38
At the foot of the income statement (*Co. Nos. 446, 450, 483, 568)	4	4	8	10
In a supplementary schedule (*Co. No. 423)	1	1	1	1
Within the "Distribution of Net Income" statement	—	—	2	3
	5	5	11	14
Number of Companies				
Declaring cash dividends	547	563	586	585
Not declaring cash dividends	53	37	14	15
Total	600	600	600	600

*Refer to Company Appendix Section.

LONG-TERM INDEBTEDNESS

AMERICAN CYANAMID COMPANY
Shareholders' Equity

Earnings employed in the business (Notes 1 and 7) $252,071,666

Note 7: The debenture indenture and the promissory notes contain certain restrictions including restrictions on the payment of dividends. As a result of such restrictions, the amount of earnings employed in the business at December 31, 1962 which may be applied to the payment of cash dividends is limited to $128,900,000.

AVCO CORPORATION
Stockholders' Equity

Retained earnings (Note 4) $73,660,781

Note 4: Under the provisions of the bank credit agreement and long term notes payable $55,223,358 of the retained earnings at November 30, 1962 were not available for the payment of cash dividends on common stock.

HART SCHAFFNER & MARX
Balance Sheet

Long-term debt, less current maturities:

4½% note payable, due June 1, 1972	$5,055,000
Advances and loans, extending to 1977	712,506
	$5,767,506

Notes to Financial Statements

Restriction on Retained Earnings: Under the terms of the agreement relating to the 4½% note payable, due June 1, 1972, $23,822,000 of retained earnings at November 30, 1962 was restricted as to the payment of cash dividends.

DURA CORPORATION
Balance Sheet

Long-term debt, less current installments shown above—(Note 3) $6,499,606

Note 3: Bank term loans of $2,850,000 are repayable in quarterly installments of $150,000, with interest at 5%, plus an additional annual payment equal to the lesser of (a) 10% of consolidated earnings in excess of $1,000,000 of the company and subsidiaries (excluding the finance subsidiary) for the preceding fiscal year or (b) $150,000. Insurance company loans of $3,000,000 bear interest at 5¾%, with the principal repayable in semi-annual installments of $150,000 commencing after the bank loans are paid (but not later than March 1, 1965), with the entire amount to be repaid by September 1, 1974.

Long-term debt also includes subordinated notes aggregating $1,570,106, due in three annual installments of $287,500 on August 1 of each year and $707,606 due on December 31, 1965 (subject to annual prepayments based on certain earnings of the company), all with interest at 5%. Principal payments on subordinated notes are subject to the restrictions hereinafter outlined.

The bank and insurance company loan agreements contain restrictive provisions relating principally to the payment of cash dividends, principal payments on subordinated notes and the maintenance of working capital. The payment of cash dividends on capital stock, the purchase of capital stock (with certain exceptions), and the payment of principal on subordinated notes subsequent to July 31, 1961, are limited to an aggregate amount of $750,000, plus 80% of the excess of consolidated earnings of the company and subsidiaries (excluding the finance subsidiary) since August 1, 1961 over the fixed principal payments on the loans, provided further that consolidated net current assets of these companies shall not decline below $11,000,000. As of July 31, 1962, retained earnings of approximately $700,000 were free from such restrictions.

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1962	1961	1955	1951
A: Long-term indebtedness....	364	358	303	258
B: Preferred stock requirements	38	34	49	43
C: Credit agreements	35	34	22	21
D: V-loan agreements	2	2	8	14
E: Treasury stock	6	5	8	7
F: Dividend arrearage	8	4	—	4
G: Articles of incorporation....	23	23	18	27
H: Elkins Act Decree (re: oil pipe lines)	1	3	3	6
I: Board of directors' resolution	3	2	1	1
J: Restriction not described....	3	1	2	8
K: Foreign statutory limitation..	3	5	4	2
L: Various other	4	3	3	2
Total	490	474	421	393
Number of Companies				
Referring to dividend restrictions	406	398	350	313
Not referring to dividend restrictions	194	202	250	287
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 7, 130, 227, 388, 456, 509.
B: Co. Nos. 10, 125, 297, 322, 430, 543.
C: Co. Nos. 64, 119, 224, 301, 443, 571.
D: Co. Nos. 151, 167.
E: Co. Nos. 179, 220, 237, 539, 558, 593.
F: Co. Nos. 126, 217, 238, 243, 262, 562.
G: Co. Nos. 3, 121, 294, 303, 416, 505.
H: Co. No. 580.
I: Co. Nos. 60, 123, 299.
J: Co. Nos. 273, 278, 372.
K: Co. Nos. 56, 96, 343.
L: Co. Nos. 191, 298, 339, 578.

WALT DISNEY PRODUCTIONS

Balance Sheet

Long Term Liabilities:	
5.9% unsecured notes due in installments from 1964 to 1975 (Note 3)	$15,000,000
Deferred compensation	505,191
	$15,505,191

Note 3: *Long Term Liabilities*—The agreement underlying the $15,000,000 unsecured notes contains a minimum working capital requirement of $15,000,000 for the company and its domestic subsidiaries. The loan agreement also contains restrictions under which $8,917,591 of the $13,439,525 earnings retained in the business at September 29, 1962 is restricted as to the payment of cash dividends.

INTERNATIONAL HARVESTER COMPANY

Equity Capital

Income retained (Page 24)	$402,558,169

Financial Review—(Page 24)

Income Retained: Consolidated net income for 1962 in excess of dividends paid to shareholders was $20,598,000. This compares with $8,808,000 in 1961.

The balance in Income Retained includes the undistributed net income of consolidated subsidiaries and also includes $28,239,000 at October 31, 1962 and $27,328,000 at October 31, 1961 representing undistributed net income of International Harvester Credit Corporation not consolidated. With respect to certain subsidiaries, restrictions arising from loan agreements are imposed upon the payment of cash dividends; however, these restrictions do not prohibit adherence to a reasonable policy in the payment of dividends to the parent Company.

Under the agreement covering the $100,000,000 thirty-year loan of International Harvester Company, restrictions are imposed on the payment of cash dividends. At October 31, 1962, $39,382,000 of income retained was so restricted.

CENTRAL SOYA COMPANY, INC.

Shareholders' Equity

Retained earnings (Note 4)	$27,282,260

Note 4: *Dividend Restrictions*—Under terms of the loan agreements covering the long-term debt, certain restrictions are placed upon the payment of dividends. At August 31, 1962, $6,527,967 of retained earnings was not restricted under the above provisions.

NORTHROP CORPORATION

Balance Sheet

Long-term debt—Note F	
5% convertbile subordinated debentures, due July 1, 1979	$8,480,000

Note F: *Long-Term Debt*—The 5% Convertible Subordinated Debentures, due July 1, 1979, are redeemable in whole or in part at any time upon thirty days' notice; the redemption price to June 30, 1963, is 104.25 and decreases periodically to no premium at July 1, 1978. The Company is required to provide for sinking fund redemptions as follows: on July 1, 1964, 5% of the principal amount of Debentures outstanding on May 10, 1964; annually from 1965 to 1978, 5% of the principal amount of Debentures outstanding on July 1, 1964. Prior to July 1, 1979, the Debentures may be surrendered at principal amount for conversion into Common Stock of the Company at $19.25 (adjusted for a two-for-one stock split in December 1961) a share. At July 29, 1962, 440,519 shares of Common Stock were reserved for conversion of the Debentures.

The indenture places certain restrictions on the amount of funded debt, on the acquisition of the Company's own stock, and on the payment of cash dividends. At July 29, 1962, retained earnings unrestricted as to the payment of cash dividends or the acquisition of the Company's Common Stock amounted to $34,067,607. However, the net current asset requirement of the credit agreement, described in Note B, had the effect of limiting retained earnings available for the payment of cash dividends to $4,658,509 at July 29, 1962.

The payment of principal and interest on the Debentures is subordinated to all other indebtedness representing money borrowed.

FRANK G. SHATTUCK COMPANY

Long-term debt:	
Notes payable (Note 1):	
To bank	$1,396,000
To insurance company	5,000,000
Mortgage payable, maturing in 1964......	82,000
	$6,478,000

Note 1: The terms of the 3½% bank note require prepayment, without premium, of quarterly instalments of $62,500 to February 1, 1965, maturity date. Such prepayments due in 1963 totaling $250,000 are classified as current liabilities.

Under the terms of the 5½% insurance company note, the Company must pay annual instalments commencing October 15, 1966 ($200,000 for the first five years of payment) and each year thereafter through October 15, 1981.

The most restrictive terms of the above agreements provide that consolidated working capital is to be maintained at not less than $8,000,000; and that cash dividends may be paid only if the consolidated working capital is maintained at not less than the larger of (a) $8,500,000, or (b) 125% of the consolidated long-term debt, and that the total of such dividends may be paid only from consolidated net earnings accruing after December 31, 1960, plus $800,000. The amount of such unrestricted retained earnings at December 31, 1962 is $1,543,596.

THOMPSON RAMO WOOLRIDGE INC.

Long-term debt—Note C:	
3¼% Debentures due 1971	$ 9,236,000
4⅞% Subordinated Debentures due 1982	19,729,500
5¼% Debentures due 1986	25,000,000
5% Trust-deed notes due 1982	7,000,000
Other long-term liabilities, less current maturities	710,294
Total long-term debt	$61,675,794

Note C: The indenture for the 3¼% Debentures requires sinking fund payments of $563,000 annually; long-term debt at December 31, 1962 has been reduced by $1,260,000 representing Debentures acquired by the Company in excess of sinking fund requirements to that date and delivered to the Trustee for credit against future requirements. The indentures for the 4⅞% Subordinated Debentures and the 5¼% Debentures require annual sinking fund payments beginning in the years 1968 and 1965, respectively. The 5% trust-deed notes are obligations of a wholly-owned subsidiary, Space Technology Laboratories, Inc., and are payable in 30 semi-annual installments of $175,000 each, commencing June 1, 1967, with a final installment of $1,750,000 on June 1, 1982. The Company has guaranteed the obligations of the subsidiary under the terms of the deed of trust. The other long-term liabilities are payable on various installment terms over various periods of time.

The 4⅞% Subordinated Debentures are convertible on or before August 1, 1967 into Common Stock of the Company at the rate of one share for each $68.11 principal amount of Debentures (conversion price adjusted for 10% stock dividend payable January 31, 1963). 289,671 shares of Common Stock are reserved for this purpose.

Among other covenants, the indentures impose limitations on the payment of dividends. Under the most restrictive interpretation of these limiting covenants retained income at December 31, 1962, was unrestricted to the extent of approximately $30,100,000.

PREFERRED STOCK REQUIREMENTS

BAUSCH & LOMB INCORPORATED
Notes to Financial Statements

Note 5: Among other provisions and covenants contained in documents relating to long-term debt and to preferred stock are restrictions on the payment of cash dividends. Consolidated earnings retained of approximately $2,950,000 were available at December 30, 1962 to pay cash dividends under the most restrictive of these provisions.

NATIONAL GYPSUM COMPANY
Stockholders' Equity

Retained earnings (Note D)	$109,731,454

Note D: *Dividend Limitations*—The terms of the outstanding Promissory Notes and of the $4.50 Cumulative Preferred Stock limit the payments of dividends (other than stock dividends) and the purchase or redemption of shares of capital stock. Giving effect to these limitations as of December 31, 1962, $30,611,714 of retained earnings were free for dividends and for purchase or redemption of shares of both classes of capital stock.

CREDIT AGREEMENTS

BUCYRUS-ERIE COMPANY
Balance Sheet

Long-term debt—Note E:	
Unsecured 3½% notes payable, maturing in annual installments of $500,000, less current installment	$ 7,000,000
Notes payable—bank credit agreement—unsecured	7,650,000
	$14,650,000

Note E: *Long-Term Debt*—The bank credit agreement provides for borrowings up to $9,000,000 on ninety-day renewable notes to October 31, 1964, with interest at current bank rates within the limits of 3½% and 5½%. The Company has agreed, among other things, to maintain current assets of not less than 200% of current liabilities and working capital of not less than $30,000,000.

Under the terms of the long-term note and bank credit agreements, cash dividends may not be paid and capital stock of the Company may not be acquired unless (1) working capital exceeds 150% of long-term debt, (2) shareholders' investment exceeds 200% of long-term debt and (3) earnings retained in the business exceed a calculated amount. Under the most restrictive provision, earnings retained in the business in the amount of $2,877,028 are unrestricted at December 31, 1962.

GRUEN INDUSTRIES, INC.
Capital

Retained earnings (deficit) (Note 7)	$(3,476,155)

Note 7: *Restrictions on Dividends and Capital Stock*—The term loan and pledge agreement prohibits, without prior written consent of the bank, the payment of dividends (other than a dividend payable in stock of the Company) and the purchase, redemption or retirement of any of the stock. Also, under the terms of the 6% subordinated convertible notes, dividends (other than in stock of the Company) may not be paid at the present time.

JONES & LAUGHLIN STEEL CORPORATION

Shareholders' equity (Note F):	
5% cumulative preferred stock, Series A, par value $100: Authorized and outstanding 293,568 shares	$ 29,357,000
Common stock:	
Authorized 10,000,000 shares, par value $10: Issued 7,885,472 and 7,883,661 shares	78,855,000
Capital in excess of par value	163,436,000
Income retained in the business, exclusive of amounts transferred to capital	282,361,000
	554,009,000
Cost of 16,643 and 15,042 shares of common stock in treasury	880,000
Shareholders' equity	$553,129,000

Note F: *Shareholders' Equity*—The Indenture for the First Mortgage Bonds and bank credit agreements provide certain restrictions on the payment of cash dividends on the common stock. At December 31, 1962, $44,043,000 was free of these restrictions.

REPUBLIC STEEL CORPORATION

Long-Term Debt	
Total amount outstanding, less current portion—Note D	$200,243,554

Note D: *Long-term Debt*—Long-term debt outstanding at December 31, 1962, 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 (payable as stated below)	67,500,000
Promissory notes payable to customer—payable in monthly installments based upon steel products purchased—interest at 3%	18,500,637
Purchase money mortgage note, unpaid face amount—$6,000,000, 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	5,575,647
	$216,576,284
Less current portion	16,332,730
Total	$200,243,554

Notes with a principal amount of $45,000,000 are payable $15,000,000 annually with interest at 3½%. Notes with a principal amount of $22,500,000 are payable under the terms of a Revolving and Term Loan Credit Agreement with interest to August 31, 1965, at the prime rate with a minimum of 3¾% and a maximum of 5¼%. Under this agreement the Corporation has the option to borrow a maximum of $105,000,000 on a revolving credit basis to August 31, 1965, and then on a term loan basis with the principal amount payable in five equal annual installments commencing August 31, 1966, interest at ¼% above the prime rate with a minimum of 4½% and a maximum of 5¼%.

The Indenture relating to the 4⅜% Sinking Fund Debentures and the 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, 1962, was unrestricted to the extent of approximately $74,750,000.

V-LOAN AGREEMENTS

COLLINS RADIO COMPANY
Current Liabilities:

Notes payable (Note 1):	
Under Regulation V loan agreement	$56,000,000
Other	2,840,471

Note 1: The Regulation V loan agreement provides a revolving credit of $60,000,000 extending to May 31, 1963, under which borrowings are evidenced by 90-day notes. Under the agreement, cash dividends and amounts which may be expended for redemption of capital stock are limited to 25% of consolidated net in-

come of the Company and its domestic subsidiaries subsequent to July 31, 1961; at July 31, 1962, there was $545,000 of the retained earnings available for such purposes. The balance sheet includes approximately $66,000,000 of accounts receivable and inventories relating to certain United States Government contracts, the proceeds of which are assigned as collateral security under this agreement.

TREASURY STOCK

THE CUBAN-AMERICAN SUGAR COMPANY
Capital Stock and Surplus

Surplus:	
Capital (reduced during the year by $14,991, being the excess of cost over par value of the company's common shares purchased)	$ 60,009
Earned—per annexed statement (Notes 1 and 2)	$11,514,709

Note 2: The parent company's earned surplus of $5,044,104 is restricted in the amount of $2,545,500, representing the par value of its preferred and common shares in the treasury.

WOODALL INDUSTRIES, INCORPORATED
Stockholders' Equity

Common stock, par value $2 a share—750,000 shares authorized; 499,782 shares issued—Note B	$ 999,564
Additional paid-in capital (no change during the year)	1,868,605
Retained earnings, less amount transferred to other capital accounts	7,615,968
	$10,484,137
Less cost of common stock in treasury—82,933 shares (constituting a restriction on retained earnings)	1,173,110
Total stockholders' equity	$ 9,311,027

DIVIDEND ARREARAGES

GAR WOOD INDUSTRIES, INC.
Stockholders' Investment:

4½% Cumulative Convertible Preferred Stock, par value $50.00 a share—authorized, issued, and outstanding 60,813 shares (Notes F and G)	$3,040,650

Note F: *4½% Cumulative Convertible Preferred Stock—Dividend Restrictions and Other Provisions*—The terms of the Preferred Stock provide that no dividends shall be paid upon, nor shall any shares be purchased of, the Common Stock after October 31, 1945 (1) unless at the time all cumulative dividends on the Preferred Stock have been paid or declared and (2) which will exceed the sum of $1,000,000 and the consolidated net earnings plus the par value of Preferred Stock converted into Common Stock subsequent to that date, after deduction therefrom of all dividends declared or paid after that date.

The Preferred Stock is subject to redemption at any time, in whole or in part, at $53.00 a share (amounting to $3,223,089 for the shares outstanding at October 31, 1962).

Note G: *Dividend Arrearages on Preferred Stock*—Dividends aggregating $2.25 a share, or a total of $136,829, on the 4½% Cumulative Convertible Preferred Stock were in arrears at November 15, 1962.

THE UNITED PIECE DYE WORKS
Investment of Stockholders (Note 7)

Preferred stock, $4.25 cumulative, par value $75.00 per share, redemption price and liquidation preference $110.00 per share and accumulated dividends:	
Authorized and issued 59,943 shares less 3,311 in treasury at December 31, 1962 and 3,011 shares in treasury at December 31, 1961	$4,247,400

Notes to Financial Statements

Note 7: A dividend of $1.0625 per share was paid at December 3, 1962 on the 56,932 shares of preferred stock then issued and outstanding. Dividend arrears amounted to $22.3125 per share or an aggregate of $1,263,602. Under the amended certificate of incorporation, the entire voting power for the election of a majority of the Board of Directors shall be exclusively vested in the preferred stock whenever four quarterly dividends on such stock shall be unpaid and shall continue to be so vested until all arrears in respect to the acquisition of preferred stock have been and provision made for dividends thereon for the current quarter.

The aggregate liquidating preference of the 56,632 shares of preferred stock ($110 per share) issued and outstanding at December 31, 1962 amounted to $6,229,520, which is $1,982,120 in excess of the amount at which it is stated and does not include preferred dividends in arrears.

No dividends may be declared or paid on common stock unless and until (1) all preferred dividends have been paid; (2) all arrears in respect to the acquisition of preferred stock have been made good, and (3) the surplus, being the aggregate amount of earnings retained for use in the business and additional paid-in capital accounts of the Company (at December 31, 1962 $1,618,695) and its subsidiaries, shall be in excess of $1,500,000.

ARTICLES OF INCORPORATION

CONTINENTAL CAN COMPANY, INC.
Notes to Financial Statements

Dividend Restrictions: The Company's Certificate of Incorporation and various promissory notes and indentures limit the amount which may be expended for the payment of cash dividends and the purchase, redemption or retirement of the Company's capital stock. At December 31, 1962, under the terms of the most restrictive of these documents, such limit was approximately $75,400,000.

MACKE VENDING COMPANY
Shareholders' Equity

Capital Stock: (Note 5)	
Common stock, Class A, par value $1.00 each; authorized 1,500,000 shares 1962 and 1,000,000 shares 1961, outstanding 470,563 shares 1962 and 324,206 shares 1961	$470,563
Common stock, Class A, subscribed 4,350 shares 1962 and 8,225 shares 1961	4,350
Common stock, Class B, par value $1.00 each; authorized 500,000 shares, outstanding 386,126 shares 1962 and 434,393 shares 1961	386,126
Total capital stock	$861,039

Note 5: The Company has two classes of stock, each having the same voting rights. With respect to dividends the Class B shares are subject to the following restriction as set forth in the Certificate of Incorporation, as amended:

Cash dividends shall not be declared in any calendar year on Class B shares unless and until cash dividends in the amount of 35¢ per share have been declared in such year on Class A shares; provided however, that such dividend rights of Class A shares shall not be cumulative. After cash dividends in the amount of 35¢ per share have been declared in any calendar year on Class A shares, any additional cash dividends declared in such year shall be declared equally on all shares of Common Stock regardless of class.

The foregoing restriction on dividends shall terminate as to 10% of the presently outstanding Class B shares on December 31, 1960 and as to an additional 10% on each succeeding December 31st, so that all such restrictions will terminate by December 31, 1969.

THE PILLSBURY COMPANY
Balance Sheet

Accumulated earnings, retained and used in the business (Note 7)	$55,140,740

Note 7: *Accumulated Earnings Not Restricted as to Dividends*—Under terms of the company's long-term debt agreements and the preferred stock provisions of the certificate of incorporation (the terms of the long-term debt agreements governing) $11,519,007 of accumulated earnings at May 31, 1962 is not restricted as to dividends or for distributions on or acquisitions of capital stock.

BOARD OF DIRECTORS' RESOLUTION

CANNON MILLS COMPANY
Surplus:

Capital	$ 2,534,002
Earned (*including $75,000,000 reserved by the Board of Directors for working capital*)	103,502,099
Total surplus	$106,036,101

HUDSON PULP & PAPER CORP.
Financial Review

Since the public issuance of the Class A Common Stock in 1951, the Board of Directors has pursued a policy, under the By-Laws, of not paying dividends on the Class B Common Stock, which is owned, to a very large extent, by the Directors and members of their immediate families. In effect, therefore, substantial additional sums from earnings have been available annually to the Class A Common Stockholders. It is the present intention of the Board to continue this policy of not paying dividends on the Class B Common Stock.

FOREIGN STATUTORY LIMITATION

THE BLACK AND DECKER MANUFACTURING COMPANY
Stockholders' Equity

Earnings retained and used in the business—Notes A and B	$31,206,510

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 $8,182,234 at September 30, 1962, are subject in part to such restrictions.

ELI LILLY AND COMPANY
Shareholders' Equity

Reinvested earnings—Note A	$145,996,196

Note A: Remittances to the United States by subsidiaries or their branches are subject to various regulations of the respective governments as well as to possible foreign exchange fluctuations.

VARIOUS OTHER

DETROIT STEEL CORPORATION
Notes to Financial Statements

Note A: Retained earnings of $6,453,038 arising from the acquisition of Portsmouth Corporation are not available for dividends under Michigan law.

R. G. LeTOURNEAU, INC.
Shareholders' Equity

Retained earnings — see accompanying statement (Note 5)	$4,239,834

Note 5: The availability of retained earnings for payment of cash dividends is restricted by the terms of the lease agreement described in Note 2 above. Cash dividends may not exceed one-half of net income in any one fiscal year, and, in no event, may cash dividends be paid if the net worth of the company is less than $12,000,000.

VTR, INCORPORATED
Capital

Surplus (Note 7)	
Capital (Note 8)	$3,301,282
Earned (Deficit)	(3,271,793)
	$ 29,489

Note 8: Of the total capital surplus, $1,125,000 arose from the conversion of preferred stock to common stock in 1946, and in the opinion of counsel, is not available for dividends.

STOCK DIVIDENDS AND STOCK SPLITS

Accounting Treatment

In September, 1961, the committees on accounting procedure and accounting terminology of the American Institute of Certified Public Accountants issued *Accounting Research and Terminology Bulletins — Final Edition.* Chapter 7, Section B, provides the following comments concerning the accounting aspects of stock dividends and stock split-ups:

Stock Dividends

10. As has been previously stated, a stock dividend does not, in fact, give rise to any change whatsoever in either the corporation's assets or its respective shareholders' proportionate interests therein. However, it cannot fail to be recognized that, merely as a consequence of the expressed purpose of the transaction and its characterization as a *dividend* in related notices to shareholders and the public at large, many recipients of stock dividends look upon them as distributions of corporate earnings and usually in an amount equivalent to the fair value of the additional shares received. Furthermore, it is to be presumed that such views of recipients are materially strengthened in those instances, which are by far the most numerous, where the issuances are so small in comparison with the shares previously outstanding that they do not have any apparent effect upon the share market price and, consequently, the market value of the shares previously held remains substantially unchanged. The committee therefore believes that where these circumstances exist the corporation should in the public interest account for the transaction by transferring from earned surplus to the category of permanent capitalization (represented by the capital stock and capital surplus accounts) an amount equal to the fair value of the additional shares issued. Unless this is done, the amount of earnings which the shareholder may believe to have been distributed to him will be left, except to the extent otherwise dictated by legal requirements, in earned surplus subject to possible further similar stock issuances or cash distributions.

11. Where the number of additional shares issued as a stock dividend is so great that it has, or may reasonably be expected to have, the effect of materially reducing the share market value, the committee believes that the implications and possible constructions discussed in the preceding paragraph are not likely to exist and that the transaction clearly partakes of the nature of a stock split-up as defined in paragraph 2. Consequently, the committee considers that under such curcumstances 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 35 stock splits disclosed in the 1962 reports, in only 3 instances were shares distributed in a ratio of less than one-half to one (*Co. Nos. 160, 181, 495).

Table 3 summarizes the accounting treatment of the stock distributions disclosed in 121 annual reports of the 600 survey companies.

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.

TABLE 3: STOCK DIVIDENDS AND STOCK SPLITS

	Stock Dividends		Stock Splits	
Distribution Recorded as:	1962	1955	1962	1955
Debit retained earnings	13**	21	2	4
Debit retained earnings and credit capital surplus	71	53	—	—
Debit capital surplus	2†	1	5	15
Debit retained earnings and debit capital surplus	—	1	3	9
Credit capital surplus	1	—	—	3
	87	76	10	31
Increase in Number of Shares Only:				
Set forth in:				
Financial statements	—	—	4	—
Letters to stockholders	—	—	7	4
Accompanying footnotes	—	—	14	7
Total Transactions	87	76	35	42

Number of Companies showing:	1962	1955
Stock dividends (*Co. Nos. 5, 143, 266, 356, 422, 556)	83	68
Stock splits (*Co. 25, 160, 257, 358, 457, 585)	34	36
Stock dividends and stock splits (*Co. No. 474)	1	6
Dividends-in-kind (*Co. Nos. 203, 493, 515)	3	2
Total companies with distributions	121	112
Reports not showing distributions	479	488
Total	600	600

*Refer to Company Appendix Section.
**Includes 2 companies disclosing dividends-in-kind—see text.
†Includes 1 company disclosing dividends-in-kind.

1962 STOCK DIVIDENDS

Retained Earnings

CENTRAL SOYA COMPANY, INC.

DR.—$1,624,376—"*Retained Earnings*: Stock dividends —2% (including cash paid in lieu of fractional shares—$85,854 in 1962 and $82,565 in 1961."

COOK PAINT AND VARNISH COMPANY

DR.—$4,408,730—"*Earned Surplus*: Charge resulting from a change in the par value of the Common Stock and the issuance of 440,873 such shares as a stock dividend —Note A."

Note A: *Capital Stock and Surplus*—During the year, the Certificate of Incorporation was amended to eliminate the prior preference stock from the authorized capital of the Company and to change the authorized common stock to 1,500,000 shares of a par value of $15.00 a share. A 100% common stock dividend (being in the nature of a two-for-one stock split) was declared to stockholders of record on December 21, 1961. The result of these transactions was the transfer of $4,408,730 from earned surplus to the common stock account.

THE INTERNATIONAL SILVER COMPANY

DR.—$1,687,794—"*Retained Earnings*: Dividends declared: on common stock: Stock (4% or 49,641 shares in 1962 and 2½% or 29,538 shares in 1961, at approximate market)."

*Refer to Company Appendix Section.

MARATHON OIL COMPANY

DR.—$11,492,000—"*Earnings Employed in the Business*: Dividends paid: Common capital stock—2% stock dividend at approximate market value."

MASONITE CORPORATION

DR.—$1,953,030—"*Earned Surplus*: Dividends: Stock dividends recorded at fair value as determined by the Board of Directors—1962—4% stock dividend, or 65,101 shares, issued October 11, 1962."

PITTSBURGH PLATE GLASS COMPANY

DR.—$9,742,000—"*Earnings Retained for use in the Business*: Dividends paid: Common stock—stock."

Notes to Financial Statements

Dividends: Cash dividends amounted to $22,968,000 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 210,598 shares payable on January 21, 1963, to shareholders of record on November 30, 1962. The market value of these shares on the declaration date was transferred from retained earnings to the capital accounts.

UNITED ELASTIC CORPORATION

DR.—$3,678,280—"*Earnings Retained for use in the Business*: Stock dividend, 33-1/3% on 551,197 shares, par value $20 credited to capital stock."

Retained Earnings and Capital Surplus

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

DR.—$5,890,262—"*Earned Surplus*: Dividends paid: Stock—2% for 1962."

CR.—$11,670,790—"Capital Surplus: Excess of approximate per share market value ($90.50) over par value ($2.50) of 128,959 common shares issued as a 2% stock dividend November 3, 1961."

BROCKWAY GLASS COMPANY, INC.

DR.—$726,976—"*Retained Earnings*: 2% common stock dividend at market value (26,925 shares 1962; 26,398 shares 1961)."

CR.—$592,350—"Paid-In Capital: Excess of market value over par value of shares of common stock issued as a 2% stock dividend."

DOUGLAS AIRCRAFT COMPANY, INC.

DR.—$3,893,170—"*Retained Earnings*: 3% stock dividend—at approximate market price of the shares issued."

CR.—$2,938,962—"Additional Capital Paid-In Note D."

Note D: Changes in Capital Accounts—As of March 16, 1962, capital stock and additional capital paid in accounts were increased $954,208 and $2,938,962, respectively, by transfer from retained earnings of the approximate market price of 114,505 shares of Capital Stock issued as a 3% stock dividend.

THE GRAND UNION COMPANY

DR.—$4,331,580—"*Retained Earnings*—Dividends: On common stock: In common stock, based on market price."

CR.—$3,675,280—"Capital Surplus: Excess of retained earnings capitalized in connection with stock dividends over par value of shares issued."

SPRAGUE ELECTRIC COMPANY

DR.—$1,942,181—"*Retained Earnings*: Amounts transferred to Common Stock and Capital Surplus in connection with 2% stock dividend, representing market value of 28,353 shares distributed to stockholders."

CR. — $1,871,298 — "Capital Surplus: Amount transferred from Retained Earnings in connection with 2% stock dividend, representing excess of market value over par value of 28,353 shares distributed to stockholders."

HUNT FOOD AND INDUSTRIES, INC.

DR.—$13,317,681—"*Earned Surplus*: Dividends: Common: Stock—5% paid in common stock at value determined by Board of Directors."

CR.—$12,061,296—"Capital Surplus: Excess of stock dividend over par value of common stock issued therefor."

P. R. MALLORY & CO. INC.

DR.—$1,061,194—"*Retained Earnings*: Dividends declared: On common stock: Stock dividend, 2%—28,038 shares at $35.10 per share (approximate market value on October 23, 1962), plus $77,192 paid in lieu of fractional shares."

Notes to Financial Statements

Note 7: Additional Paid-in Capital—The increase in "additional paid-in capital" during the year ($1,001,078) represents:

Excess of proceeds over par value of 666 shares of common stock issued under restricted stock option plan (Note 6)	$ 21,681
Excess of fair market value over par value of 28,038 shares of common stock issued as 2% stock dividend	955,964
Additional paid-in capital arising from issuance of 1,051 shares of common stock (796 shares by preference stock conversions and 255 treasury shares awarded to employees)	43,223
	1,020,868
Less net reduction arising from reacquisitions of 380 shares of common stock and 80 shares of preference stock	19,790
	$1,001,078

REXALL DRUG AND CHEMICAL COMPANY

DR. — $7,098,000 — "*Retained Earnings*: Dividends: Stock, 3%, 131,745 shares at $53.875 per share paid in March 1962."

CR.—$6,768,000—"Capital in Excess of Par Value: Excess of fair value over par value of capital stock issued as stock dividends, 131,745 shares in 1962."

1962 DIVIDENDS-IN-KIND

E. I. du PONT de NEMOURS & COMPANY

DR.—$440,434,025—"*Surplus Arising From Revaluation of Security Investments*: Adjustment resulting from distribution of General Motors Common Stock (Note 1-c)."

DR.—$21,694,964—"*Paid-In Surplus*: Adjustment resulting from distribution of General Motors Common Stock (Note 1-c)."

Note 1-c: Investment in General Motors Corporation Common Stock—In accordance with a U. S. District Court judgment ordering complete divestiture by February 28, 1965 of the company's entire investment in General Motors Corporation common stock, 22,991,492 shares were distributed in 1962 to stockholders at the rate of one-half share of General Motors stock for each share of Du Pont common stock. The balance sheet at December 31, 1962 reflects this distribution by a reduction of $462,128,989 in the carrying value of the General Motors shares. Corresponding to the reduction in the carrying value of these shares is a reduction in 1962 in Paid-in Surplus of $21,694,964, representing the original cost of the shares distributed, and in Surplus Arising From Revaluation of Security Investments of $440,434,025, representing accumulated additions to the carrying value of the shares distributed arising from previous revaluations of this investment.

SHELL OIL COMPANY

DR.—$162,682,000—"*Retained Earnings*: Shell Oil Company of Canada, Limited stock distribution (Note 4)."

Note 4: Investment in Shell Oil Company of Canada, Ltd.—On November 1, 1962, the Company distributed to its shareholders all shares held by it in Shell Oil Company of Canada, Limited at the rate of one Class "A" Common Share without nominal or par value of Shell Oil Company of Canada, Limited for each five shares of Common Stock of the Company held at the close of business on the record date, October 8, 1962. The Company's investment in and advances to Shell Oil Company of Canada, Limited of $162,682,000 have been charged against retained earnings.

1962 STOCK SPLITS

Retained Earnings

BRIGGS & STRATTON CORPORATION
DR.—$5,399,928—"*Earned Surplus*: Amount transferred to capital stock account in connection with stock split."

CONSOLIDATED FOODS CORPORATION
DR.—$1,248,620—"*Earned Surplus*: Par value of common stock issued in five-for-four stock split."

Retained Earnings and Capital Surplus

CROWN CORK & SEAL COMPANY, INC.
DR.—$5,401,000—"*Earned Surplus*: Amount transferred to capital stock account to reflect 4 for 1 common stock split."
Notes to Financial Statements

Note C: Amount transferred to capital stock account to reflect 4 for 1 Common stock split as follows:

Par value of additional shares issued	$8,071,000
Transfer from earned surplus	$5,401,000
Transferred from capital surplus	$2,670,000

FMC CORPORATION
DR.—$59,105,123—"*Retained Earnings*: Amount transferred to common stock as a result of 100% stock distribution."
DR.—$12,731,343—"*Capital in Excess of Par Values of Capital Stocks*: Amount transferred to common stock as a result of 100% stock distribution."

SHOE CORPORATION OF AMERICA
DR.—$172,184—"*Earned Surplus*: 25% share split-up: Common shares—324,448 shares, $3 par value, less $801,160 charged to capital surplus."
Notes to Financial Statements

Note 7: Capital surplus, in 1962, was increased by $698,529 representing the excess of proceeds from issuance of common shares under the Company's stock option plan over the par value of such shares and miscellaneous items of $5,045 and was decreased by $801,160 representing a portion of the charge in connection with distribution of 324,448 common shares in payment of the 25% share split-up.

Capital Surplus

ALDENS, INC.
DR.—$4,901,585—"*Capital In Excess of Par Values*: Par value of common shares issued as 100% distribution on common stock."

CUMMINS ENGINE COMPANY, INC.
DR.—$1,855,315—"*Capital Surplus*: Transfer to common stock in connection with 5 for 4 stock split (742,126 shares at $2.50 in 1962)."

DREXEL ENTERPRISES, INC.
Notes to Financial Statements

Note C: *Common Stock Dividend*—On November 30, 1962, a 100% common stock dividend was paid. An amount of $1,795,613, representing the par value of the additional shares issued, was transferred from capital surplus to the capital stock account.

NORTHROP CORPORATION
DR.—$2,078,096—"*Additional Capital Paid In*: Stock split (two for one)—Note H."

Note H: *Changes in Capital*—On December 22, 1961, the authorized Common Stock was increased from 3,500,000 shares to 7,000,000 shares and 2,078,096 shares were issued to effect a stock split in the form of a distribution of one additional share for each outstanding share.

Change in Number of Shares Only

AMERICAN BANK NOTE COMPANY
Notes to Financial Statements

Common Stock Split: On May 1, 1962 the authorized number of common shares was increased to 2,000,000, par value was reduced from $10 to $5 per share and the 649,941 shares then outstanding were split 2 for 1.

BEECH-NUT LIFE SAVERS, INC.
Notes to Financial Statements

Note 5: On July 10, 1962 the shareholders of the Company approved an amendment to the Certificate of Incorporation to change the authorized common stock from 4,500,000 shares of $10 par value each to 9,000,000 shares of $5 par value each. Such action entitled holders of record on July 16, 1962, to receive one additional share for each share then held. This transaction did not affect the aggregate par value of the shares outstanding. The authorized and issued shares shown for 1961 reflect this stock split.

E. J. BRACH & SONS
Capital and Accumulated Earnings:

Common Stock, no-par value, stated capital $1.25 a share (after giving effect to two-for-one stock split on March 2, 1962):	
Authorized 5,000,000 shares (300,000 shares reserved for sale to officers and employees)	
Outstanding 2,281,320 shares	
In treasury 118,680 shares	
Issued 2,400,000 shares	$ 3,000,000
Capital in excess of stated amount	48,443
Accumulated earnings reinvested in the business	28,781,875
	$31,830,318
Less cost of Common Stock in treasury	550,838
	$31,279,480

CLUETT, PEABODY & CO., INC.
Notes to Financial Statements

Note 3: On April 4, 1962 the stockholders approved a two-for-one split of the issued shares, and an increase in the authorized shares of common stock from 1,250,000 shares having a stated value of $6.50 per share to 3,000,000 shares having a par value of $3.25 per share. Shares of common stock and dividends per share for 1961, as shown in the accompanying financial statements, have been restated to reflect the two-for-one stock split.

CONSOLIDATED CIGAR CORPORATION
Notes to Financial Statements

Note 5: *Common and Preferred Stock*—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 had been given to the foregoing in the consolidated balance sheet at December 31, 1961 and in the rate of cash dividends paid per share for the year 1961.

HERSHEY CHOCOLATE CORPORATION
President's Letter

The five-for-one stock split recommended by the Board of Directors received stockholder approval at last year's annual meeting and became effective the next day, March 27. The purpose of the stock split was to achieve a per share price suited to a wider group of investors, with the objective of broader distribution. You will be interested to know that at the end of 1962 there were 15,973 stockholders compared with 10,709 just prior to the split or a 49% increase in approximately nine months.

RALSTON PURINA COMPANY
Financial Review

At our Annual Meeting, December 15, 1961, shareholders approved the following proposals of the Directors: to eliminate authorized shares of Preferred Stock; to increase authorized shares of Common Stock from 8 million shares of $5.00 par value to 20 million shares of $2.50 par value; and to split the outstanding Common Stock 2-for-1.

WARNER-LAMBERT PHARMACEUTICAL COMPANY
Notes to Financial Statements

Note 4: *Stock Split*—A 200% common stock distribution having the effect of a 3 for 1 stock split was distributed to stockholders on June 12, 1962.

STOCK DIVIDENDS—DECLARED BEFORE BALANCE SHEET DATE FOR DISTRIBUTION AFTER BALANCE SHEET DATE

Fifteen financial reports of the 600 companies included in this survey disclosed that stock dividends had been authorized during the fiscal year for distribution in the following fiscal year. Most of these reports either recorded the transaction as though it had been completed in the current period or indicated in their statements of retained earnings the appropriation in respect of such forthcoming stock distribution.

Examples which follow illustrate the extent of the accounting recognition given in the 1962 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.

APCO OIL CORPORATION
December 31, 1962
DR.—$990,421—"*Retained Earnings*: Stock dividend (5%) payable in Common Stock of the Company January 30, 1963."
Stockholders' Equity:

Common stock		$1,342,111
Authorized 2,000,000 shares of $1 par value per share		
Shares issued December 31, 1962	$1,279,611	
To be issued as stock dividend January, 1963	62,500	
Total	$1,342,111	

Notes to Financial Statements

Capital Surplus: Following is a summary of the changes in capital surplus for the year ended December 31, 1962:

Capital surplus—beginning of year	$3,613,021
Excess of proceeds over par value of shares issued under restricted stock option plan	63,657
Credit resulting from dividend payable in common stock of the Company	905,000
Capital surplus—end of year	$4,581,678

CITY STORES COMPANY
February 3, 1962
Notes to Financial Statements

Note 1: Common stock outstanding includes 25,743 shares subsequently issued with respect to the optional cash or stock dividend declared January 9, 1962 and paid February 16, 1962.

THE EASTERN COMPANY
December 29, 1962
DR.—$698,775—"*Retained Earnings*: Amount transferred to Capital Stock account representing the par value of 27,951 shares of common stock distributed to shareholders—Note D."

Note D: Common stock issued (or issuable) at December 29, 1962 includes 27,951 shares issued on January 4, 1963 in accordance with the authorization of the Board of Directors on November 27, 1962 to issue a stock split-up effected in the form of a dividend, to shareholders of record December 5, 1962, of one additional share for each four shares then outstanding. The aggregate par value of the shares issued ($698,775) was transferred from retained earnings to the Common Stock account on December 5, 1962.

HARSCO CORPORATION
December 31, 1962
Notes to Financial Statements

Note 7: *Capital*—On December 6, 1962, a stock dividend of 2 per cent was declared, payable on March 1, 1963 to stockholders of record February 1, 1963. Based upon the number of shares issued February 1, 1963, earned surplus will be charged in 1963 with $2,047,358 and corresponding credits of $82,210 and $1,965,148 will be made to capital stock and paid-in surplus, respectively.

A total of 100,036 shares of the company's unissued stock is reserved at December 31, 1962 for the aforementioned stock dividend and under option agreements.

HOOKER CHEMICAL CORPORATION
November 30, 1962
DR.—$4,425,630—"*Earned Surplus*: Stock dividend—2%."
CR.—$3,620,970—"Capital Surplus Paid-In: Excess of market value over par value of shares to be issued for 2% stock dividend."
Shareholders' Equity:

Common stock, $5 par value:	
Authorized: 10,000,000 shares	
Issued: 1962—8,047,672 shares	$40,238,360
To be issued—160,932 shares as a 2% stock dividend December 14, 1962	$ 804,660

PHILADELPHIA AND READING CORPORATION
December 31, 1962
DR.—$1,781,446—"*Retained Earnings*: Dividends on common stock: Stock—2%, 58,397 shares at market value ($29.13) plus cash paid in lieu of fractional shares."
Notes to Financial Statements

Note 6: Capital surplus increased $1,671,906 during 1962 representing the excess of market value over par value of 58,397 shares of common stock to be issued in connection with the 2% stock dividend payable January 21, 1963.

Stockholders' Equity:

Common stock, par value $.50 per share;	
Authorized 6,000,000 shares	
Issued (1962, 3,055,192 shares)	$1,527,596
To be issued as a stock dividend in January (1963, 58,397 shares)	$ 29,199

STANDARD OIL COMPANY OF CALIFORNIA
December 31, 1962
DR.—$185,881,000—"*Earned Surplus*: Stock dividends (5%)—payable in common stock of the company (1962 payable February 8, 1963)."
Notes to Financial Statements

On November 28, 1962 the Board of Directors declared a dividend payable February 8, 1963 in common stock of the Company at the rate of one share for each twenty shares held by stockholders of record on December 20, 1962. As a result of the stock dividend, 3,319,299 additional shares were issued.

A charge of $185,881,000 was made against earned surplus representing $56 per share for the 3,319,299 shares. Common stock was credited with $6.25 per share, or $20,746,000, and the balance of $165,135,000 was credited to capital surplus.

Upon payment of the stock dividend, the conversion rate of the preferred stock increased from 1.31 to 1.38 shares of common stock for one share of preferred stock.

Stockholders' Equity:

Common stock		$435,658,000
Authorized 80,000,000 shares of $6.25 par value per share (3,593,012 shares reserved for conversion of preferred stock)	*1962*	
Shares issued December 31	66,385,987	
To be issued as stock dividend	3,319,299	
Totals	69,705,286	

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 1962 are summarized and classified in Table 4.

One hundred and sixty 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, 373 companies 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 1962 annual reports, 492 companies presented capital surplus or unclassified surplus accounts.

Capital Stock Transactions

In September, 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.

1962 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:

REVISION OF OR CHANGES IN CAPITAL STRUCTURE

Retained Earnings and Capital Surplus

AMERICAN METAL CLIMAX, INC.

DR.—$29,410,000—*"Retained Earnings."*

DR.—$ 6,470,000—*"Capital Surplus."*

Transfers in connection with mergers of Kawneer Company and Apex Smelting Co., including $500,000 of costs incident to mergers.

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.

On August 31, 1962, Kawneer Company and Apex Smelting Co. were merged into American Metal Climax, Inc. In exchange for the outstanding Kawneer and Apex stock, 424,167 shares of American Metal Climax, Inc. 4¼ per cent Convertible Preferred Stock were issued. For accounting purposes, the mergers have been treated as poolings of interests and, accordingly, these financial statements include the accounts and the results of operations of the merged companies as if such poolings of interests had taken place as of January 1, 1961. The par value of the 4¼ per cent Convertible Preferred Stock issued was $35,380,000 in excess of the par value of the Kawneer and Apex common stocks exchanged therefor. Of this excess $28,910,000 was charged to retained earnings and $6,470,000 to capital surplus.

The capital surplus of the constituent companies was $6,020,000 at January 1, 1961. This amount was increased by the excess ($470,000) of proceeds over par value of Kawneer and Apex option shares issued prior to the mergers and was reduced by an adjustment ($20,000) relating to the retirement of American Metal Climax 4½ per cent preferred stock; the remainder ($6,470,000) was eliminated as a result of the mergers.

J. I. CASE COMPANY

DR.—$26,814,519—*"Capital in Excess of Par Value"*: Transfer to accumulated earnings (deficit) as authorized by the board of directors (Note 9).

CR.—$26,814,519—"Accumulated Earnings (deficit)."

CR.—$32,926,720—"Capital in Excess of Par Value." Transfer from common stock in connection with reduction of par value of common stock to $1.00 per share (Note 9).

Note 9: Changes in Capital Structure and Elimination of Accumulated Deficit at October 31, 1961—On April 19, 1962 the stockholders of the Company approved an amendment to the Articles of Association changing the par value of the Company's common stock to $1.00 from $12.50 per share. This reduction in par value resulted in a transfer of $32,926,720 from common stock to capital in excess of par value.

By action of the Board of Directors on April 20, 1962 (stockholder approval not being required under the laws of the State of Wisconsin), the accumulated deficit of $26,814,519 at October 31, 1961 was charged to capital in excess of par value.

CORN PRODUCTS COMPANY

DR.—$4,258,316—*"Earned Surplus."*

CR.—$4,258,316—"Capital Surplus: Increase in share capital of subsidiary companies not recorded as additional investment by the parent company."

CROWN CORK & SEAL COMPANY, INC.

CR.—$358,000—"Capital Surplus: Excess of stated value of 47,329 shares of $2 cumulative convertible preference stock converted into 14,078 common shares (prior to stock split) over par value of common stock issued and premiums on 250,999 preference shares redeemed."

DR.—$2,670,000—*"Capital Surplus."*

DR.—$5,104,000—*"Earned Surplus*: Transfer to capital stock account to reflect 4 for 1 common stock split.

THE ELECTRIC AUTOLITE COMPANY

DR.—$760,462—*"Retained Earnings."*

CR.—$760,462—"Capital Surplus: Transfer on liquidation of subsidiary."

TABLE 4: OTHER CHARGES AND CREDITS

	Retained Earnings Account				Capital Surplus Account			
	1962		1955		1962		1955	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Capital Stock Transactions:								
Revision in capital structure	3	1	4	—	5	4	5	12
Premium or discount on initial issue of capital stock	—	—	—	—	1	15	1	37
Conversion from preferred stock or debentures to common stock (or preferred)	—	1	—	—	2	48	2	58
Redemption, retirement of capital stock, warrants, scrip, etc.	18	2	36	4	15	47	24	47
Treasury stock transactions	13	4	3	1	33	17	8	22
Business Combinations:								
Acquisition of subsidiary companies or business properties for cash or through the issuance of stock	4	1	9	3	5	40	5	53
Pooling of interests	5	25	2	2	10	26	2	2
Liquidations and dissolutions	2	—	3	10	—	—	6	11
Adjustments arising in consolidation	6	5	8	7	3	—	1	6
Goodwill intangible assets	6	—	7	—	—	1	—	1
Employee benefit plans involving sale or issue of capital stock	1	1	1	—	14	263	3	136
Appropriation or reserve—transfers thereto and transfers therefrom	21	6	17	29	—	1	1	3
Financing expenses	2	—	7	1	4	—	12	—
Extraordinary losses or gains	29	13	8	6	—	1	—	—
Foreign exchange adjustments	13	—	1	—	—	—	—	1
Prior year adjustments:								
Fixed assets and depreciation	1	3	—	5	—	—	1	2
Tax adjustments	12	5	5	10	—	—	—	1
Various other adjustments	9	6	12	8	3	4	1	1
Miscellaneous transactions	8	3	2	7	2	5	6	5
Dollar changes—not described	—	—	1	—	9	21	1	10
Total Other Charges and Credits	153	76	126	93	106	493	79	408
Net loss or income for the year	31	567	21	579	—	2	—	—
Cash dividend declaration (Table 1)	547	—	586	—	—	—	—	—
Stock dividends and stock split-ups (Table 3)	89	—	88	—	10	72	26	56
Total Charges or Credits	820	643	821	672	116	567	105	464

Capital Surplus

THE GENERAL TIRE & RUBBER COMPANY

DR.—$364,453—"*Capital Surplus*: Increase in par value of common stock (6-2/3¢ per share) prior to 3 for 1 split."

CR.—$117,926—"Capital Surplus: Excess of par value of shares of 4½% cumulative preference stock converted over par value of common stock issued upon conversion."

DR.—$21,574—"*Capital Surplus*: Excess of cost over par value of preferred and preference stock retired."

President's Letter

Approve Stock Split: The shareholders favored with a 99% approval the Board of Directors' recommendation that the Common Stock be split three-for-one at the annual meeting last April. This vote changed the par value of the Common Stock from 83-1/3 cents to 30 cents, and increased the authorized Common Shares to 22,500,000.

Also during the year, the company reduced from five to two the number of series of preferred and preference stocks outstanding. A cash outlay of only $465,000 and the issuance of less than 13,500 shares of Common Stock were involved in redeeming the three stocks.

PREMIUM OR DISCOUNT ON INITIAL ISSUE OF CAPITAL STOCK

Capital Surplus

ARDEN FARMS CO.

CR.—$210,577—"Capital Surplus: Excess of sales prices of preferred stock and common stock over stated value and par value thereof respectively less stock issue expense of $93,678."

BASIC INCORPORATED

CR.—$140,000—"Capital Surplus: Excess over par value of 5% Serial Convertible Preference shares sold."

MAREMONT CORPORATION

CR.—$2,820,000—"Paid-in Surplus: Excess of proceeds over par value of 120,000 common shares issued for cash."

CR.—$392,188—"Paid-in Surplus: Excess of fair market value over par value of 12,500 common shares issued for the assets of an auto parts rebuilding company."

MANSANTO CHEMICAL COMPANY
CR.—$13,806,000—"Paid-in Surplus: Excess of approximate market value over the par value of common capital stock issued for the remaining 50 per cent interests in Plax Corporation and Societe Monsanto Boussois."

THE PITTSTON COMPANY
CR.—$1,140,090—"Capital Surplus: Excess of market value over par value of 18,789 shares of common stock issued to former minority stockholders of Brink's, Incorporated."

CONVERSIONS

From Preferred Stock into Common:

Capital Surplus

ASHLAND OIL & REFINING COMPANY
CR.—$9,268,815—"Capital Surplus: Credit of $9,285,-529 arising from conversion of 327,597 shares of $1.50 cumulative second preferred stock into 542,381 shares of common stock, less sundry charges of $16,714."

GENERAL DYNAMICS CORPORATION
CR.—$5,124—"Capital Surplus: Excess of stated value of 214 shares of convertible preference stock over par value of 226 shares of common stock issued therefor."

SONOTONE CORPORATION
CR.—$25,443—"Additional Paid-in Capital: Excess of par value of preferred stock surrendered for conversion over par value of common stock issued in exchange therefor."

SUNRAY DX OIL COMPANY
CR.—$6,569,000—"Capital in Excess of Par Value of Stock: Excess of par value of 5½% second preferred stock, series 1955, over par value of common stock into which converted."

Conversion of Debentures into Common Stock

Capital Surplus

BURLINGTON INDUSTRIES, INC.
CR.—$1,837,110—"Capital in Excess of Par Value: Add excess of Subordinated Debentures converted, over par value of Common Stock."

BURROUGHS CORPORATION
Stockholders' Equity:
Additional capital (increase in 1962—$6,613 from conversion of debentures, $782,607 from exercising of stock options and $111,606 from disposition of treasury stock).

LIBBY, McNEILL & LIBBY
CR.—$25,833—"Capital in Excess of Par Value."
Notes to Financial Statements

Note 6: *Capital in Excess of Par Value*—Capital in excess of par value increased $631,326 in 1962, of which $605,493 represents the excess of market value less expenses of issue over par value of 85,437 shares of common stock issued as 1% stock dividends on March 1, 1962 and June 1, 1962 and $25,833 represents the excess of proceeds over par value of 3,312 shares of common stock issued on conversion of 5% Convertible Sinking Fund Debentures.

LOCKHEED AIRCRAFT CORPORATION
CR.—$2,512,000—"Additional Capital: Excess of conversion price over par value of 109,564 shares of capital stock issued upon conversion of debentures (after deducting unamortized debenture expense)."

Conversion of Preferred Stock into Debentures

Retained Earnings

NATIONAL BISCUIT COMPANY
DR.—$18,801,811—*"Retained Earnings*: Excess of redemption price over par value of preferred stock retired in 1962."
Financial Review

Shareholders and Dividends: In April 1962, the preferred and common shareholders, voting by separate classes, approved changes in the Certificate of Incorporation of the Company to (1) retire the preferred stock and (2) split the common stock on a two-for-one basis.

Accordingly, during the year $7.1 million was paid in cash and $36.5 million of 4¾% subordinated debentures due April 1, 1987 were issued in exchange for surrendered shares of preferred stock....

RETIREMENT OR REDEMPTION OF CAPITAL STOCK

Retained Earnings

AMERICAN BANK NOTE COMPANY
DR.—$4,200—*"Earnings Reinvested*: Excess of purchase price over par value of preferred stock purchased and retired."

ASSOCIATED DRY GOODS CORPORATION
DR.—$513,000—*"Accumulated Earnings Retained*: Excess of redemption price over par value of 50,000 shares of preferred stock redeemed."

O'SULLIVAN RUBBER CORPORATION
CR.—$7,575—"Retained Earnings: Discount on preferred stock reacquired."
Notes to Financial Statements

Note 5: *Preferred Stock Sinking Fund*—The certificate of incorporation provides that, each year, 5% of the annual net earnings shall be set aside as a fund and used, in the sole discretion of the Board of Directors, to purchase and/or redeem preferred stock. On December 31, 1962, the net accumulated requirements for this purpose totaled $3,597. The Directors are not required to purchase or redeem any preferred stock until this fund equals or exceeds $10,000.

THE SHERWIN-WILLIAMS COMPANY
CR.—$28,795—"Earned Surplus: Discount on preferred stock redeemed."

UNITED ENGINEERING AND FOUNDRY COMPANY
DR.—$290,760—*"Earnings Retained in the Business*: Premium on 4,846 preferred shares retired*."

*Retirement authorized by shareholders and approved by Commonwealth of Pennsylvania.

Retained Earnings and Capital Surplus

OSCAR MAYER & CO. INC.
DR.—$135,252—*"Additional Paid-in Capital."*
DR.—$124,319—*"Accumulated Earnings*: Portion of cost in excess of par value of 14,161 shares of common stock reacquired and canceled (balance of $135,252 charged to additional paid-in capital)."

Capital Surplus

ALDENS, INC.
CR.—$26,962—"Capital in Excess of Par Value: Excess of par value over cost of preferred shares cancelled."

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$39,442—"Capital Surplus: Excess of par value over cost of preferred stock retired."

BATES MANUFACTURING COMPANY

CR.—$97,518—"Capital Surplus."

Notes to Financial Statements

Note 2: *Capital Surplus*—The increase of $97,518 in capital surplus represents the excess of the par value over the cost of acquiring 2,852 shares of preferred stock and 34,650 shares of common stock which were retired during the year ended December 29, 1962.

MACK TRUCKS, INC.

CR.—$19,188—"Paid-in Surplus."

Notes to Financial Statements

Note 3: The Company is required to make annual sinking fund payments sufficient to redeem (a) commencing October 1, 1962, $242,100 of 5¼% Cumulative Preferred Stock, (b) commencing May 1, 1964, $2,700,000 principal amount of 5⅜% Promissory Notes and (c) commencing April 1, 1966, $1,250,000 principal amount of 5⅛% Subordinated Debentures. During 1962 the Company acquired and cancelled preferred stock having a par value of $245,000 for $225,812 crediting $19,188 to paid-in surplus.

MIDWEST RUBBER RECLAIMING COMPANY

CR.—$6,252—"Contributed Capital: Represents excess of par value of 1,200 shares of preferred stock retired over cost thereof."

TREASURY STOCK TRANSACTIONS

Retained Earnings

AMERICAN OPTICAL COMPANY

DR.—$2,427—*"Retained Income*: Loss on disposal of treasury shares."

CRANE CO.

CR.—$171,891—"Earned Surplus."

DR.—$2,440,255—*"Earned Surplus*: Excess of cost over par value of reacquired shares—net: 9,000 preferred shares; 97,300 common shares."

CROWN CORK & SEAL COMPANY, INC.

DR.—$4,333,000—*"Earned Surplus*: Excess of cost over par value of common shares acquired during the year."

DRAVO CORPORATION

CR.—$4,058—"Retained Earnings: Net gain on sale of treasury stock."

LIGGETT & MYERS TOBACCO COMPANY

DR.—$247,187—*"Retained Earnings*: Excess of cost over par value of preferred stock reacquired."

UNITED STATES PLYWOOD CORPORATION

CR.—$8,385—"Earned Surplus: Discount on preferred stock purchased for treasury."

Retained Earnings and Capital Surplus

AMERICAN HOME PRODUCTS CORPORATION

DR.—$8,203,396—*"Retained Earnings*: Excess of cost over par value of treasury stock acquired, less amount charged to capital surplus."

DR.—$387,759—*"Capital Surplus*: Excess of cost over par value of treasury stock acquired, less amount charged to retained earnings."

CR.—$6,045,812—"Capital Surplus: Excess of market over par value of treasury stock issued for purchase of assets."

GENESCO INC.

DR.—$3,511,500—*"Earnings Retained in Business*: Cost of 150,000 shares of treasury stock acquired in excess of par value and amount charged to additional paid-in capital."

DR.—$1,588,500—*"Additional Paid-in Capital*: Amount applicable to 150,000 shares of treasury stock acquired."

MIDLAND-ROSS CORPORATION

DR.—$6,054,106—*"Retained Earnings."*

DR.—$2,854,303—*"Additional Paid-In Capital."*

	Common Stock	Additional Paid-in Capital	Retained Earnings
Cost of Common Stock purchased and held in treasury	$(1,112,995)	$(2,854,303)	$(6,054,106)

THE STANDARD OIL COMPANY (OHIO)

DR.—$688,339—*"Net Income Employed in the Business*: Excess of cost over capital attributable to common stock purchased for the treasury."

DR.—$370,516—*"Capital in Excess of Par Value of Common Stock."*

Notes to Financial Statements

Note C: *Capital Stock*—Authorized capital stock consists of 308,310 shares of preferred stock, issuable in series, and 7,500,000 shares of common stock. At December 31, 1962, 173,606 shares of Series A, 3¾% preferred stock, and 4,860,898 shares of common stock were outstanding. The outstanding shares excluded 9,264 shares of preferred and 34,342 shares of common stock in treasury. Provisions of the preferred stock require annual retirement of 2% of the aggregate number of shares theretofore issued. The increase in Capital in Excess of Par Value of Capital Stock represents $550,480 received in excess of par value of common stock sold under the stock option plan, less $370,516 attributable to common stock reacquired and held in treasury.

THE L. S. STARRETT COMPANY

DR.—$119,681—*"Retained Earnings*: Charge on account of treasury stock purchased."

DR.—$22,816—*"Capital Surplus*: Portion of capital surplus attributable to cancellation of 64 shares of option plan stock."

Capital Surplus

BEAUNIT MILLS, INC.

CR.—$4,940—"Capital Surplus: Excess of proceeds over cost of treasury stock."

BOOTH FISHERIES CORPORATION

CR.—$12,164—"Paid-in Surplus: Gain on the sale of common treasury shares."

BURLINGTON INDUSTRIES, INC.

CR.—$269,274—"Capital in Excess of Par Value: Excess of par value over cost of preferred stocks reacquired."

CR.—$63,252—"Capital in Excess of Par Value: Excess of market value over cost of treasury common stock issued to Employees' Profit Sharing (Retirement) Plan."

CR.—$121,384—"Capital in Excess of Par Value: Excess of value assigned over cost of treasury common stock issued for additional investment in capital stock of subsidiary companies."

DR.—$112,045—*"Capital in Excess of Par Value*: Excess of cost over option price of treasury common stock sold under exercise of option rights."

DECCA RECORDS, INC.

DR.—$198,900—*"Paid-in Surplus."* (Note 7).

Note 7: *Paid-in Surplus*—The net decrease of $98,851 during the year resulted from an addition of $100,049, excess of par value over cost of 18,780 shares of Universal's 4¼% cumulative preferred stock purchased for retirement, and a reduction of $198,900 resulting from acquisition of common shares for the treasury.

THE ELECTRIC AUTOLITE COMPANY
DR.—$1,390,514—"*Additional Capital.*"

	Par value ($5 per share)	Additional capital
Cost of common shares acquired for treasury	$157,500	$1,390,514

S. S. KRESGE COMPANY
DR.—$19,700—"*Excess of proceeds received from sale of treasury shares over the cost thereof.*"
Notes to Financial Statements

Note E: Stock Option and Stock Purchase Incentive Plans—On May 11, 1962 the shareholders approved a stock option plan and a stock purchase incentive plan covering 90,000 shares and 125,000 shares, respectively, of the company's common stock. Under the stock option plan options were granted to purchase 79,050 shares over a five year period at the rate of 15,810 shares per year, at $30.88 a share, which was 95% of fair market value at the date the options were granted. None of these options was exercised during the year. Under the stock purchase incentive plan 7,017 shares were sold to eligible officers and employees by payroll deduction at $27.63 a share, which was 85% of fair market value on the applicable option date as defined in the plan. During the year ended December 31, 1962 the company purchased for resale to employees 27,793 shares of its common stock at prices ranging from $21.38 to $30.44 a share. The resale of 7,017 of these shares resulted in a decrease of $19,700 in excess of proceeds received from the sale of treasury shares over the cost thereof. The remaining 20,776 shares are included in other assets at a cost of $498,022.

THE MURRAY CORPORATION OF AMERICA
DR.—$1,411,117—"*Capital Surplus.*"
Notes to Financial Statements

Note 3: Capital Surplus—Capital surplus decreased $1,411,117 in 1962, representing the excess of purchase price over par value ($10 per share) of 81,200 shares of common stock acquired for 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.
>
> 3. 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, in a large number of cases, be held 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 deemed to be a pooling of interests, a new basis of accountability does not arise. The carrying amounts of the assets of the constituent corporations, if stated in conformity with generally accepted accounting principles and appropriately adjusted when deemed necessary to place them on a uniform accounting basis, should be carried forward; and the combined earned surpluses and deficits, if any, of the constituent corporations should be carried forward, except to the extent otherwise required by law or appropriate corporate action. Adjustments of assets or of surplus which would be in conformity with generally accepted accounting principles in the absence of a combination are ordinarily equally appropriate if effected in connection with a pooling of 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 1962 reports the survey companies disclosed business combinations arising as follows: 36 purchases and 31 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

ALLIED STORES CORPORATION

CR.—$3,642,370—"Capital Surplus: Amount assigned to common stock issued (1962—63,246 shares; 1961—35,956 shares) in exchange for the outstanding common stock of companies acquired, less $1.00 per share credited to common stock account."

President's Letter

In October 1961, the Company acquired The Fair of Texas Company, on the basis of an exchange of 63,246 shares of Allied Common Stock for all of The Fair's stock. The Fair had operated a main store and five branches in Fort Worth and Arlington, and three branches in Dallas.

ASSOCIATED BREWING COMPANY

CR.—$487,500—"Paid-in Capital: Excess of value assigned to net assets of E & B Brewing Company, Inc. at date acquired, November 15, 1962 over par value of 300,000 shares of common stock of Associated Brewing Company issued therefor."

Notes to Financial Statements

Note A: In April, 1962 the authorized capital stock was increased from 1,500,000 shares to 2,500,000 shares. On November 15, 1962 E & B Brewing Company, Inc. was merged into the Company and in connection with the merger the corporate title of the Company was changed from Pfeiffer Brewing Company to Associated Brewing Company and the par value of the common stock was changed from $5 per share to $1 per share.

Note B: As a result of the merger referred to in Note A, on November 15, 1962 the Company acquired the net assets of E & B Brewing Company, Inc. for 300,000 shares of common stock at a total valuation of $787,500 allocated as follows:

Current assets	$725,837
Less, Liabilities assumed	288,337
	437,500
Fixed assets	500,000
	937,500
Less, Amount allocated as reserve for disposition of unneeded properties and merger expenses	150,000
Total	$787,500

The statement of income includes revenues and costs related to E & B operations from November 15 to December 31, 1962.

THE HARSHAW CHEMICAL COMPANY

CR.—$540,400—"Capital Surplus: Excess of market price of 40,000 shares of common stock, issued in connection with acquisition of capital stock of consolidated subsidiary, over par value of such shares."

Notes to Financial Statements

Note C: In accordance with an agreement for the purchase of the entire outstanding capital stock of Fermco Laboratories, Inc., and subject to certain conditional provisions therein, the Company has issued 40,000 shares of its common stock for 80% of the outstanding shares of Fermco, and on or before August 31, 1972, it is committed to deliver to sellers for the remaining 20% an additional 10,000 shares of its common stock plus such number of its shares as may be required under a formula designed to give recognition to any intervening increase in the book value of the remaining 20%. The acquisition was deemed effective for accounting purposes as of August 31, 1962. The purchase agreement credit of $185,100 at September 30, 1962, represents the consideration for the additional 10,000 shares at market price. The excess of cost of investment in consolidated subsidiary over equity in net assets at date of acquisition will be amortized over a period of ten years.

MACKE VENDING COMPANY

CR.—$2,158,656—"Capital in excess of par value."

Notes to Financial Statements

Note 6: The increase of $2,158,656 in Capital in excess of par value during the year represents the net excess of issue price over par value of 94,215 shares of Class A common stock issued in connection with the acquisition of subsidiaries and/or businesses.

HUNT FOODS AND INDUSTRIES, INC.

CR.—$21,357,194—"Capital Surplus: Excess of market value over par value of common stock issued in exchange for capital stock of W. P. Fuller & Co."

Notes to Financial Statements

Principles of Consolidation and Mergers: . . . On February 28, 1962, the Company acquired all of the outstanding capital stock of W. P. Fuller & Co. in exchange for 393,681 shares of its common stock. W. P. Fuller & Co. was immediately dissolved and merged into the Company. This acquisition was accounted for as a "purchase" and accordingly the results of operations of the business acquired from W. P. Fuller & Co. (Fuller Division) are included in the accompanying financial statements from the date of acquisition.

MONSANTO CHEMICAL COMPANY

CR.—$13,806,000—"Paid-in surplus: Excess of approximate market value over the par value of common capital stock issued for the remaining 50 percent interests in Plax Corporation and Societe Monsanto Boussois."

CR.—$303,000—"Paid-in surplus: Excess of equity in the net assets of Societe Monsanto Boussois over the carrying value of the investment therein."

Financial Review

The accompanying financial statements (pages 18 through 21) consolidate all active domestic and foreign subsidiaries in which Monsanto Chemical Company directly or indirectly owns more than 50 per cent of the voting capital stock. The accounts of Societe Monsanto Boussois and Plax Corporation have been included in consolidation from the dates of acquisition in 1962 of the remaining 50 per cent interests in these companies.

SPRAGUE ELECTRIC COMPANY

CR.—$308,000—"Capital Surplus: Excess of market value over par value of common stock issued in acquisition of capital stock of Sky-Borne Electronics, Inc. (Note 1)."

Note 1: *Consolidation*—The consolidated financial statements include the accounts of all domestic, Canadian and European subsidiaries. As at May 31, 1962, the Company acquired all the capital stock of Sky-Borne Electronics, Inc., (a domestic corporation) and the operations of that company subsequent to that date are included in the accompanying financial statements.

THE L. S. STARRETT COMPANY

CR.—$593,181—"Capital Surplus: Excess of net book value of assets acquired from Rhode Island Tool Company over stated value of $2.50 per share of 37,183 shares of treasury stock reissued therefor."

CR.—$139,678—"Capital Surplus: Excess of net book value of King Realty, Inc. over amount at which carried on books of Rhode Island Tool Company at date of acquisition."

CR.—$370,000—"Capital Surplus: Excess of market value over stated value of $2.50 per share of 20,000 shares issued in part payment for net assets of Webber Gage Company."

The President's Letter

Acquisitions:

Rhode Island Tool Company—As previously reported to you, the Company acquired substantially all of the assets and business of Rhode Island Tool Company of Providence, Rhode Island, on March 9, 1962, for 37,183 shares of the Company's Common Stock previously held in its treasury. The operating assets of Rhode Island Tool Company were conveyed to Rhode Island Tool Company, Inc., a new wholly-owned subsidiary of your Company, while other assets went directly to your Company or remained with King Realty, Inc., another wholly-owned subsidiary which owns the land and buildings used by Rhode Island Tool Company, Inc.

Webber Gage Company—Also as previously reported to you, the Company acquired substantially all of the assets and business of the Webber Gage Company of Cleveland, Ohio, on June 20, 1962, for 20,000 shares of its previously authorized but unissued Common Stock plus $840,000 in cash. This operation will be run as a division of the Company. The Webber Gage Division is the leading manufacturer of precision gage blocks and certain types of optical measuring tools and the addition of these extremely accurate products enables the Company to expand into this high precision field.

STUDEBAKER CORPORATION
CR.—$10,293,482—"Capital Surplus."
Statement of Capital Stock and Capital Surplus

	Common Stock	*Capital Surplus*
Common stock issued (1,346,666 shares) and issuable (121,212 shares) in connection with business acquisitions	$1,467,878	$10,293,482

Notes to Financial Statements

Note A: Data on Subsidiaries and Divisions—On March 5, 1962, the Corporation acquired the net assets and business of Schaefer, Inc., Minneapolis, Minnesota, a company engaged in the manufacture of low temperature refrigeration cabinets for commercial use. On March 15, 1962, the Corporation acquired the assets and business of Paxton Products, Santa Monica, California, a company assembling superchargers for automotive and industrial applications. On October 5, 1962, the Corporation acquired the capital stock of Trans International Airlines, Inc., Burlingame, California, a company engaged principally in contract flying on transpacific routes for the Military Air Transport Service of the United States Government. On November 16, 1962, the Corporation acquired the net assets and business of Franklin Manufacturing Company, Minneapolis, Minnesota, a company engaged in the manufacture and sale of major household appliances. The operations of these companies have been included in the accompanying statement of income from their respective dates of acquisition.

PURCHASE OF BUSINESS PROPERTIES

Capital Surplus

BASIC PRODUCTS CORPORATION
CR.—$1,553,258—"Capital Surplus: Excess of market value over par value of 100,000 shares of common stock issued to Kindred Corporation in connection with acquisition of Red River Grain facilities—Note 1."

Note 1: As of June 30, 1962, the Company, through its wholly-owned unconsolidated subsidiary, Kindred Corporation, acquired the operating properties of a group of companies engaged in the grain, seed and feed business in exchange for $2,350,000 in cash and 100,000 shares of its $1 par value common stock. The Company recorded this transaction through a charge of $2,003,258 to investment in wholly-owned subsidiary—Kindred Corporation, and credits to cash—$350,000, common stock, $1 par value—$100,000, and capital surplus—$1,553,258, representing the excess of fair value of the assets acquired over the total of cash paid and the par value of the common shares issued. This amount approximates the excess of quoted market value over par value of the common shares issued. The remaining $2,000,000 was paid by Kindred Corporation out of the proceeds of its 5½% term loan in that amount, repayable in annual instalments of $200,000 each from August 1, 1963 to 1968 and the remaining $800,000 in 1969. The property acquired by Kindred Corporation has been leased to the Company's newly created Red River Grain Company division for a ten year period commencing July 1, 1962 at an annual rental of $330,000. This lease has been assigned to the holders of the Kindred 5½% term loan. Red River Grain Company division has acquired the inventories of the selling companies for cash and has operated the business since July 1, 1962, the results of such operations since that date being included in the accompanying consolidated financial statements.

HOWE SOUND COMPANY
CR.—$129,800—"Capital Surplus: Excess of quoted market value over par value of shares of common stock issued in connection with acquisition of certain patent license interests."

SUNSHINE BISCUITS, INC.
CR.—$71,556—"Capital Surplus."
Shareholders' Equity:
Capital surplus (increase in 1962 represented by excess of fair value over cost of treasury shares exchanged for properties).

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 No. 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.

Of the 600 companies included in the current survey, 31 reported a pooling of interests; 26 of these presented their financial statements in comparative form and 5 presented their customary statements on a single-year basis only (*Co. Nos. 215, 218, 256, 259, 550).

In connection with the 26 companies presenting comparative statements it was noted that 18 companies restated their previous years' figures to give retroactive effect to the pooling (*Co. Nos. 7, 89, 163, 304, 491, 574) while eight companies did not (*Co. Nos. 11, 85, 261, 285, 335, 571). However, it should be mentioned that 28 companies presented ten-year income summaries and 9 of these restated for prior years (*Co. Nos. 27, 34, 36, 135, 294, 565) while 19 companies (*Co. Nos. 12, 72, 91, 193, 223, 380) restated for only two of the ten years or since the year the pooling became effective.

Retained Earnings

CHAMPION PAPERS, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation and Businesses Acquired—Champion follows the practice of consolidating all domestic operating subsidiaries; foreign subsidiaries are not consolidated.

*Refer to Company Appendix Section.

As of February 28, 1962, in a transaction accounted for as a pooling of interests, Champion acquired the business and substantially all the assets of The Whitaker Paper Company in exchange for 288,708 shares of common stock (201,483 of the shares remained outstanding after adjustment for Champion's ownership of Whitaker's shares prior to the exchange). The income retained in the business of Whitaker has been carried forward, and the results of its operations for the entire year 1962 are included in the accompanying statement of consolidated income; the financial statements for 1961 have been similarly combined.

GENERAL SIGNAL CORPORATION

	1962	1961
Retained earnings at beginning of year	$15,729,103	$11,610,919
Add:		
Retained earnings of Edwards Company, Inc. at December 31, 1960 (Note 1)	—	2,389,838
Net earnings for the year	2,481,740	3,557,349
	18,210,843	17,558,106
Deduct:		
Dividends on common stock—$1.20 per share 1962, $1.05 per share 1961	1,632,524	1,388,971
Excess of par value of 141,306 shares of common stock over par value of common stock and additional paid-in capital of Edwards Company, Inc. (Note 1)	—	440,032
	1,632,524	1,829,003
Retained earnings at end of year	$16,578,319	$15,729,103

Note 1: *Principles of Consolidation*—The accompanying financial statements comprise the accounts of the Company and all its wholly-owned U.S. and Canadian subsidiaries. The accounts of the Canadian subsidiaries have been converted to U.S. dollars at appropriate rates of exchange.

As of November 26, 1962, the Company acquired the outstanding common stock of Edwards Company, Inc. in exchange for 127,006 shares of common stock (141,306 shares issued less 14,300 treasury shares). This transaction was accounted for as a pooling of interests and accordingly the operations of Edwards Company, Inc. and subsidiaries have been included in consolidated earnings for the year 1962.

Minority interest is represented by 23,092 shares of $50.00 par value, 6% cumulative preferred stock, representing all the outstanding preferred stock of the Company's subsidiary, Edwards Company, Inc.

The financial statements for 1961 have been restated for comparative purposes to include the accounts of Edwards Company, Inc. and its wholly-owned subsidiaries.

INGERSOLL-RAND COMPANY
Notes to Financial Statements

Note 2: In 1962 all the outstanding common stock of Millers Falls Company was acquired for 73,706 treasury shares of the Company. The affiliation constituted a pooling of interests for accounting purposes; accordingly, the consolidated financial statements for 1962 and 1961 include the financial position and results of operations of Millers Falls Company as if such pooling of interests had taken place as of January 1, 1961.

UNITED STATES PLYWOOD CORPORATION

CR.—$9,179,894—"Earned Surplus: Adjustment arising from pooling of interests with Cascades Plywood Corporation (Note 1)."

Note 1: In February, 1962 the Company issued 407,757 shares of common stock in exchange for the assets and business of Cascades Plywood Corporation. This transaction was recorded as a pooling of interests and the 1961 financial statements have been restated to include the accounts of Cascades for the calendar year 1960.

During the fiscal year ended April 30, 1962, the Company acquired 99.4% of the Class A stock and 96.9% of the Class B stock of Western Plywood Company Limited, a Canadian plywood manufacturer and distributor, in exchange for 106,606 shares of United States Plywood Corporation common stock and cash of $1,371,767. The consolidated financial statements include the operations of Western for the eleven months ended April 30, 1962.

KIMBERLY-CLARK CORPORATION
Consolidated Earnings Retained

	1962	1961
Balance at beginning of year (Note 1)	$155,690,031	$156,738,993
Add:		
Earnings for the year	31,545,992	31,370,138
Earnings of acquired companies for the period from the close of their fiscal years to April 30 preceding the year of combination with the Corporation	81,230	
Total	187,317,253	188,109,131
Deduct—Dividends:		
Corporation:		
Cash — annual rate of $1.80 per share of common stock	17,302,558	16,076,243
Common stock — 2% (1962, 193,273 shares at market value of $72.06 per share; 1961, 178,719 shares at market value of $88.24 per share)	13,927,252	15,770,165
Acquired companies—prior to combination with the Corporation	193,544	572,692
Total	31,423,354	32,419,100
Balance at end of year	$155,893,899	$155,690,031

Note 1: *Consolidation*—The accounts of all significant subsidiaries 66-2/3% or more owned are included in the consolidated financial statements.

During the current fiscal year, the Corporation in separate but related transactions issued 524,320 shares of its common stock in exchange for all the property, assets, and business of Blake, Moffitt & Towne and subsidiary companies and all of the outstanding stock of Ralph L. Smith Lumber Company; for accounting purposes these transactions were treated as poolings of interests. For purposes of comparison, the financial statements of these companies as of the close of their fiscal years ended December 31, 1960 and for the year then ended have been combined retroactively with the consolidated financial statements of the Corporation and consolidated subsidiaries as of April 30, 1961 and for the year then ended, as previously reported. Adjustments necessary with respect to net earnings of the acquired companies for the period from January 1 to April 30, 1961 have been credited directly to consolidated earnings retained.

Retained Earnings and Capital Surplus

ALLEGHENY LUDLUM STEEL CORPORATION

Earnings for the year	$ 8,754,626
Balance in earned surplus at beginning of year (including earned surplus of pooled subsidiaries in 1962) (Note 4)	72,621,597
	81,376,223
Deduct dividends paid—$2.00 per share	7,847,178
Balance in earned surplus at end of year	$73,529,045

Note 4: *Capital Stock*—In June 1962, the corporation issued 32,000 shares of its common stock for the outstanding stocks of certain commonly-owned companies. For accounting purposes,

this transaction was treated as a pooling of interests and the operations of the acquired companies have been included in the statement of consolidated income for the entire year ended December 31, 1962. The accounts for 1961 have not been restated to include the accounts of the acquired companies as the omission thereof has no material effect.

Note 5: Capital Surplus—The changes in capital surplus for the year ended December 31, 1962 are summarized below:

Amount at December 31, 1961	$38,582,849
Changes during 1962:	
Excess of the option price over the par value of 3,719 shares of common stock issued under employees' stock option plan	108,752
Excess of par value of capital stocks of pooled subsidiaries over par value of capital stock issued therefor	33,175
Amount at December 31, 1962	$38,724,776

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$118,041—"Earned Surplus: Adjustment arising from elimination of minority interest in merged subsidiary (Note 1)."

DR.—$6,559—*"Capital Surplus*: Adjustment arising from elimination of minority interest in merged subsidiary (Note 1)."

Note 1: Principles of Consolidation and Investments in Subsidiaries—In February 1962, the Company issued 228,500 shares of its common stock in exchange for the net assets and business of New Rochelle Thermatool Corporation and its affiliated companies, Magnetic Heating Corporation and W. H. Trading Corporation, and accounted for the transaction as a "pooling of interests." Accordingly, the figures for 1961, included in the financial statements for comparative purposes, have been restated from those reported in the 1961 annual stockholders' report to give effect to this transaction, resulting in credits as of January 1, 1961 of $60,381 to earned surplus for the accumulated undistributed earnings of these companies, $399,875 to the capital stock account for the par value of the common stock issued, and a charge of $18,875 to capital surplus for the excess of the par value of the common stock issued over the capital stock and capital surplus of such companies at that date.

In April 1962, the Company issued 15,741 shares of its common stock in exchange for the minority interest in its subsidiary, International Cigar Machinery Company.

BEATRICE FOODS CO.

CR.—$2,701,114—"Earned Surplus (Retained Earnings): Companies merged in 1961 $4,484,580.94 less adjustment of intangibles recorded in prior year merger $1,783,466.00 (Note 4)."

CR.—$967,460—"Capital Surplus: Excess of fair value over par value of 31,720 shares of common stock issued in acquisitions."

DR.—$758,896—*"Capital Surplus*: Excess of par value of common shares issued in mergers over stated capital of merged companies (Note 4)."

Note 4: During the year ended February 28, 1962, Beatrice Foods Co. acquired several other companies in transactions accounted for as poolings of interests. The comparative figures for the year ended February 28, 1961 have not been restated to include the results of operations of the acquired companies. Sales and net earnings during the last fiscal year of the acquired companies approximated $21,450,000.00 and $660,000.00, respectively.

Beatrice Foods Co. now considers that the acquisition of Dannon Milk Products, Inc. in 1959, which was at that time accounted for as a purchase of assets, was, in the light of developments in accounting practice since then, a pooling of interests. Accordingly, the balance of the related intangibles at March 1, 1961, which was being amortized by an annual amount of $100,000.00, has been eliminated from the accounts.

H. J. HEINZ COMPANY

CR.—$2,642,665—"Earned Surplus: Earned Surplus of "pooled" subsidiary (Note 1)."

CR.—$207,500—"Capital Surplus: Excess of Par Value of common stock of "pooled" subsidiary over par value of common stock issued therefor (Note 1)."

Note 1: Principles of Consolidation—On June 30, 1961, the Company exchanged 124,500 shares of its common stock for all the outstanding stock of Hachmeister, Inc. For accounting purposes, this transaction was treated as a pooling of interests and the operations of Hachmeister, Inc. have been included in the statement of consolidated income for the entire fiscal year ended May 2, 1962. Their sales and net income are not significant in relation to the consolidated amounts.

THE EMERSON ELECTRIC MANUFACTURING COMPANY

Statement of Retained Earnings:

Balance at beginning of year:		
The Emerson Electric Manufacturing Company and consolidated subsidiaries		$18,454,771
Companies acquired during year under pooling of interests concept (Note 1)		19,924,062
		38,378,833
Net earnings for year		11,930,519
		50,309,352
Cash dividends declared:		
Common stock—$.625 per share after giving retroactive effect to a two-for-one stock split	$ 3,572,069	
Companies acquired during year under pooling of interests concept, prior to dates acquired	1,332,411	
		4,904,480
Balance at end of year (Note 3)		$45,404,872

Statement of Additional Paid-in Capital:

Balance at beginning of year:	
The Emerson Electric Manufacturing Company and consolidated subsidiaries	$19,003,767
Companies acquired during year under pooling of interests concept (Note 1)	1,301,132
	20,304,899
Excess of:	
Principal amount of convertible debentures over par value of common stock issued therefor, less applicable unamortized debt expense	1,094,921
Proceeds over par value of common stock issued pursuant to stock option agreements (Note 2)	86,568
Par value of capital stock of companies whose net assets were acquired under the pooling of interests concept over par value of Emerson common stock issued therefor, less related expenses (Note 1)	6,068,651
Balance at end of year	$27,555,039

Note 1: Principles of consolidation and acquisitions of companies:

The financial statements incorporate the accounts of the Company and its wholly-owned North American subsidiaries.

During the year the Company acquired, in exchange for common stock, the net assets of The Rittenhouse Company, Inc., White-Rodgers Company, and U.S. Electrical Motors, Inc. These transactions have been accounted for as poolings of interests, and accordingly the figures for such companies are included in the financial statements for the entire year ended September 30, 1962. A restatement of the prior year's operations on a comparable basis results in net sales of $217,768,027 and net earnings of $10,699,664 for the year ended September 30, 1961.

CHAS. PFIZER & CO., INC.

CR.—$12,861,995—"Retained Earnings: Companies acquired through pooling of interests."

DR.—$2,625—*"Retained Earnings*: Cash dividends paid: other companies—prior to pooling."

CR.—$6,350,047—"Paid-in Surplus: Additions resulting from pooling of interests."

Notes to Financial Statements

Note 2: Acquired Companies—During the year the Company acquired in exchange for 633,388 shares of its common stock the net assets and business of Knickerbocker Biologicals Inc. and the common stock of C. K. Williams & Co. These exchanges have been treated for accounting purposes in accordance with the pooling of interests accounting principles, and accordingly the accompanying financial statements for 1962 include the operations of these companies for the entire year, during which their net sales and net earnings were approximately $21,800,000 and $1,300,000 respectively. The statement of consolidated financial position at December 31, 1961 and related statement of consolidated earnings for the year then ended, presented herein for comparative purposes, have been revised to include these companies.

During 1962 Pfizer acquired the net assets and business of The Barbasol Company in exchange for 25,000 shares of Pfizer common stock. In addition, during 1962, the net assets and businesses of companies in seven foreign countries were acquired by cash payments of $3,860,000.

UNIVERSAL AMERICAN CORPORATION

CR.—$4,415,616—"Retained Earnings:

CR.—$10,941,973—"Additional Paid-in Capital:

CR.—$776,445—"Preferred Stock:

CR.—$104,652—"Common Stock: Issuance of preferred and common stock on merger of Van Norman Industries, Inc. into the Company on January 31, 1962 in a "pooling of interests."

DR.—$219,442—*"Additional Paid-in Capital*: Costs in connection with January 31, 1962 merger of Van Norman Industries, Inc."

Notes to Financial Statements

Note 1: *Principles of Consolidation*—The consolidated financial statements include Universal American Corporation (the Company) and its domestic subsidiaries.

The merger of Van Norman Industries, Inc. into the Company on January 31, 1962 has been treated as a "pooling of interests" except that in the 1961 comparatives the figures applicable to Van Norman Industries, Inc. ($20,238,987 capital, $38,457,945 sales, and $115,961 net loss after special charges) are not included.

LIQUIDATIONS AND DISSOLUTIONS

Retained Earnings

CONSOLIDATED FOODS CORPORATION

CR.—$60,331—"Earned Surplus: Net gain realized on liquidation operations, after reduction in income taxes attributable thereto—$262,073."

President's Letter

Two divisions of the company were disposed of during the year. Merckens Chocolate was sold in August, 1961, and the Hires Division in June, 1962. These units were not meeting the company's profit standards, and in the case of Hires there was a growing conflict with our rapidly expanding Shasta Beverages Division. The properties were disposed of at a net gain to the company, and a substantial amount of cash was realized.

CROWN CENTRAL PETROLEUM CORPORATION

DR.—$1,623—*"Earned Surplus*: Earned-surplus deficit of unconsolidated 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.

Retained Earnings

ACF INDUSTRIES, INCORPORATED

CR.—$7,436,000—"Earned Surplus: Earned surplus at May 1, 1961 of SHPX First Corporation and subsidiaries previously not consolidated."

CHAIN BELT COMPANY

DR.—$420,419—*"Retained Earnings*: Excess of carrying value over equity in net assets at beginning of year of subsidiaries not previously consolidated."

ELASTIC STOP NUT CORPORATION OF AMERICA

DR.—$449,000—*"Retained Earnings*: Capitalization of retained earnings of wholly-owned Canadian subsidiary company in connection with a reorganization."

[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."

THE MEAD CORPORATION
Notes to Financial Statements

Note A: *Basis of Consolidation*—The accounts of all subsidiaries over 60% of whose voting shares are owned by the Corporation are consolidated in the accompanying financial statements.

As of January 1, 1962 the basis of stating investments in unconsolidated, 50% or more owned, affiliated companies located in the United States and Canada was changed from cost to equity in net assets, with appropriate adjustments, by increasing the investment accounts and consolidated retained earnings by $19,-479,424. The 1961 financial statements have been restated for comparison purposes reducing net earnings by $263,150, the excess of dividends received from, over the equity in net earnings of, said affiliates.

SOCONY MOBIL OIL COMPANY, INC.
CR.—$124,279,000—"Earnings Retained in the Business: Adjustment arising from the division of Standard-Vacuum Oil Company."

UNIVERSAL LEAF TOBACCO CO., INC.
DR.—$1,895—*"Earned Surplus*: Decrease by reason of change in equity of Universal Leaf Tobacco Co., Inc., in consolidated subsidiaries."

Retained Earnings and Capital Surplus

ARDEN FARMS CO.
CR.—$4,151—"Earned Surplus: Earned surplus of subsidiary not previously consolidated."
DR.—$128,294—*"Capital Surplus*: Excess of net worth over cost of subsidiary acquired in 1961, applied against plant and equipment."
DR.—$147,515—*"Capital Surplus*: Capital surplus adjustment arising in consolidation."

Capital Surplus

GULF OIL CORPORATION
DR.—$17,898,063—*"Other Capital*: Adjustment resulting from changes in ownership interest in a subsidiary."

UNIVERSAL AMERICAN CORPORATION
DR.—$34,989—*"Additional Paid-in Capital*: Net decrease in equity in book net assets of subsidiaries resulting from changes in minority interests."

GOODWILL—INTANGIBLE ASSETS

Retained Earnings

AUTOMATIC CANTEEN COMPANY OF AMERICA
DR.—$11,600,366—*"Retained Earnings*: Write-off of certain intangibles (Note 2)."

Note 2: *Intangible Assets and Retained Earnings*—Through September 30, 1961, principally during the two years then ended, the Company purchased a large number of domestic and foreign companies resulting in the payment of substantial amounts for goodwill (excess of cost of purchased subsidiaries over applicable portion of underlying net assets) and franchise costs. At its meeting on November 12, 1962, the Board of Directors concluded that such intangible assets in the amount of $11,600,366 (consisting of $11,271,579 excess costs applicable to investments in all subsidiaries other than Commercial Discount Corporation and $328,787 of franchise costs which arose in connection with acquiring such companies) no longer continued to have value and directed that such intangibles be eliminated by a direct charge to retained earnings as of September 29, 1962.

The Board also directed that the resulting deficit in retained earnings be eliminated by a charge to additional paid-in capital as of September 29, 1962, subject to approval of the stockholders.

DRESSER INDUSTRIES, INC.
DR.—$1,297,014—*"Income Retained in the Business*: Write-off of intangible assets."

PITTSBURGH BREWING COMPANY
DR.—$800,000—*"Earned Surplus*: Write-off trade names and goodwill."

STANDARD PRESSED STEEL CO.
DR.—$1,740,242—*"Retained Earnings*: Write-off of unamortized goodwill (Note 6)."

Note 6: *Goodwill*—Goodwill which arose in the acquisition of one foreign company and several domestic companies, principally in 1957 and 1959, was previously being amortized over approximately 15 years by charges to earnings. In July 1962, the Board of Directors concluded that this intangible asset, which amounted to $1,740,242 at June 30, 1962, no longer continued to have value because current sales are principally of products introduced since acquisition and there has been a substantial change of management personnel of these companies. The Board directed that goodwill be eliminated by a direct charge to retained earnings. Amortization of goodwill charged to earnings in 1961 amounted to $158,000 and in 1962 to $63,200 for the period prior to write-off.

WARD BAKING COMPANY
DR.—$450,857—*"Earned Surplus*: Write-off of intangible assets on dissolution of subsidiary (Note 1)."

Note 1: The consolidated statements of income and earned surplus include the operations of domestic subsidiaries absorbed by the company during 1962, and reflect total tax savings of approximately $590,000 which would not have been available currently had the subsidiaries been continued as such. Of this amount, approximately $212,000 is reflected in the income account for 1962 as being applicable to the loss for the year, and the balance of $378,000 is credited to earned surplus. The latter account has been charged for the write-off of intangible assets of one such subsidiary.

Retained Earnings and Capital Surplus

KEYSTONE STEEL & WIRE COMPANY
DR.—$284,690—*"Retained Earnings*: Reduction arising from mergers of subsidiary companies (Note B)."
CR.—$283,092—"Other Capital."

Note B: At the close of business on June 30, 1962, Wire Specialties Co., a wholly owned subsidiary of Keystone Steel & Wire Company, was merged into its parent company; and Weaver Wire Products Company, a wholly owned subsidiary of Mid-States Steel & Wire Company which is a subsidiary of Keystone Steel & Wire Company, was merged into its parent company. The parent companies' costs of their investments in the stocks of these subsidiaries exceeded the net assets of the subsidiaries by $283,092 at dates of acquisitions. This excess has been treated in prior years as a reduction of excesses of net assets of other subsidiaries in the consolidated group at acquisition dates over the costs of investments in those subsidiaries in the caption "Other capital" in consolidated statements of financial position.

In accounting for the mergers, the excess of cost of investments over net assets of the merged subsidiaries at acquisition dates has been transferred from "Other capital" to "Retained earnings," ($284,690) and "Minority interest in consolidated subsidiaries," $1,598.

EMPLOYEE STOCK PLANS

In 1962 there were 279 adjustments to surplus accounts resulting from various employee benefit plans involving sale or issue of capital stock. The great majority of such adjustments—277 items—related to capital surplus accounts, and in only 2 cases were retained earnings 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

AMERICAN ENKA CORPORATION

DR.—$194,939—*"Accumulated Income Retained for Use in the Business*: Adjustment of treasury stock (Note 4)."

Notes to Financial Statements

Note 4: *Stock Options*—The excess ($194,939) of the cost of treasury stock acquired in 1962 over the aggregate option price of the options for which such shares have been reserved has been charged to accumulated income retained for use in the business.

BIGELOW-SANFORD, INC.

CR.—$23,000—"Earnings Retained and Employed in the Business: Sundry credits related to capital stock transactions."

Capital Surplus

BROWN SHOE COMPANY, INC.

CR.—$321,306—"Additional Capital: Add excess of option price over the par value (12,110 shares in 1962, and 19,630 shares in 1961) of common stock issued under stock option plan."

Notes to Financial Statements

Note B: Ten year options to purchase in annual installments, commencing eleven months after granting, an aggregate of 75,040 shares of Common Stock of the Company were held at October 31, 1962, by certain of the Company's employees including directors and officers. These options were granted over a period of years at market values at dates of granting (adjusted for subsequent stock split) ranging from $39.56 to $77.50 a share. At October 31, 1961, outstanding options aggregated 89,375 shares. During the year options for 12,110 shares were exercised at prices ranging from $26.13 to $69.63 a share, options for 8,000 shares were granted and options for 10,225 shares were terminated. At October 31, 1962, there were 20,325 shares of unoptioned Common Stock available for granting under the option plans.

THE NEW BRITAIN MACHINE COMPANY

CR.—$41,030—"Capital in excess of par value."

Notes to Financial Statements

Note B: *Common Stock Reserved*—At December 31, 1962, 52,181 shares of unissued Common Stock were reserved pursuant to employees' stock purchase and stock option plans.

The Company in June, 1962, accepted employee subscriptions for 4,000 shares at a price of $18.95 per share or lower if total individual payments thereon equaled the then average mean of the market bid and asked price. At December 31, 1962, the partial payments on stock subscriptions for 3,530 shares totaled $40,831.

During 1962, previously issued employees' stock options for 450 shares were exercised at the option price of $19.00 per share and options for 250 shares were cancelled. At December 31, 1962, there were outstanding stock options for 17,540 shares of which 7,765 shares are exercisable at $19.00 a share and 325 shares at $17.50 a share; the balance become exercisable during the next three years at prices of $19.00 and $17.50 a share. The options expire December 31, 1965.

Note D: *Capital in Excess of Par Value of Shares*—The increase of $41,030 in capital in excess of par value of shares during 1962 represents the excess, over par value, of proceeds from issuance of 4,351 shares under the employees stock purchase and stock option plans, less related expenses of $993.

DETROIT STEEL CORPORATION

DR.—$3,480—*"Additional Paid-in Capital."*

Notes to Financial Statements

Note D: *Common Stock Reserved*—Under a Restricted Stock Option Plan, 118,490 shares (unissued or in treasury) were reserved at December 31, 1962, of which options were outstanding to officers and key employees for 104,450 shares, including 32,510 then exercisable. The options expire within five years from date of grant and generally become exercisable, cumulatively, at the rate of 20% each year. A summary of the transactions during the year follows:

	Optioned Shares		
	At $16.75 a share	At $15.00 a share	Unoptioned shares
Beginning balance	9,600	—0—	108,990
Options granted	—0—	106,950	(106,950)
Options terminated	—0—	(12,000)	12,000
Options exercised (from unissued shares)	(100)	—0—	—0—
Ending balance	9,500	94,950	14,040

Under an Employee Stock Purchase Plan, 43,163 shares (unissued or in treasury) were reserved at December 31, 1962, for sale to salaried employees on a deferred-payment basis, at the market price on the subscription date. A summary of the transactions during the year follows:

	Number of shares	Aggregate subscription price
Subscribed at beginning of year	—0—	$ —0—
Subscriptions received	13,018	163,160
Subscriptions terminated	(6,235)	(84,143)
Shares issued (from treasury)	(207)	(2,794)
Subscribed at end of year	6,576	$ 76,223

Additional paid-in capital was decreased by $3,480 during the year, representing expenses of $5,813 incurred incident to registration of the reserved shares, less $2,333 for the excess of proceeds over cost or par value of the 307 shares of Common Stock issued under the plans.

KOPPERS COMPANY, INC.

DR.—$33,557—*"Capital in Excess of Par Value."*

Notes to Financial Statements

Note 7: *Common Stock*—Duing 1962, under the Company's restricted stock option plan for officers and key employees, options to purchase 2,000 shares were granted at a price of $34 per share, options on 2,500 shares were terminated and 3,080 shares were issued from treasury stock on exercise of options at prices ranging from $32.50 to $36.50 per share. At December 31, 1962, options covering 128,400 shares were outstanding and are exercisable over a period of seven years from dates of grants at prices ranging from $32.50 to $63.50. At December 31, 1962, options on 18,520 shares were available for future grants under the plan. The $33,557 excess of cost of treasury stock over the proceeds received upon exercise of options during the year was charged to capital in excess of par value.

REPUBLIC AVIATION CORPORATION

DR.—$11,856—*"Capital in excess of par value of common stock."*

Notes to Financial Statements

Note 2: At December 31, 1962, 256,200 shares of common stock were reserved for issuance under the Company's restricted stock option plan; options for 139,900 of these shares were outstanding at option prices ranging from $11.55 to $15.44 per share, of which options for 18,600 shares were exercisable.

During 1962 options for 9,200 shares were exercised at the option price of $11.55 per share. Capital in excess of par value of common stock was decreased by $11,856 representing the excess of the cost of treasury shares issued over the proceeds received on the exercise of options.

WESTINGHOUSE ELECTRIC CORPORATION

Notes to Financial Statements

Note 9: *Capital Surplus*—Decrease due principally to sale of common stock under Employe Stock Plan.

Incentive Stock Options

Capital Surplus

AMERICAN SEATING COMPANY

CR.—$24,225—"Additional Paid-in Capital: Excess of proceeds from sale of 1,150 shares of common stock over par value."

Notes to Financial Statements

Incentive Stock Option Plan: The Incentive Stock Option Plan provides for granting options to certain officers and executives of the company at 100% of the last closing price of the stock on the New York Stock Exchange prior to the date each option is granted. Options granted are exercisable after the end of fifteen months and expire eight years after granting.

At January 1, 1962, there were options outstanding for 28,800 shares at prices ranging from $24.88 to $36.88 per share. During 1962, options on 1,150 shares were exercised at prices ranging from $30.50 to $34.00 per share.

New options were granted in 1962 for 11,300 shares at $37.25 per share, and options for 750 shares previously granted were terminated without exercise. At December 31, 1962, options were outstanding for 38,200 shares and except for such outstanding options, the plan terminated as of May 1, 1962.

CERTAIN-TEED PRODUCTS CORPORATION

CR.—$136,894—"Capital in excess of par value."

Notes to Financial Statements

Note 8: *Stockholders' Equity*—During the current year, pursuant to stock option incentive plans for officers and key employees, options for 15,425 shares of Common Stock were exercised. At December 31, 1962, options to purchase 29,512 shares at $9.88 a share and 1,250 shares at $44.08 a share were outstanding and 29,000 shares were reserved for future grants. Shares issued in connection with options exercised during the year resulted in an increase of $136,894 in capital in excess of par value.

INTERNATIONAL PAPER COMPANY

CR.—$588,938—"Capital Surplus: Excess of sales proceeds over par value of 31,089 common shares sold under Incentive Stock Option Plan."

Schedule E—Capital Stocks, December 31, 1962

The Company has an Incentive Stock Option Plan for Key Employees. Rights to purchase 20% of the shares covered by each option accrue to the optionee on each of the first five anniversaries of the date of grant and continue to the tenth anniversary subject to earlier termination due to termination of employment. The following changes in unissued shares reserved under the Plan occurred in 1962:

	Under Option	Available for Grant
Balance at January 1, 1962	618,184	9,592
Changes during 1962—add or (*deduct*):		
Shares added by amendment of Plan	—	500,000
Shares issued on exercise of options	(*31,089*)	—
Shares added by 2% stock dividend	11,477	10,456
Shares applicable to options terminated	(*6,131*)	6,131
Balance at December 31, 1962	592,441	526,179

The original option price under each outstanding option was 95% of the last sale price on the New York Stock Exchange on the date of grant. Prices on options outstanding at December 31, 1962, adjusted for the stock split and stock dividends subsequent to grant dates, ranged from $16.31 to $34.64 per share, and averaged $31.85. The option price under each option hereafter granted will be 100% of the last sale price on the New York Stock Exchange on the date of grant.

THE NEW YORK AIR BRAKE COMPANY

CR.—$19,280—"Capital Surplus: Excess of amount received for shares of Common Stock issued pursuant to stock option agreements over par value thereof (891 shares in 1962, 3,600 in 1961)."

Notes to Financial Statements

Note A: At December 31, 1962, the Company had reserved 75,509 unissued shares of Common Stock under Incentive Stock Option Plans. Options were outstanding for 25,509 shares and were exercisable during various periods ending in 1969 at prices ranging from $18.94 (for 500 shares) to $35.25 per share.

STANDARD PACKAGING CORPORATION

CR.—$79,638—"Capital Surplus: Exercise of options for 8,000 shares of common."

Notes to Financial Statements

Note 4: *Stock Options*—Under the Corporation's Incentive Stock Option Plan, there were outstanding at January 1, 1962, options to officers and key employees to purchase, subject to certain limitations, 135,000 shares of the Corporation's common stock and 36,125 shares were reserved for the granting of additional options. During 1962, options for 48,000 shares were granted (at prices from $13.18 to $19.95), options for 8,000 shares were exercised (at prices from $10.21 to $11.40), and options for 20,000 shares were canceled. At December 31, 1962, options were outstanding for 155,000 shares (at prices ranging from $13.18 to $31.59), and 8,125 shares were reserved for granting of additional options. The option prices represent 95% of the closing market quotations on grant dates.

Stock Option and Stock Purchase Plans

Capital Surplus

CHRYSLER CORPORATION

CR.—$980,672—"Additional paid-in capital: Excess of market price over par value of shares of treasury stock (4,182 in 1962, 91,988 in 1961) and of previously unissued shares (27,817 in 1962, 14,835 in 1961) sold to the Thrift-Stock Ownership Program."

CR.—$98,326—"Additional paid-in capital: Excess of option price over par value of 3,600 shares of Common Stock issued under the Stock Option Plan during the year."

Notes to Financial Statements

Stock Options and Thrift-Stock Ownership Program: Of the authorized shares of common stock at December 31, 1962, 207,348 shares were reserved for the Thrift-Stock Ownership Program and 372,900 shares were reserved for the Stock Option Plan for Salaried Officers and Key Employees. At January 1, 1962, options for 309,396 shares were outstanding. During 1962, options for 59,500 shares were granted, options for 16,750 shares were terminated and options for 3,600 shares were exercised. At December 31, 1962, options for 348,546 shares were outstanding at prices ranging from $43.17 to $61.22 a share, the average being $52.95. Options were granted at prices equal to 95% of fair market values at dates of grant for options granted prior to January 4, 1962, and at 100% for options granted after that date. Options for 216,796 shares were exercisable at December 31, 1962.

HOOKER CHEMICAL CORPORATION

CR.—$498,161—"Capital surplus paid-in: Proceeds in excess of par value of shares issued under stock option and purchase plans (including $237,687 applicable to "pooled" company prior to date of consolidation)."

Notes to Financial Statements

Note 4: *Stock Option and Purchase Plans*—Options outstanding under the Company's stock option plan for officers and key employees were granted at prices ranging from $23.29 to $39.47 per share (not less than 95% of market price on the dates of grant). Options are exercisable generally in five equal annual installments and expire in 1966. The purchase price of elections outstanding under the Company's stock purchase plan for employees was $31.62 per share (not less than 85% of the market price on the dates of elections). Elections to purchase may be cancelled by the participants prior to issuance of the shares.

Details of options and elections at November 30, 1962 and transactions during the year follow:

	Shares	
	Option plan	Purchase plan
Outstanding, November 30, 1961	111,377	23,428
Grants and elections	31,110	—
Exercised and purchased (proceeds—$322,419)	10,510	1,879
Cancelled	6,528	8,333
Outstanding, November 30, 1962	125,449	13,216
Exercisable, November 30, 1962	61,648	—
Reserved for future grants:		
November 30, 1961	152,286	251,191
November 30, 1962	127,704	259,524

The foregoing information with respect to shares and share prices gives effect to the 2% stock dividend payable December 14, 1962.

McKESSON & ROBBINS, INCORPORATED
CR.—$278,211—"Capital Surplus."
Notes to Financial Statements

Note 6: *Stock Purchase and Option Plans*—At March 31, 1961, options were outstanding to purchase 185,834 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, 22,645 shares were issued under the plans resulting in an increase of $278,211 in Capital Surplus, options for 35,700 shares at $41.75 per share and 4,900 shares at $42.75 per share were granted and options for 3,884 shares were cancelled. At March 31, 1962, options to purchase 199,905 shares were outstanding at prices ranging from $17.75 to $42.75 per share and 43,206 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, 1962 aggregated approximately $166,000.

NATIONAL STARCH AND CHEMICAL CORPORATION
CR.—$327,754—"Paid-in surplus: Excess of proceeds over par value of Common Stock issued under stock purchase and stock option plans."
Notes to Financial Statements

Note 4: Under the Company's authorized Stock Option Plan for Key Management Employees, 61,890 shares of Common Stock were issuable under options outstanding on January 1, 1962. During 1962 options with respect to 19,203 shares were exercised, 2,480 shares expired, and as a result of the 3% stock dividend paid on March 30, 1962, and pursuant to the "anti-dilution" provisions of such options, 1,683 additional shares became issuable upon exercise of outstanding options. On December 31, 1962, options aggregating 41,890 shares were outstanding, each exercisable at approximately three-year intervals, but none later than December 31, 1969. On January 1, 1962, 35,364 shares were available for the granting of additional options under the Plan and 38,904 shares were so available on December 31, 1962. There were no changes in the exercise price of outstanding options under the Plan through cancellation and reissuance or otherwise, except for price changes resulting from the normal operation of the "anti-dilution" provisions of the options. All grants were made at not less than 95% of the market price at date of grant.

President's Letter

On January 24, 1963 a new Employee Stock Purchase Plan was authorized by the Directors. The Plan is similar in scope to previous plans, except that employees will be entitled to subscribe to the number of shares equivalent in value to 15% of their annual salary with payment to be accomplished through payroll deductions over 18 months. Former plans limited purchase of stock equivalent in value to 10% of salary, to be purchased over a period of 11 or 12 months.

While grants of options under the Plan have not yet been made, the purchase price of stock will be based on the closing market price on the day of the grant or the day of exercise, whichever is lower, but not less than $37.50 per share.

In addition, under the authority granted by the stockholders, the Directors authorized an additional grant of options under the Company's Key Management Stock Option Plan. Options on 14,600 shares were granted at 100% of the market price on the day of the grant. The options can be exercised at approximately three year intervals over a period of ten years.

STEWART-WARNER CORPORATION
CR.—$125,285—"Capital in excess of par value: Proceeds from sale to officers and key employees of 731 shares of treasury stock under the Stock Purchase Plan and of 5,788 shares of unissued stock under the Stock Option Plan."
Notes to Financial Statements

Note 1: Under the Corporation's Stock Option Plan, 113,856 shares of the Corporation's authorized capital stock were reserved for options to officers and other key employees at not less than 95% of market price at date of grant, exercisable over a ten-year period, and options with respect to 55,376 of such shares were outstanding at December 31, 1962. During 1962 shares under options were increased by 2,762 shares as a result of the 5% stock dividend paid on September 12, 1962, additional options were granted for 5,100 shares, options were exercised for 5,788 shares, and options were terminated for 1,984 shares.

Stock Bonus and Profit Sharing Plans

Capital Surplus

BASIC INCORPORATED
CR.—$1,131—"Capital Surplus: Common shares issued from treasury pursuant to Old Timers Stock Bonus Plan."

BURLINGTON INDUSTRIES, INC.
CR.—$63,352—"Capital in Excess of Par Value: Excess of market value over cost of treasury Common Stock issued to Employees' Profit Sharing (Retirement) Plan."
Notes to Financial Statements

Note 3: Common treasury stock, which in prior years was accounted for in the financial statements as if retired, is now shown at cost as a deduction from the total of common stock and surplus. The change has no effect on stockholders' equity. The common treasury stock at September 29, 1962, is after giving effect to the delivery in November 1962 of 131,477 shares in part settlement of the liability at September 29, 1962, to the Profit Sharing (Retirement) Plan.

FEDERATED DEPARTMENT STORES, INC.
CR.—$81,039—"Capital in Excess of Par Value of Common Stock: Credits resulting from issuance of treasury stock under contingent compensation plan."

FOOTE MINERAL COMPANY
CR.—$30,839—"Capital in Excess of Par Value of Common Stock."
Notes to Financial Statements

Note 3: *Capital in Excess of Par Value of Common Stock*—The increase of $30,839 in capital in excess of par value of common stock during 1962 represents the excess of assigned value over par value of 1,906 shares of common stock issued to officers and employees under the incentive bonus plan (50% payable in stock).

HOUDAILLE INDUSTRIES, INC.
CR.—$15,123—"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 1962 the maximum available for awards amounted to $352,827 consisting of $300,503 provided from the current year's income plus $52,324 carried forward from 1961.

The Compensation and Audit Committee has determined awards for 1962 under the Plan in the amount of $283,300 leaving a balance of $69,527 carried forward and available for extra compensation awards in subsequent years.

The consolidated balance sheet at December 31, 1962 includes in "Accrued payrolls, taxes, interest, etc." the portion of the extra compensation awards for 1961 and 1962 which are payable in cash in 1963 amounting to $63,416. The remainder of the extra compensation awards for 1961 and 1962 amounting to $121,250 and payable in cash and common stock has been included in "Other Liabilities—Extra-compensation plan." Common stock held in treasury at December 31, 1962 for extra-compensation purposes amounted to 3,880 shares carried at $82,545 awarded for the years 1963 and 1964 and held for future delivery under the earning out provisions of the Extra-Compensation Plan.

P. R. MALLORY & CO. INC.
CR.—$43,223—"Additional paid-in capital: Additional paid-in capital arising from issuance of 1,051 shares of common stock (796 shares by preference stock conversions and 255 treasury shares awarded to employees)."

APPROPRIATIONS OR RESERVES*

Retained Earnings Charges

Transfers Within Stockholders' Equity

ANDERSON, CLAYTON & CO.

Balance Sheet

Surplus:	
Capital	$ 6,617,932
Earned (Notes 1 and 4):	
Appropriated for contingent tax liability	6,715,045
Unappropriated, per accompanying statement	116,816,943
	$201,221,125

Note 4: The company and its subsidiaries have made full provision as of July 31, 1962, 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, 1962, this appropriation for theoretical tax liability amounted to $6,715,045 as compared with $5,599,969 as of July 31, 1961, an increase of $1,115,076 for the current year.

MOORE DROP FORGING COMPANY

DR.—$17,845—*"Earnings Retained for Use in the Business*: Sinking fund for preferred stock."

Balance Sheet

Capital surplus	$1,717,678
Earnings retained for use in the business	7,445,066
Sinking fund for retirement of preferred stock	17,845
	$9,964,082

Notes to Financial Statements

Note 3: The preferred stock is entitled to the benefit of a cumulative sinking fund payable out of the annual net earnings after preferred dividends, in an amount equal to 3% of the total par value of preferred stock outstanding July 1, 1955. During the year ended June 30, 1962, 420 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, 1963.

TECUMSEH PRODUCTS COMPANY

DR.—$4,000,000—*"Retained Earnings."*

CR.—$4,000,000—"Capital Surplus: Amount transferred to capital surplus."

Financial Review

In recognition of the increased capital required for the expanded volume of business, the Board of Directors has authorized and directed a transfer of the sum of $4,000,000 from earned surplus to capital surplus effective as of December 31, 1962.

Transfers to Valuation and Liability Reserves

VTR, INCORPORATED

DR.—$150,000—*"Earned Surplus*: Reserved for litigation (Note 5)."

Note 5: At December 31, 1962, the company and its subsidiaries had various lawsuits incidental to their business pending against them. The reserve for litigation of $150,000 has been provided for any future losses which may result from settlement of these suits. In the opinion of counsel, this reserve is sufficient to provide for all such losses.

---

*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.

ALLIS-CHALMERS MANUFACTURING COMPANY

DR.—$20,850,000—*"Earnings Retained and Used in the Business*: Extraordinary charges in discontinuing certain products and facilities, less taxes."

Financial Review

In 1962, a reserve for estimated expenses in discontinuing certain products and facilities was established to provide for the costs associated with the closing of operations at Terre Haute, Indiana, and discontinuance of steam turbo-generator and related condenser lines at our West Allis, Wisconsin plant. While certain charges applicable to 1962 have been made to this reserve, other charges will be made as they are incurred.

AIR REDUCTION COMPANY, INCORPORATED

DR.—$3,030,410—*"Retained Earnings*: Provision for loss resulting from obsolescence of certain plant facilities, less estimated federal income tax reductions, $3,163,187 (Note H)."

Note H: *Plant Replacement Program*—In 1962 the Company undertook a program, to be completed within the next few years, for the replacement of a substantial number of small high cost industrial gas plants and related facilities with much lower cost liquid air separation plants and related facilities. The estimated loss and abandonment expenses applicable to the plants affected by the replacement program, less the estimated Federal income tax reductions, has been charged to retained earnings. The provision for current Federal taxes on income for 1962 is before a reduction of $169,539 relating to the facilities abandoned during the year.

DRESSER INDUSTRIES, INC.

DR.—$5,000,00—*"Income Retained in the Business*: Provision for extraordinary risks in foreign operations."

DR.—$4,100,000—*"Income Retained in the Business*: Provision for contingent foreign and domestic taxes."

President's Letter

Certain reserves and adjustments have been made on the Company's balance sheet at year-end. Dresser's foreign business always has been profitable, but today involves greater risks than domestic business. To give proper recognition to these risks, it was decided after careful study, to establish certain reserves. One of these reserves appears on the balance sheet as "Reserve for Foreign Business Risks," amounting to $5,000,000. An amount of $4,100,000 has been added to the reserve for "Deferred and Contingent Taxes on Income."

THE EASTERN COMPANY

DR.—$15,000—*"Retained Earnings*: Addition to bad debt reserve."

GENERAL REFRACTORIES COMPANY

DR.—$1,723,317—*"Earned Surplus*: Increase in allowance for loss on abandonment and disposal of real estate, plant and equipment (page 5)."

President's Letter (Page 5)

In connection with this program, your Board of Directors determined that an allowance for loss on abandonment and disposal of real estate, plant and equipment, less applicable income taxes, be provided as of December 31, 1962, in the amount of $5,000,000. This was accomplished by transferring out of earned surplus to the existing allowance, the amount of $1,723,317.

MACK TRUCKS, INC.

DR.—$1,120,000—*"Accumulated Earnings Retained in the Business*: Provision for estimated loss on disposal of surplus facilities (less applicable U.S. income taxes)."

Financial Review

At Plainfield, N.J., where headquarters operations have continued pending location of new quarters, arrangements have been made for the sale of the South Second Street facilities. Negotiations for the sale of the West Front Street property are under way, and it is expected that it will be disposed of during 1963. These properties are carried on the books at December 31, 1962, at estimated disposal value.

Retained Earnings Credits

Transfers Within Stockholders' Equity

MEREDITH PUBLISHING COMPANY

CR.—$40,000—"Retained Earnings Used in the Business: Appropriated for replacement of publishing equipment."

WEYERHAEUSER COMPANY

CR.—$1,535,991—"Earned Surplus: Realization in 1962 of March 1, 1913 increase in timber value."

Balance Sheet

Shareholders' Interest:	
Capital stock, authorized 31,000,000 shares; issued 31,000,000 and 30,545,369 shares at respective dates, par value $7.50 per share (see Note)	$232,500,000
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation ($1,535,991 realized and transferred to earned surplus in 1962)	19,791,330

Transfers from Valuation and Liability Reserves

GENERAL MILLS, INC.

CR.—$2,855,786—"Earnings Employed in the Business: Transfer of reserves (Note 8)."

Note 8: *Reserves and Deferred Liabilities*—During the year the company determined that the reserve for price declines, provided from charges to earnings in prior years, and those portions of the reserves for research and self-insurance, arising from charges to earnings employed in the business, were no longer required. Accordingly $2,855,786 has been transferred from reserves to earnings employed in the business.

PEPSI-COLA COMPANY

CR.—$382,766—"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, and (b) losses arising from devaluation of foreign currencies. The adjustment for 1962 represents dividends received in excess of current earnings less charges for amortization of goodwill, $350,697, plus devaluation losses (other than Canadian) of $402,053.

THE YALE & TOWNE MANUFACTURING COMPANY

CR.—$585,600—"Earnings Retained: Adjustment of allowance for unfunded pension plan (Note 7)."

Note 7: *Retirement Program*—Effective as of January 1, 1962 the company revised its retirement program by amending its profit-sharing plan and some of its unfunded pension plans into a funded retirement income plan for employees who met certain eligibility requirements. At this time there was returned to retained earnings the amount of $585,600, this being the allowance for liabilities under unfunded pension plans no longer applicable because of certain employees now being covered by the new funded plan. The new plan is being funded over a period of 30 years, and the amount of the unfunded past service liability to employees at December 31, 1962 is approximately $4,500,000. At the end of 1962, in addition to this funded retirement income plan, the company had unfunded pension plans for all employees who met service requirements, provision (net of tax effect) having been made for the benefits estimated to be paid to those who have retired. Charges to income in 1962 on account of both the funded and unfunded plans amounted to $1,295,921.

FINANCING EXPENSES

Expense of Stock Issues

Retained Earnings

VTR, INCORPORATED

DR.—$50,342—*"Earned Surplus*: Unamortized debt expense and premium applicable to debentures redeemed on March 29, 1962."

Capital Surplus

BASIC INCORPORATED

DR.—$165,884—*"Capital Surplus*: Issuance of 70,000 5% Serial Convertible Preference Shares—$50 par value —Underwriting costs and expenses of sale."

KIMBERLY-CLARK CORPORATION

DR.—$337,141—*"Additional Paid-in Capital*: Costs and expenses in connection with issuances and exchanges of common stock."

Expense of Business Combinations

Capital Surplus

UNIVERSAL AMERICAN CORPORATION

DR.—$219,442—*"Additional Paid-in Capital*: Costs in connection with January 31, 1962 merger of Van Norman Industries, Inc."

EXTRAORDINARY LOSSES OR GAINS*

Extraordinary Losses

Retained Earnings

ACF INDUSTRIES, INCORPORATED

DR.—$6,206,000—*"Earned Surplus*: Special adjustments—Note 5."

Note 5: *Special Adjustments of Earned Surplus*—During the year the Company sold its investment in 214,500 shares of Republic Aviation Corporation common stock. Also, during the year the Company announced its intention of closing and disposing of the Berwick plant. These transactions are not related to the Company's normal business operations and the results thereof, less estimated present and future federal income tax effects, have been charged to earned surplus:

Profit on sale of Republic Aviation Corporation stock	$(3,772,000)
Estimated loss on disposition of Berwick plant assets not transferrable to other ACF locations	2,405,000
Estimated pensions and retirement benefits to be paid in future years to Berwick plant employees, less portion already funded. Payable 1963—$384,000, 1964—$269,000, 1965—$286,000, 1966—$262,000, 1967—$257,000, etc.	5,918,000
Other expenses of closing the Berwick plant (primarily transferring equipment and personnel to other ACF locations)	1,655,000
	$ 6,206,000

ADAMS-MILLIS CORPORATION

DR.—$175,354—*"Earnings Retained*: Deduction resulting from abandonment of obsolete equipment, less gain on sales of property and equipment (after applicable income taxes)."

*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.

ALCO PRODUCTS, INCORPORATED

DR.—$4,103,222—"*Income Retained in the Business*: Provision for estimated costs of disposition of businesses and facilities less applicable income tax credits—$3,687,779 in 1962—$1,501,000 in 1961 (Note 7)."

Notes to Financial Statements

Note 7: During the year the Company took steps to eliminate certain unprofitable product lines and to dispose of the Dunkirk, New York, and Cincinnati, Ohio, plants together with out-dated and inefficient service facilities at other plants. This decision supplemented steps initiated in 1961 and completed in 1962 to close the Beaumont, Texas, plant. Losses in book values of facilities to be sold and non-recurring costs to be incurred in the extension of this program are estimated to be $4,103,222 after giving effect to applicable income tax credits of $3,687,779 which inculde a reduction in the requirement for the reserve for deferred income taxes.

CARRIER CORPORATION

DR.—$3,500,000—"*Earnings Retained*: Net write-offs, losses and expenses in connection with discontinuance of certain operations of Elliott Company, less related taxes."

President's Letter

A special reserve in the amount of $7 million after taxes was established out of retained earnings as of April 30, 1962 to cover the estimated write-offs, losses and expenses in connection with the discontinuance of the Crocker-Wheeler and Ridgway operations of Elliott. It is now apparent that only one-half of this reserve will be needed due in part to the sale of certain product lines and other assets on terms more favorable than originally anticipated.

Accordingly, $3.5 million out of the original charge against retained earnings has been restored. Reflecting all this, the book value of the common stock of the Corporation was $55.91 as of October 31, 1962 compared with $55.82 a year earlier.

COLONIAL STORES INCORPORATED

DR.—$333,000—"*Retained Earnings*: Losses on sale of store properties (Note 8): Provision for future rental payments, net of estimated sub-rentals and applicable income taxes."

Notes to Financial Statements

Note 8: *Loss on Sale of Store Properties*—In 1959, the company sold a group of its stores, receiving in exchange therefor cash and preferred stock of the purchase corporation organized to operate the stores. In connection with the sale, Colonial assigned certain leases to this corporation, but remained contingently liable on some of them.

Through 1961, operating losses of the assignee-purchaser were such that the underlying equity value of the preferred stock owned by Colonial was eliminated; accordingly, in that year, the Board of Directors authorized a 100% valuation reserve of $750,000. In 1962, the stock became worthless.

Operating losses of the assignee-purchaser continued in 1962, and it is presently involved in reorganization proceedings under Chapter X of the Bankruptcy Act. It appears that the assignee will not be able to make the payments required by the leases. In that event, Colonial must re-assume the rental liability on certain of the leases. In 1962, Colonial provided for all such future payments, net of estimated sub-rentals and income taxes. It is intended that the excess of the rents paid on these leases over the subrentals received will be charged to this provision so that future years' operating results of Colonial will not be adversely affected by the outcome of the reorganization proceedings.

ROYAL McBEE CORPORATION

DR.—$6,900,000—"*Earnings Retained in the Business*: Loss on sale of investment in affiliate, Royal Precision Corporation."

President's Letter

An important action was the sale of our 50 per cent interest in Royal Precision Corporation. Our interest, including current account, was sold for $5 million to General Precision, Inc., a subsidiary of General Precision Equipment Corporation, our partner in the venture. Two and one half million dollars of the sale price was received in cash and the balance was received in two notes, one payable May 1, 1963 and the other on May 1, 1964. Our Company had invested approximately $11,900,000 in this affiliate since formation of Royal Precision in 1956. The difference between our investment and the sale price was charged against retained earnings.

GENERAL MILLS, INC.

DR.—$4,438,838—"*Earnings Employed in the Business*: Extraordinary costs arising from Feed Division liquidation and other dispositions (Note 7)."

Note 7: *Extraordinary Costs Arising from Feed Division Liquidation, Etc.*—During the year the company discontinued its feed operations and closed certain other facilities which were no longer profitable. A reserve of $4,438,838 (after income tax credits) was provided from Earnings Employed in the Business to cover losses and costs incurred and anticipated as a result of the liquidation of these operations, as shown below:

Accounts receivable charged off	$ 5,110,461
Less bad debt allowances provided from operations prior to liquidation	3,644,536
	1,465,925
Provision for additional uncollectible receivables (included in allowance for possible losses at May 31, 1962)	570,000
	$ 2,035,925
Losses and write-down of land, buildings and equipment:	
Recorded prior to May 31, 1962	1,465,425
Provision for losses on future dispositions (deducted from land, buildings and equipment at May 31, 1962)	6,867,608
	8,333,033
Costs and expenses related to discontinuance of operations:	
Incurred to May 31, 1962	2,294,559
Reserve for future costs and expenses of liquidating Feed Division	2,803,073
	5,097,632
Total	15,466,590
Less income tax credits (including $2,231,292 to be used to reduce tax liability in future years)	11,027,752
Total charge to earnings employed in the business, after tax credits	$ 4,438,838

In determining income tax credits, deductions have been taken for amounts applicable to abandonment of Feed Division goodwill, not carried as an asset on the books, and for receivables charged off against allowance for bad debts provided from charges to operations prior to liquidation.

NATIONAL STARCH AND CHEMICAL CORPORATION

DR.—$479,985—"*Earnings Retained in the Business*: Special charges (Note)."

Notes to Financial Statements

Note 7: During the year the Company sold its Particle Board divisions and its Decorative Plastics division. The loss on disposal, after applicable taxes, in the amount of $479,985 was charged directly to earned surplus.

WESTINGHOUSE ELECTRIC CORPORATION

DR.—$10,269,669—"*Income Reinvested in the Business*: Deductions other than dividends paid (Note 4)."

Note 4: *Income Reinvested in the Business—Deductions*—Includes (1) $7,519,278 to provide for decline in value of securities (other than marketable securities and Westinghouse Electric Corporation common stock) because of decreases in foreign currency exchange rates, market values, etc. and (2) $2,750,391 for shutdown costs and permanent retirement of fixed assets, net of Federal income tax, in connection with the permanent shutdown in 1962 for lack of customer demand for the testing of fuel elements and other reactor parts under conditions of nuclear radiation of the Westinghouse Testing Reactor located at Waitz Mill, Pa.

WILSON & CO., INC.

DR.—$2,600,000—"*Retained Earnings*: Extraordinary charges (net after income taxes) relating to anticipated closing and relocation of plant facilities, etc."

President's Letter

Shown as a charge to consolidated retained earnings in 1962 is a special provision of $2,600,000 (net of income taxes) for estimated costs and losses relating to closing and relocation of plants. These costs will be incurred for the most part during the 1963 fiscal year in connection with relocation of facilities at Los Angeles and Oklahoma City, and the closing of a small packing plant at Memphis, Tennessee.

REXALL DRUG AND CHEMICAL COMPANY

DR.—$1,650,000—"*Retained Earnings*: Provision for losses to be incurred as a result of the reorganization of certain retail operations, less estimated future tax reductions (Note 4)."

Note 4: *Reorganization of Retail Operations*—During 1962 the Company adopted a program to reorganize its retail operations to reduce its investment substantially and to improve efficiency and earnings. Provision has been made in 1962 by a direct charge to retained earnings for estimated losses and expenses to be incurred in the reduction of the number of operating units pursuant to the reorganization plan. This charge after reduction for estimated future tax benefits amounted to $1,650,000.

Extraordinary Gains

Retained Earnings

ADMIRAL CORPORATION

CR.—$114,279—"Earned Surplus: Gain on sale of plant, net of applicable taxes."

THE AMERICAN SUGAR REFINING COMPANY

CR.—$528,194—"Income Retained in the Business: Gain on sale of non-operating properties, after taxes."

LILY-TULIP CUP CORPORATION

CR.—$288,518—"Earned Surplus: Net gain, $483,691, on sale of Bronx facility, less excess, $195,173, of relocation expenses incurred over amount provided in prior year, after deducting the effect of applicable income taxes in each case."—Note D.

Note D: In connection with the closing down of manufacturing operations at College Point and the Bronx, N. Y., and the relocation of such operations in the new Holmdel, N. J., plant, the Company incurred certain extraordinary costs of $2,195,173 (after deducting the effect of applicable income taxes of approximately $2,600,000). Of this amount, $2,000,000 was charged against the reserve provided therefor in 1961 and the remainder, $195,173, has been deducted from the net gain on the sale of the Bronx facilities, as shown in the accompanying consolidated statement of income and earned surplus.

The Company has entered into a contract to sell vacant land adjoining the former Bronx facility at an aggregate price which is in excess of the amount at which such asset is stated in the accompanying consolidated balance sheet.

PARAMOUNT PICTURES CORPORATION

CR.—$1,642,000—"Retained Earnings: Profit on sales of investments and other assets, less applicable income taxes."

SHARON STEEL CORPORATION

CR.—$449,000—"Accumulated Earnings: Net gain from disposition of securities, less applicable income taxes."

Financial Review

Investments: During 1962, the Company disposed of all of its investments. The net gain of $449,000 from these dispositions has been added to Accumulated Earnings.

STANDARD OIL COMPANY (NEW JERSEY)

CR.—$75,298,000—"Earnings Reinvested: Nonrecurring income realized on Ethyl Corporation investment (page 20)."

Financial Review (page 20)

Consolidated earnings of Jersey and its affiliated companies owned more than 50 per cent rose by $82,820,000, or 11 per cent, in 1962 to $840,903,000 or $3.88 a share. This marked the fourth consecutive year of significant gains in earnings. In addition, a nonrecurring gain of $75,298,000 was realized in the last quarter of the year on Jersey's 50 per cent investment in the Ethyl Corporation. This amount, which was added directly to "Earnings reinvested and employed in business," consisted of a $32,797,000 dividend out of Ethyl's remaining undistributed earnings of prior years and a $42,501,000 gain on the sale of this investment.

ROYAL McBEE CORPORATION

CR.—$186,000—"Earnings Retained in the Business: Award in litigation net of United States taxes on income."

TIDEWATER OIL COMPANY

CR.—$3,644,000 — "Earnings Reinvested: Special Item—gain on sale of non-producing properties."

President's Letter

The profitable employment of all company assets is one of management's prime responsibilities. In keeping with this responsibility, certain excess, non-oil-producing properties owned in fee by the company were sold with a gain of $3,644,000 cash during the year, creating additional funds for investment.

UNITED FRUIT COMPANY

CR.—$2,694,638—"Retained Earnings: Nonrecurring profits from sale of tropical properties (net after taxes)."

Financial Review

Consolidated net income consisted of $11,005,888 net profits from operations plus $2,694,638 nonrecurring net profits realized from the sale of tropical properties and credited to Retained Earnings.

Capital Surplus

E. I. du PONT de NEMOURS & COMPANY

CR.—$44,100,000—"Surplus Arising from Revaluation of Security Investments: Adjustment resulting from revaluation of Investment in General Motors Corporation."

Notes to Financial Statements

Note 1-c: The $804,171,011 carrying value of the remaining 40,008,508 share investment in General Motors Corporation reflects accumulated additions of $693,244,217 which result from a practice followed since 1925 of revaluing the investment in General Motors Corporation common stock annually to an amount which closely corresponds to the equity indicated by the consolidated balance sheet of General Motors Corporation at December 31 of the preceding year.

GENERAL MOTORS CORPORATION

CR.—$496,837—"Capital Surplus: Increase in carrying value of treasury common stock revalued in accordance with provisions of the Bonus Plan (46,740 shares in 1962 and 42,105 shares in 1961)."

Notes to Financial Statements

Common Stock in Treasury: During 1962, a total of 1,956,232 shares of common stock was acquired for purposes of the Incentive Program and Savings-Stock Purchase Program at a cost of $105,990,937. Further, the carrying value of 46,740 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 $496,837 in accordance with provisions of the Bonus Plan.

POLAROID CORPORATION

CR.—$24,384—"Paid by Shareowners: Other proceeds (Note G)."

Note G: Represents $53,896 less income taxes thereon received in 1962 from an officer of the Company pursuant to section 16(b) of the Securities Exchange Act of 1934.

PRIOR YEAR ADJUSTMENTS—

Fixed Assets and Depreciation

Retained Earnings

HOWELL ELECTRIC MOTORS COMPANY

CR.—$7,099—"Earnings Retained for Use in the Business: Adjustment of prior years depreciation resulting from examination by Internal Revenue Service."

JOHNS-MANVILLE CORPORATION
CR.—$1,311,000—"Earnings Reinvested: Adjustment of prior years' depreciation, less related income taxes."

MELVILLE SHOE CORPORATION
CR.—$1,154,666—"Retained Earnings: Add adjustment of depreciation applicable to 1959 and 1960, less related Federal income taxes $599,591 (Note 1)."

Note 1: The Federal income tax returns of the company and its subsidiaries for 1959, 1960 and 1961 are presently under examination by the Internal Revenue Service. The Service has proposed increasing the estimated useful lives of store equipment and fixtures, and leasehold improvements, which would result in reductions in annual charges for depreciation and amortization. The company has tentatively agreed to the proposed changes pending resolution of other matters not deemed material and has adopted these increased lives for financial reporting. This has had the effect of increasing net earnings reported for 1962 by $358,142 (decrease in depreciation charges $474,749, less additional Federal income taxes $116,607). For comparative purposes the 1961 figures have been adjusted retroactively. The adjustments relating to 1959 and 1960 are reflected in the statement of retained earnings.

Prior Year Adjustments—Taxes

Retained Earnings

ACME STEEL COMPANY
DR.—$1,300,000—*"Retained Earnings*: Provision for Federal income taxes on prior years' foreign earnings."

ALPHA PORTLAND CEMENT COMPANY
DR.—$975,000—*"Earned Surplus*: Provision for additional prior years' taxes and interest less resultant tax benefit, $95,000 (Note B)."

Note B: *Income Taxes*—Additional Federal income taxes for the period from 1955 through 1959 were assessed against and paid by the Company as the result of the re-examination and disallowance by the regional office of the Internal Revenue Service of the percentage depletion deduction for those years originally agreed to by the Internal Revenue Service district office. The Company has provided $975,000 for these prior years' taxes and interest thereon by a charge to earned surplus.

AMERICAN ENKA CORPORATION
CR.—$2,059,000—"Accumulated Income Retained for Use in the Business: Adjustment of Federal income taxes (Note 3)."

Note 3: *Adjustment of Federal Income Taxes*—The Company has elected to compute depreciation, for tax purposes only, in conformity with the rules issued by the Internal Revenue Service in 1962. This has resulted in a Federal income tax reduction of $2,059,000. Since accumulated depreciation for accounting purposes in the past exceeded that for tax purposes, the reduction represents, in effect, a recovery of prior years' taxes and accordingly has been credited to accumulated income retained for use in the business.

ART METAL, INC.
CR.—$388,764—"Retained Earnings: Additional recoveries of prior years' federal income taxes over amounts previously estimated."

CRADDOCK-TERRY SHOE CORPORATION
DR.—$226,092—*"Earned Surplus*: Net adjustment resulting from audit of prior years' income tax returns (Note 6)."

Note 6: The net adjustment of $226,092.16, resulting from audit of prior years' income tax returns, represents additional Federal and State income taxes for the years 1959, 1960, and 1961 and prior years' interest thereon. Certain adjustments to those years produce tax savings in subsequent years in excess of $200,000.00 estimated at current Federal and State income tax rates.

GENERAL ANILINE & FILM CORPORATION
DR.—$1,238,530—*"Retained Earnings*: Additional Federal income tax and related net interest—assessed on prior years' adjustments to retained earnings."

THE GENERAL TIRE & RUBBER COMPANY
CR.—$947,550—"Earned Surplus: Add—RKO General, Inc. earned surplus credit (Note A)."

Note A: A charge in lieu of federal taxes on income of RKO General, Inc. in the amount of $947,550 has been provided for the year ended September 30, 1962 because of utilization for tax purposes of losses and expenses charged since June 30, 1958 to the reserve for losses and expenses in connection with the discontinuance of theatrical film operations. Such reserve was provided from earned surplus as of June 30, 1958 in the aggregate amount of $9,600,000 without consideration of potential federal income tax benefits to RKO. As benefits have been realized to the extent of the charge in lieu of taxes, such amount has been credited to earned surplus.

KENNECOTT COPPER CORPORATION
DR.—$1,385,326—*"Earned Surplus*: Additional U.S. and Chilean taxes on income assessed against prior years' earnings."

PARAMOUNT PICTURES CORPORATION
DR.—$5,000,000—*"Retained Earnings*: Provision for possible assessment of prior years' taxes (see Note G)."

Note G: *Income Taxes*—The company's tax returns for the years 1953-1960 are being examined by the Internal Revenue Service. During 1962, the company was informed by the Service that it will propose several important adjustments as a result of the examination of the three earliest years, including revision of the company's long-established film amortization practices in effect through 1959. The amount of additional taxes resulting from these adjustments will not be known until the revenue agent's report is received but it is believed that the additional assessment may be substantial. Although the company intends to vigorously contest any such assessment, it was considered prudent to make a provision for possible assessment of prior years' income taxes of $5,000,000 which has been charged to retained earnings.

U. S. INDUSTRIES, INC.
DR.—$2,049,500—*"Earnings Retained in the Business*: Adjustment for taxes on income deducted from 1960 special charge to earnings retained in the business."

UNITED FRUIT COMPANY
DR.—$637,723—*"Retained Earnings*: Adjustment of income taxes, principally pertaining to the 1960 write-down of certain tropical banana facilities to estimated economic value."

F. W. WOOLWORTH CO.
DR.—$4,089,531—*"Earned Surplus*: Provision for accrual of real estate, personal property and state income and franchise taxes less $2,710,000 related adjustment of federal income taxes."
Notes to Financial Statements

Note E: *Extraordinary Items*—During 1962 the Company reached a compromise agreement with the federal government with respect to its right to deduct for federal income tax purposes all real estate, personal property, and state income and franchise taxes as determined on an accrual basis. Heretofore, these taxes had been allowed in part on an accrual basis and in part only in the year paid; generally, the Company's book provisions were made accordingly. An adjustment of $6,799,531 to record the aforementioned taxes on the Company's books as of December 31, 1961 on the basis now acceptable for federal income tax purposes has been charged to earned surplus, and the related adjustment to federal income taxes of prior years in the amount of $2,710,000 has been credited to earned surplus. The effect of this accounting change on consolidated net income for the year ended December 31, 1962 was not significant.

Prior Year Adjustments—Various Other

Retained Earnings

ART METAL, INC.
CR.—$93,971—"Retained Earnings: Adjustment of estimated liability for litigation and other adjustments applicable to prior years."

BAUSCH & LOMB INCORPORATED

DR.—$1,047,532 — "*Earnings Retained*: Adjustment resulting from changes in cost accounting procedures, less related federal income taxes (Note 2)."

Note 2: *Inventories*—As of January 1, 1962, the Company made revisions in its cost accounting procedures, principally to write off research and development expenditures as incurred. To give effect to this new practice, inventory at the beginning of the year was reduced by $1,974,026. Based upon a ruling received from the Internal Revenue Service, the Company will receive a reduction in federal income taxes over a ten-year period of $926,494, so the charge to earnings retained was $1,047,532. These revisions had no material effect on net earnings for the year 1962.

CERTAIN-TEED PRODUCTS CORPORATION

DR.—$1,387,836—"*Retained Earnings*: Adjustment to reflect change in accounting relating to installment notes—Note 1."

Note 1: *Change in Accounting*—Customer installment notes received in connection with sales of houses by a wholly-owned subsidiary, Institute for Essential Housing, Inc., are sold by the subsidiary to the Company at a discount of 10% of the face amount, exclusive of time charges, of such notes. At the time of the intercompany sale, the discount is charged to income (reduction of sales) by the subsidiary. Whereas this intercompany discount, after providing for applicable Federal income taxes, previously was eliminated by a credit to income (sales) in consolidation, the Company this year adopted the policy of deferring the credit to income until such time as collections are received on the notes and the discount considered earned. At the same time, an adjustment was made to Retained Earnings for the purpose of applying this policy with respect to notes held as at the beginning of the year. As at December 31, 1962, the aggregate amount of the deferred discount (see Note 2), in the opinion of Management, was adequate to cover the aggregate of any future losses and costs related to the notes. Had this revised method of accounting been employed during the year ended December 31, 1961, net income for that year would have been $4,522,789, which is $1,387,836 less than previously reported.

CONSOLIDATED FOODS CORPORATION

CR.—$73,488—"*Earned Surplus*: Adjustment of expenses of pooling of interests in 1961."

THE CUBAN-AMERICAN SUGAR COMPANY

CR.—$473,786—"*Earned Surplus*: Adjustment of a 1960 charge to earned surplus (Note 1)."

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.

The amount of the equity eliminated from the consolidated financial statements in 1960 has been adjusted in 1962 by a net amount of $473,786 credited to consolidated earned surplus, representing payments received, less provision for certain expenses and possible claims related thereto, in settlement of suits brought on behalf of Cuban subsidiaries against certain buyers of raw sugar exported from Cuba in 1960. As a part of the settlement the company has given certain indemnities to the buyers; in the opinion of the company's counsel, the possibility of liability under these indemnities is remote.

KENNECOTT COPPER CORPORATION

CR.—$436,663—"*Earned Surplus*: Exploration expenses previously written off now capitalized."

DR.—$570,342—"*Earned Surplus*: Adjustment of exploration expenses previously capitalized."

NORTH AMERICAN AVIATION, INC.

DR.—$10,300,000—"*Retained Earnings*: Provision for renegotiation refunds for prior years."

Financial Review

Renegotiation: Substantially all of the company's 1962 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 found to be excessive.

The Renegotiation Board has determined that no excessive profits were realized by the company during 1956, 1957, and 1959 fiscal years. Since the company believes that no excessive profits have been realized with respect to any subsequent fiscal years, no provisions for any refunds have been made for such years. As indicated below, provisions totaling $10,300,000 were made in the financial statements as of September 30, 1962, with respect to the fiscal years 1953, 1954, 1955, and 1958.

The Board determined that excessive profits were realized in the 1953, 1954, 1955, and 1958 fiscal years. The company did not accept these findings and filed petitions with the Tax Court of the United States for redeterminations thereof, as provided in the Renegotiation Act. The company's petitions for the 1953 and 1954 fiscal years were decided on October 26, 1962, by the Tax Court, which reduced the amounts of profit determined by the Board to be excessive. Based on the decisions, the company would be required to refund to the Government, after adjustment for taxes, approximately $900,000 and $4,900,000 for the fiscal years 1953 and 1954, respectively. Before the Court's reduction the comparable amounts were approximately $1,300,000 and $5,500,000, respectively.

The petitions for the 1955 and 1958 fiscal years have not yet been heard by the Tax Court. While the company believes that no excessive profits were realized in those years, and that it is entitled in any event to a reduction in the amounts of profits determined by the Board to be excessive profits for those years, it has nevertheless made provision for the amounts which it would be required to refund.

STANDARD BRANDS INCORPORATED

DR.—$2,747,376—"*Retained Earnings*: Adjustment of prior years' accounting for certain pension costs."

UNITED ELASTIC CORPORATION

DR.—$12,008—"*Earnings Retained for Use in the Business*: Canadian exchange variance of prior years."

Capital Surplus

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.

DR.—$29,778—"*Capital Surplus*: Settlements and costs of anti-trust litigation applicable to period prior to January 1, 1950 (See Note F)."

Note F: *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 $29,778 made during the year with respect to such litigation were charged to capital surplus.

CORN PRODUCTS COMPANY

DR.—$1,060,032—"*Capital Surplus*: Adjustments of net assets at date of acquisition of a subsidiary acquired in a prior year."

GOEBEL BREWING COMPANY

DR.—$18,157—"*Additional paid-in capital.*"

Notes to Financial Statements

Note G: *Additional Paid-in Capital*—A charge of $18,157 was made to this account during the year for stock issue expenses of a prior year.

FOREIGN EXCHANGE LOSSES

The committee on accounting procedure of the American Institute of Certified Public Accountants has stated, as referred to in Section 2 of this publication, in connection with the Foreign Activity Reserves: "that most foreign assets stand in some degree of jeopardy, so far as ultimate realization by United States owners is concerned." Two years ago substantial Cuban losses were reported in this section, when the government of that country expropriated (nationalized without compensation) the properties located in Cuba and owned by 43 of the 600 United States companies covered by this survey.

In the current survey 112 companies reported foreign exchange losses. More than half of these arose through the official action of the Canadian Government, when on May 2, 1962, it devalued its currency by 7½ per cent in relation to the U. S. dollar. The others relate to the decline in the exchange values of the Latin American currencies, principally Brazil, as may be noted from the following tabulation as follows:

Countries	No. of Companies
Canada (*Co. Nos. 5 ,103, 261, 320, 459, 594)	63
Canada and Brazil (*Co. Nos. 74, 208, 290)	3
Canada and other countries (*Co. Nos. 29, 83, 189, 316, 394, 566)	11
Brazil (*Co. Nos. 135, 494, 577, 592)	4
Others—principally Latin American countries and the Philippines (*Co. Nos. 33, 172, 275 ,308, 420, 488)	6
Country not identified	25
Total	112

The methods of recording the foreign exchange losses applied by the above-mentioned 112 of the 600 companies included in this survey, have been summarized and are presented in the tabulation below. With reference to the accounting treatment of the related federal income taxes, the analysis disclosed that 54 companies showed the full amount of the loss without any tax allocation. Four companies charged off the loss net of taxes, while the remaining 54 companies did not clearly indicate their procedure in this respect.

Account Charged:	No. of Companies
Income (*Co. Nos. 54, 118, 213, 345, 447, 503)	82
Retained Earnings (*Co. Nos. 6, 135, 330, 460, 475, 529)	13
Reserve previously provided (*Co. Nos. 174, 249, 285, 450)	4
Income and Reserves (*Co. Nos. 212, 229, 265)	3
Account not disclosed (*Co. Nos. 27, 63, 136, 256, 440, 494)	10
Total	112

*Refer to Company Appendix Section.

Examples

Examples, which supplement the company number references indicated in the tabulations, showing the nature and extent of the information disclosed by the various companies, are presented herewith.

Charge to Income

AMERICAN BANK NOTE COMPANY

Statement of Income and Earnings Reinvested

Costs and expenses:	
Cost of goods sold	$19,720,284
Selling, administrative and general expenses	3,076,629
Loss resulting from foreign exchange adjustment	121,328
Preferred dividend—foreign subsidiary	24,500
	$22,942,741

Notes to Financial Statements

Basis of Consolidation: The balance sheets of the subsidiaries have been translated into U. S. dollars as follows: fixed assets and investment in associated company at the rates of exchange prevailing at dates of acquisition, publicly-held preferred stock of a subsidiary at the rate of exchange prevailing at date of issuance, and other assets and liabilities at year-end exchange rates except that at December 31, 1961 other assets and liabilities of the Canadian subsidiary were translated at parity of exchange. The exchange loss of $121,328 (equivalent to 9¢ per share of Common Stock) resulted from the write-down of net current assets of the Canadian subsidiary, reflecting establishment in May, 1962 of an exchange rate of U. S. $0.925 for the Canadian dollar. The results of operations of the subsidiaries have been translated into U. S. dollars in the case of the British subsidiary at the year-end exchange rates and in the case of the Canadian subsidiary at the rates prevailing in 1962 and at parity of exchange in 1961, except that provision for depreciation was based on the approximate U. S. dollar equivalents at the times of acquisition of the respective assets.

CALUMET & HECLA, INC.

Statement of Income and Retained Earnings

Net income before special charge	$1,329,244
Special charge—unrealized loss on Canadian Exchange—Note 1	357,556
Net income	$ 971,688

Note 1: Principles of Consolidation—Prior to 1962, the accounts of Canadian subsidiaries were consolidated at par of exchange Due to the official action by the Canadian Government in devaluing its currency in 1962, it is deemed appropriate to recognize the resultant significant exchange differential in the Consolidated Accounts for this year. Accordingly, the accounts of all Canadian subsidiaries have been translated into U. S. dollars at applicable rates. The resulting charge is treated as a special item in the Consolidated Statement of Income and Retained Earnings.

Financial Review

Special Charge: Prior to 1962, the stability of Canadian currency was such that it was not felt necessary to reflect premiums or discounts in the exchange rates by annual adjustments. Early in 1962 a deliberate policy of devaluation of Canadian currency was adopted by the Canadian Government. Because of this, it was necessary to adjust our consolidated accounts to reflect the year-end exchange rate on Canadian currency. This special adjustment is a non-cash item in the amount of $357,556 of which $282,000 is attributable to years prior to 1962. The special charge does not affect cash generation or income taxes and is shown on the income statement as a separate item.

UNITED ELASTIC CORPORATION

Statement of Income

Income before federal income taxes and non-recurring items	$4,051,621
Gain from sale of non-operating property	4,170
Loss incident to decline in exchange rate	(16,002)
Income before federal income taxes	$4,039,789

Financial Review

Current year's earnings were further reduced by reflecting losses due to devaluation of the Canadian dollar.

BURROUGHS CORPORATION

Statement of Income and Retained Earnings

Net income before taxes and exchange loss	$18,259,808
Estimated U.S. and foreign income taxes	7,057,000
	$11,202,808
Loss arising from decline in foreign exchange rates	1,710,220
Net income for the year (Note 1)	$ 9,492,588

President's Letter

The foreign exchange loss amounted to $1,710,220 or 26 cents per share contrasted with $552,191 or 8 cents per share in 1961.

THE HOBART MANUFACTURING COMPANY

Summary of Income and Earnings Retained in the Business

Income before exchange adjustment	$6,934,694
Exchange adjustment	269,371
Net income for the year	$6,665,323

President's Letter

Portion of Income Earned by Subsidiaries in Other than U.S. Currency: The net income earned during 1962 by subsidiaries outside the United States, before giving effect to an exchange adjustment incident to the consolidation, was $1,417,532 as compared with $1,724,849 for 1961. However, in the previous year there was a special non-recurring item of income, which, if excluded, would reduce the prior total to $1,407,418, a slightly lower amount than for 1962.

With respect to these subsidiaries outside the United States, in both 1962 and 1961, there were adverse exchange adjustments in the two years of $269,371 and $288,870, respectively, largely caused by the declines of the Brazilian cruzeiro and the Canadian dollar. After exchange adjustments, and again eliminating the extraordinary item of income in 1961, the portion of net income earned by these subsidiaries amounted to $1,148,161 for 1962, an increase of $29,613 over the total of $1,118,548 for 1961.

SAFEWAY STORES, INCORPORATED

Statement of Income and Retained Earnings

Other Deductions:	
Interest on debentures	$ 1,359,158
Provision for decline in conversion value of Canadian assets	1,500,000
Other charges (income)—net	(495,625)
	2,363,533
Income before provision for income taxes	$83,326,284

Notes to Financial Statements

Canadian Subsidiaries: The accounts of the Canadian subsidiaries are consolidated as U. S. Funds at dollar for dollar with provision made for the decline in Canadian exchange below par by establishing a reserve through a charge to income.

SMITH-CORONA MARCHANT INC.

Statement of Income

Other deductions:	
Interest	$2,089,724
Relocation of plant facilities	65,954
Loss from foreign exchange	133,574
Provision for doubtful accounts	293,528
Miscellaneous	294,992
Total other deductions	$2,877,772

Notes to Financial Statements

Note 1: *Principles of Consolidation*—The accompanying consolidated balance sheet as of June 30, 1962 includes $3,114,450 of net assets of subsidiaries other than those operating in the United States and Canada. The net income of such subsidiaries included in the accompanying statement of consolidated income amounted to $241,012 for 1962 and $335,397 for 1961. Assets, liabilities, and operations of foreign subsidiaries consolidated were translated generally at the prevailing rates of exchange at the end of the year, except fixed assets which were translated at other appropriate exchange rates. The loss resulting from the translation of the accounts of foreign subsidiaries has been included as a charge in the statement of consolidated income.

UNITED STATES RUBBER COMPANY

Income and Retained Earnings Statement

Profit before income taxes and other charges		$52,559,875
Federal and foreign income taxes, less $2,395,000 in 1962 representing taxes paid on depreciation charged to prior years' operations but not deducted for tax purposes in those years (see note on page 19)	22,618,743	
Restricted foreign earnings and minority interests	1,955,018	
Foreign exchange losses	2,291,714	
		26,865,475
Net income		$25,694,400

Financial Review

Principles of Consolidation—Foreign Activities: All subsidiary companies which are more than 50 per cent owned are included in the consolidated statements.

Restricted earnings of foreign operations are excluded from net income and credited to the reserve for foreign activities.

Fixed assets and long term liabilities of foreign subsidiaries are stated in United States dollars on the basis of rates of exchange prevailing at December 31, 1957 or at dates of acquisition for subsequent additions. All other foreign assets and liabilities are stated on the basis of rates of exchange prevailing at the close of the year. Cumulative gains resulting from the conversion of net current assets are carried in the reserve for foreign activities; current losses are charged to such reserve, or, if no reserve is available, to consolidated income. Sales and earnings are stated at monthly average rates of exchange.

Foreign Exchange Losses: Operations for 1962 were charged $2,291,714 for foreign exchange losses, chiefly from currency devaluations in Canada, Colombia, Argentina and Brazil. The 1962 loss was $997,910 greater than the loss charged to 1961 earnings.

Charge to Retained Earnings

ADMIRAL CORPORATION

Statement of Earned Surplus

Deduct:	
Unrealized loss on conversion of Canadian net assets resulting from extraordinary drop in rate of exchange	$173,681

CHAMPION PAPERS INC.

Statement of Income Retained in the Business

Deduct:	
Write-down of investment in Champion Celulose S.A., a foreign affiliated company	$9,604,000

Notes to Financial Statements

Note 2: *Investments in Foreign Affiliates*—The principal investment, direct and indirect (about 98% of the voting interest), is in Champion Celulose S. A., a Brazilian affiliate which operates a pulp mill in the State of Sao Paulo. During 1962, severe inflationary conditions took place in Brazil accompanied by drastic deterioration in the value of the cruzeiro. In recognition of these economic conditions, which could produce substantial foreign exchange losses on dollar obligations of Celulose, and the stringent Brazilian Government exchange controls, Champion's investment in Celulose is stated at $9,700,000 as of December 31, 1962, a write-down of $9,604,000. Further deterioration in value of the investment is considered unlikely, even in the event of total worthlessness, because of the application of potential income tax credits. The write-down has been charged directly to income retained in the business in the accompanying financial statements.

SERVEL, INC.

Statement of Retained Earnings

Write-down of working capital in Canada to reflect current rate of exchange (Note 1)	$72,467

Note 1: The accompanying financial statements include those of Servel (Canada) Limited which have been translated at appropriate rates of exchange. During the fiscal year 1962, recognition was given to the devaluation of the Canadian dollar by a charge, in the amount of $72,467, to retained earnings.

ROYAL McBEE CORPORATION
Statement of Earnings Retained in the Business
Devaluation of Canadian dollar—Loss $224,000

President's Letter

Earnings for the 1962 fiscal year do not include non-recurring income of approximately $300,000 before taxes received in the second quarter as a result of an award in litigation, nor do they reflect the devaluation of the Canadian dollar which occurred in the last fiscal quarter. Both items are reflected directly in retained earnings.

SUN CHEMICAL CORPORATION
Income and Retained Earnings
Deduct:
Net losses on devaluation of Canadian and Venezuelan currencies $152,390

President's Letter

The board of directors approved the write off against retained earnings in 1962 of several items which represented nonrecoverable expenses in connection with the development of new products as well as losses resulting from currency devaluation in Canada and Venezuela.

F. W. WOOLWORTH CO.
Statement of Earned Surplus
Extraordinary items (Note E):
Exchange loss on net current assets in Canada $1,724,123

Note E: Extraordinary Items—On May 2, 1962 the Canadian government established the official rate of exchange for the Canadian dollar at U. S. $.925; in prior years the accounts of the Canadian subsidiaries had been included in the consolidated financial statements at parity of exchange. The loss of $1,724,123 resulting from application of the official exchange rate to net current assets in Canada at the beginning of the year has been charged to earned surplus.

Charge to Reserve Previously Provided

CRANE CO.
Balance Sheet
Reserve for foreign contingencies: $2,500,000 provided in 1962, less $2,017,848 unrealized exchange loss arising from restatement of certain assets of Canadian subsidiaries $482,152

President's Letter

During the year, your Company provided from consolidated earned surplus a $2,500,000 reserve for foreign contingencies for its international operations and, following the estabilshment by the Canadian Government of a new stabilized exchange rate, charged against this reserve $2,017,848 representing the unrealized loss arising from the restatement as at January 1, 1962 of all the assets, except fixed assets and long-term investments, of its Canadian subsidiaries. The remaining balance in the reserve for foreign contingencies is available for possible future exchange fluctuations.

H. J. HEINZ COMPANY
Notes to Financial Statements

Note 1: Principles of Consolidation—Except for property, plant, equipment and most long-term debt, assets and liabilities of the foreign subsidiaries have been converted on the basis of official or other appropriate exchange rates prevailing at the end of the fiscal year. Foreign property, plant, equipment and long-term debt have been converted on the basis of exchange rates prevailing at the time of acquisition. The realization in U. S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions. Operating accounts (other than depreciation which was based upon the approximate equivalent dollar cost of fixed assets) were converted at average rates of exchange prevailing during the fiscal year.

In the fiscal year ended May 2, 1962, the net unrealized loss on foreign exchange has been charged against the reserve for possible foreign exchange losses. Such reserve, representing the net excess of unrealized gains over unrealized losses on foreign exchange heretofore included in consolidated income, has been transferred from earned surplus. The financial statements for the fiscal year ended May 3, 1961 have been restated to reflect such change. The effect of this change was to increase consolidated net income for the fiscal years ended May 2, 1962 and May 3, 1961 by $637,967 and 0467,263, respectively, and to decrease earned surplus at April 27, 1960 by $1,805,902. In future years, unrealized gains on foreign exchange will be credited to the reserve and unrealized losses on foreign exchange will be charged to the reserve to the extent available.

Charge to Income and Reserve

THE ELECTRIC STORAGE BATTERY COMPANY
Statement of Retained Earnings

Balance at beginning of year	$58,198,876
Less reinstatement of reserve for foreign exchange fluctuations previously credited to retained earnings in 1958	304,971
Adjusted balance at beginning of year......	$57,893,905

Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include those of the parent and all wholly owned subsidiaries. They include net assets of foreign subsidiaries, stated in United States currency, of $13,554,987, of which $7,765,639 were net current assets. Consolidated net income includes earnings of foreign subsidiaries in the amount of $1,152,642. The net assets and earnings of the foreign subsidiaries have been translated into United States dollars at the applicable rates of exchange. Foreign exchange losses, in excess of the reinstated reserve (see statement of retained earnings), have been chargd to income.

THE FIRESTONE TIRE & RUBBER COMPANY

President's Letter

Net income of foreign subsidiaries was $12,324,468. Devaluation of assets in certain foreign countries amounted to $9,963,045, of which $6,759,207 was charged to the Reserve for Foreign Investments provided from income in prior years. Foreign Currency devaluations reduced income and required the write-down of assets to the exchange rates prevailing October 31, 1962. The start-up costs of two new foreign plants have been deducted from the current year's income.

THE GOODYEAR TIRE & RUBBER COMPANY
Income Statement

Net income before foreign exchange loss....		$80,539,465
Loss arising from devaluation of assets in foreign countries	$10,601,500	
Deduct: Application of reserves previously provided	1,175,000	
		$ 9,426,500
Net income for the year		$71,112,965

President's Letter

Profits of foreign subsidiaries included in consolidated net income for 1962 amounted to $25,418,204, after deducting $9,426,500 for devaluation to adjust foreign currency assets to prevailing rates of exchange. In addition, a charge for devaluation of $1,175,000 was made to Reserve for Foreign Operations arising from restricted foreign earnings in 1961.

Section 5 AUDITORS' REPORT

SHORT-FORM AUDITORS' REPORT

The short-form type of report outlines in general terms the scope of the examination made and states concisely the opinion of the independent certified public accountant regarding the fairness of the financial statements. The committee on auditing procedure of the American Institute of Certified Public Accountants is continuing its efforts to encourage uniformity in the manner in which this opinion is stated. The present form, or framework upon which each report is built, has been in use since 1948.

Codification of Statements on Auditing Procedure (1951) issued by the committee on auditing procedure of the American Institute of Certified Public Accountants in its discussion of auditors' reports states in part that "While this short-form report is not always appropriate verbatim, it is recommended that the 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 consolidated balance sheet and the related consolidated statements of income and of income retained and used in the business present fairly the financial position of *Pitney-Bowes, Inc.* and its consolidated subsidiaries at December 31, 1962 and the results of their operations for the years, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these 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 1962 indicated that all of the companies contained the recommended short-form auditors' report or its modified version. The various other forms of auditors' reports formerly presented, of which there were 16 in 1950 as shown in Table 1, have now been eliminated in the trend toward uniformity in this respect. In the year under review the recommended short-form has been used in 497 reports, and the modified version in 103.

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 241 of the 497 reports which used the recommended short-form for the year 1962. Among these variations were the following items, which are summarized below.

93 reports used in the opening sentence of the report the words "at" or "as at" instead of "as of" (*Co. Nos. 68, 133, 299, 303, 361, 577).

34 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, 190, 340, 378, 494, 507).

82 reports substituted "financial statements" or "the accompanying statements" for the detailed listing of statements (i.e. "balance sheet," etc.) in either the scope or opinion paragraphs (*Co. Nos. 36, 220, 249, 292, 473, 510).

76 reports refer to "similar examinations for the preceding year" (*Co. Nos. 1, 180, 321, 364, 371, 569).

11 reports referring to calendar year closing used the phrase "for the fiscal year" instead of "for the year then ended" (*Co. Nos. 26, 165, 206, 313, 484, 583).

9 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. 263, 358, 385, 413, 421, 565).

6 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. 184, 242, 285, 310, 325, 489).

6 reports included in the last clause the words "in all material respects" with regard to the consistency phrase (*Co. Nos. 193, 225, 259, 297, 372, 552).

The most significant change in this connection during the past year, has been a reduction from 57 to 9 in the number of reports which amplified the clause "in conformity with generally accepted accounting principles" by prefixing the words "and were prepared."

Minor wording variations were also found in the 103 reports which used the more or less typical modified short-form report. The most important of these variations was that 77 of such reports substituted in the opening sentence "financial statements" or "the accompanying statements" for "balance sheet," etc. (*Co. Nos. 22, 109, 213, 274, 476, 485).

"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

*Refer to Company Appendix Section.

TABLE 1: SHORT-FORM AUDITORS' REPORT

Number of Reports with:	1962	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	256	227	234	251
With minor wording variations	241	272	259	265
	497	499	493	516
"Modified Short-form Report" with *opinion* stated in opening sentence of a single paragraph form	99	101	92	65
"Modified Short-form Report" with *opinion* stated in first paragraph and *scope* set forth in a following paragraph	4	—	2	3
Various other forms	—	—	13	16
Total	600	600	600	600

TABLE 2: AUDITING STANDARDS

Auditors' Report:	1962	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

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 confirmations were obtained from customers in certain foreign countries; however, our test check of the records supporting these balances indicated that they were stated properly. The examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The 1948 revision of the recommended short-form report eliminated the reference to a review of the system of internal control since it is implied in the wording "generally accepted auditing standards."

"SUCH OTHER AUDITING PROCEDURES"

The second sentence of the scope paragraph of the independent auditors' report reads as follows:

"Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and *such other auditing procedures* as we considered necessary in the circumstances."

The committee on auditing procedure of the American Institute of Certified Public Accountants in 1956 issued *Statement 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 1962, 43 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 43 auditors' reports of the 1962 survey companies revealed 49 instances of omission of certain normal auditing procedures. All of these omissions pertained to the confirmation of accounts receivable, including 41 with regard to U. S. Govern-

*Refer to Company Appendix Section.

TABLE 3: AUDITING PROCEDURES

Auditors' Report:	1962	1960	1955	1950
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	556	552	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	42	42	52	24
C: Refers to the omission of certain normal auditing procedures, the employment of *other* procedures, and *describes* such procedures (*Co. No. 25)	1	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. 316)	1	1	1	2
Total	600	600	600	600

*Refer to Company Appendix Section.

ment accounts, in which it was stated that other auditing procedures had been applied.

Five of the 43 reports referred to above (*Co. Nos. 25, 93, 379, 411, 507) 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:

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, 1962 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 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, 1962 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 28, 1963.*

*Refer to Company Appendix Section.

The Board of Directors and Stockholders
Fairchild Camera and Instrument Corporation:

We have examined the consolidated balance sheet of Fairchild Camera and Instrument Corporation and subsidiaries as of December 31, 1962 and the related 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 consider necessary in the circumstances. We were unable to confirm, by direct correspondence, certain of the accounts due from United States Government departments and agencies, but we satisfied ourselves as to such accounts by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings, additional paid-in capital and retained earnings present fairly the financial position of Fairchild Camera and Instrument Corporation and subsidiaries at December 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 1, 1963.*

The Board of Directors and Shareholders of
Motorola, Inc.:

We have examined the consolidated balance sheet of Motorola, Inc. and subsidiaries as of December 31, 1962 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm accounts receivable from United States government departments or agencies by communication with them but we satisfied ourselves as to such accounts by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Motorola, Inc. and subsidiaries at December 31, 1962 and the results

TABLE 4: AUDITING PROCEDURES

Normal Procedures Omitted	1962	1960	1955	1950
Confirmation of Accounts Receivable, with report—				
Stating that other procedures were employed:				
For government accounts (*Co. Nos. 6, 77, 100, 224, 335, 525)	41	43	48	23
For foreign accounts (*Co. Nos. 248, 346)	2	1	1	3
For other accounts (*Co. Nos. 196, 240, 388, 412, 542)	5	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	—	1	2	1
Not referring to other procedures	—	—	1	2
Verification of Investment in Subsidiary—	—	3	1	3
Total	49	53	60	35
Normal Procedures Explained				
Confirmation of Accounts Receivable or Payable	—	—	2	6
Observation and Test of Inventories (*Co. No. 469)	1	1	6	12
Verification of Other Assets	—	—	—	7
Total	1	1	8	25
Number of Reports:				
Containing no reference to the omission of auditing procedures and no explanation regarding auditing procedures employed	555	549	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	43	49	59	32
Omitting reference to "auditing procedures"	1	1	1	3
Total	600	600	600	600

*Refer to Company Appendix Section.

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 21, 1963.*

Confirmation of Accounts Receivable—Foreign Accounts

Board of Directors,
The Coleman Company, Inc.

We have examined the consolidated financial statements of The Coleman Company, Inc., and its Canadian subsidiary for the year ended December 31, 1962. 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 impractible to communicate with customers in confirmation of foreign accounts receivable, but we satisfied ourselves as to such account by means of other auditing procedures.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the consolidated financial position of The Coleman Company, Inc., and its Canadian subsidiary at December 31, 1962, 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—February 4, 1963.*

The Board of Directors and Stockholders,
Lockheed Aircraft Corporation:

We have examined the accompanying consolidated balance sheet of Lockheed Aircraft Corporation and subsidiaries at December 30, 1962, the related consolidated statements of earnings, earnings retained for use in the business and additional capital and the statement of source and disposition of consolidated working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm certain amounts included in receivables under foreign government programs or from the U. S. Government, as to which we satisfied ourselves by means of other auditing procedures. We have previously made a similar examination of the financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Lockheed Aircraft Corporation and subsidiaries at December 30, 1962 and December 31, 1961, the consolidated results of their operations and the source and disposition of their consolidated working capital for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.—*Auditors' Report—February 25, 1963.*

Confirmation of Accounts Receivable—Various Other

Board of Directors,
Motor Wheel Corporation:

We have examined the consolidated financial statements of Motor Wheel Corporation and subsidiary for the year ended December 31, 1962. 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 certain of the accounts receivable by correspondence but we satisfied ourselves by other auditing procedures.

In our opinion, the accompanying balance sheet and statements of operations and retained earnings present fairly the consolidated financial position of Motor Wheel Corporation and subsidiary at December 31, 1962, and the consolidated results of their operations for the year then ended, is conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 22, 1963.*

Board of Directors,
Robertshaw-Fulton Controls Company:

We have examined the statement of consolidated financial condition of Robertshaw-Fulton Controls Company and wholly owned Canadian subsidiaries as of December 31, 1962, and the related statement of consolidated income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain independent confirmation of certain accounts receivable and reimbursable costs due from United States Government Agencies and others; however, we satisfied ourselves with respect to these accounts by means of other auditing procedures.

In our opinion, the accompanying statements of financial condition and income and earnings retained in the business present fairly the consolidated financial position of Robertshaw-Fulton Controls Company and wholly owned Canadian subsidiaries at December 31, 1962, 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 4, 1963.*

Observation and Test of Inventories

The Board of Directors,
Friden, Inc.:

We have examined the consolidated balance sheet of Friden, Inc. and subsidiaries as of December 31, 1962 and the related statements of income and retained earnings and of capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable for us to make physical tests of inventories of finished machines located at the company's sales offices, but we satisfied ourselves as to such inventories by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings and capital surplus present fairly the financial position of Friden, Inc. and subsidiaries at December 31, 1962 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 25, 1963.*

Explanation of Auditing Procedures

As shown in Table 4 only one company (Co. No. 469) 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, 1962 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, 1962, 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 25, 1963.*

STANDARDS OF REPORTING

In 1954, the committee on auditing procedure of the American Institute of Certified Public Accountants published a special report on *Generally Accepted Auditing Standards—Their Significance and Scope,* wherein the standards of reporting were set forth as follows:

1. The report shall state whether the financial statements are presented in accordance with generally accepted principles of accounting.
2. The report shall state whether such principles of accounting have been consistently observed in the current period in relation to those in the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The report shall either contain an expression of an 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.

In the observance of generally accepted auditing standards, the auditor must exercise his judgment in determining the necessary procedures. This judgment is required to be the informed judgment of a qualified professional person.

PRESENTATION OF FINANCIAL STATEMENTS

In Accordance with Generally Accepted Accounting Principles

As disclosed in Table 5—two of the auditors' reports included in this survey (*Co. Nos. 321 and 408) set forth qualifications to the generally accepted principles of accounting. Both these reports referred to the methods of accounting for the investment tax credit which were not considered to be in accord with recommended procedure.

Accounting Principles Consistently Observed

The second standard of reporting requires that the independent auditors' report shall state whether such principles of accounting have been consistently observed in the current period in relation to those in the preceding period.

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:

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 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.

23. When a change has been made in the accounting principles employed and the accounts have been adjusted retroactively, it is desirable to restate financial information which is presented for any prior year, or years, affected. Such a restatement places all the periods being compared on the same basis with respect to the use and application of accounting principles.

The number of reports revealing exceptions to the consistent application of generally accepted accounting principles as set forth in Table 5 indicates that there were 46 in 1962.

All of these reports disclosed the nature of the changes and their effect on financial statements. Ten additional reports stated that generally accepted principles of accounting had been consistently observed in the current period after the restatement of prior years' figures. Representative examples of these reports are shown in this section together with examples of qualified opinions.

*Refer to Company Appendix Section.

EXPRESSION OF OPINION

In September, 1962, the committee on auditing procedure of the American Institute of Certified Public Accountants issued *Statements on Auditing Procedure No. 32—Qualifications and Disclaimers* from which the following pertinent excerpts are quoted:

1. The objective of the fourth reporting standard is to prevent misinterpretation of the degree of responsibility the independent auditor is assuming whenever his name is associated with financial statements. The standard requires the independent auditor to include in his report, in all cases, a clear indication of the character of his examination, if any, and the degree of responsibility that he is assuming in the light of the scope of examination described....

3. Although the fourth reporting standard states that "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," the committee believes that this standard does not preclude the expression of separate opinions on financial position and results of operations. The independent auditor may also express an unqualified opinion on one of the financial statements and disclaim an opinion or express a qualified or an adverse opinion on the others.

6. When a qualified opinion is intended, the opinion paragraph of the standard short-form report should be modified in a way that makes clear the nature of the qualification....

7. The committee recommends the use of phrases that include either "except" or "exception" in qualified opinions on financial statements. However, in certain cases where the outcome of a matter is uncertain the phrase "subject to" may be appropriate. The committee believes that phrases such as "with the foregoing explanation" are generally not clear or forceful enough for a qualification and should not be used to qualify an opinion.

8. Any modifying phrases in the standard short-form opinion paragraph (for sentence) should be considered as qualifying the opinion in some manner....

Table 6 reveals that in the 69 auditors' reports there were 86 instances of qualifications, 2 of which related to deviations from generally accepted principles of accounting, 55 to consistency, and 29 to fair presentation.

Qualifications as to accounting principles employed are commented on earlier in this section. Changes in accounting for depreciation and for various other income and cost items, changes in principles of consolidation and in inventory pricing methods were in 1962, as in previous years, the principal reasons for consistency qualifications.

TABLE 5: STANDARDS OF REPORTING

Auditors' Report:	1962	1960	1955	1950
Generally Accepted Principles of Accounting				
States that the financial statements are presented in accordance with generally accepted principles of accounting	598	600	599	599
Sets forth exceptions to the presentation of the financial statements in accordance with generally accepted principles of accounting (*Co. Nos. 321, 408)	2	—	1	1
Total	600	600	600	600
Principles Consistently Observed				
States that generally accepted principles of accounting have been consistently observed in the current period in relation to the preceding period	544	552	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. 48, 210, 285, 353, 474, 532)	10	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	46	41	85	92
Omits reference to consistent observation of generally accepted principles of accounting	—	1	—	1
Total	600	600	600	600
Informative Disclosures				
Contains informative disclosures or explanatory remarks	27	20	25	21
Does not contain informative disclosures or explanatory remarks	573	580	575	579
Total	600	600	600	600
Expression of Opinion				
Contains an unqualified expression of opinion	531	532	503	489
Contains a qualified expression of opinion	69	68	97	111
Total	600	600	600	600

*Refer to Company Appendix Section.

An unqualified expression of opinion was given in 531 of the auditors' reports of the 600 survey companies. The remaining reports contained qualified expressions of opinion (refer to Tables 5, 6, and 7). Separate opinions on financial positions and on results of operations, one of which was qualified while the other remained unqualified, were expressed in five auditors' reports (*Co. Nos. 80, 158, 254, 319, 550). Representative examples of such opinions are shown later on in this section.

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 reveals that in 40 instances the auditors expressed their approval of accounting changes made, while in 15 instances the changes were neither approved nor disapproved.

According to *Statements on Auditing Procedure No. 31—Consistency,* previously referred to, the use of the approval clause is also optional with regard to restated financial statements. Six out of ten auditors' reports referring to statements restated because of changes in accounting principles employed expressed approval of the changes (*Co. Nos. 48, 210, 285, 304, 474, 532) while in the remaining four reports the auditors used no such expression.

*Refer to Company Appendix Section.

TABLE 6: AUDITORS' OPINION QUALIFIED

Reason for Qualification*	1962	1960	1955	1950
Changes in Consistent Application of Generally Accepted Principles of Accounting				
A: Lifo inventory method—initial adoption or readoption	1	1	5	47
Lifo inventory method—abandonment or modification	1	5	3	14
B: Other methods of inventory valuation	6	5	7	3
C: Fixed assets	2	1	1	1
D: Other assets	1	1	2	—
E: Liabilities	—	1	—	1
F: Deferred credits or Surplus adjustments	—	5	—	—
Income and Expense:				
G: Deferred income	3	3	1	—
H: Vacation pay deduction	—	2	7	—
I: Depreciation, depletion, amortization	23	8	48	5
J: Other income and cost items	8	11	14	21
K: Arising through consolidation	10	11	10	6
Total	55	54	98	98
Reasons for Qualification as to Fair Presentation:				
L: Federal income taxes	5	7	8	15
M: Contingencies, uncertainty, litigation	20	15		
N: Scope of examination	—	—	1	2
O: Miscellaneous	4	2	2	1
Total	29	24	11	18
Deviations from Generally Accepted Principles of Accounting				
P: Investment tax credit	2	—	—	—
	2	—	—	—
Number of Auditors' Reports Containing:				
An unqualified expression of opinion	531	532	503	489
A qualified expression of opinion	69	68	97	111
Total	600	600	600	600

*Refer to Company Appendix Section—

A: Co. Nos. 298, 312.
B: Co. Nos. 83, 222, 403, 408, 501, 550.
C: Co. Nos. 16, 121.
D: Co. No. 292.
G: Co. Nos. 132, 339, 437.
I: Co. Nos. 54, 94, 160, 270, 446, 505.
J: Co. Nos. 137, 222, 334, 467, 471, 549.
K: Co. Nos. 2, 85, 128, 261, 338, 583.
L: Co. Nos. 21, 254, 262, 423, 521.
M: Co. Nos. 16, 100, 292, 271, 315, 501.

Qualifications as to Fair Presentation

Statements on Auditing Procedure No. 32—Qualifications and Disclaimers, previously mentioned, states the following with regard to "Unusual Uncertainties" affecting financial position and results of operations:

> 44. The management of a company ordinarily is expected to evaluate matters affecting financial position and results of operations. In cases where the probable effects of a matter are not reasonably determinable at the time of the opinion, such as in the case of certain lawsuits, tax matters, and other contingencies which may have a material effect upon the financial statements, and the final outcome is dependent upon the decision of parties other than management, the independent auditor should appropriately qualify his opinion. In such instances use of the phrase "subject to" is appropriate....
>
> 45. Occasionally, uncertainties arising from questions of valuation or realizability of assets dependent upon management's judgment may require a qualification of opinion. In such cases, use of the phrase "subject to" is also considered appropriate....

Twenty-eight auditors' reports of the surveyed companies, as may be noted from Table 6, disclosed 29 qualifications as to fair presentation of certain items. The main causes for qualifications were specific contingencies with regard to federal income taxes, matters in litigation, or uncertainty as to the valuation of specific assets.

Twenty of these reports used the recommended phrase "subject to" (*Co. Nos. 6, 158, 216, 315, 395, 495, 527); in the remaining 8 reports (*Co. Nos. 80, 249, 423, 501, 550, 571) some other phrases were employed.

*Refer to Company Appendix Section.

TABLE 7: AUDITORS' SPECIFIC APPROVAL OR DISAPPROVAL of Changes in Consistent Application of Generally Accepted Principles of Accounting

Nature of Change**	1962*			1960*			1955*			1950*		
	A	D	N	A	D	N	A	D	N	A	D	N
Lifo inventory method—initial adoption or readoption	1	—	—	—	—	—	5	—	—	41	—	6
Lifo inventory method—abandonment or modification	1	—	—	1	—	4	3	—	—	13	—	1
Other methods of inventory valuation	4	—	2	3	—	2	7	—	—	3	—	—
Fixed assets	2	—	—	—	—	1	1	—	—	1	—	—
Other assets	1	—	—	1	—	—	1	—	1	—	—	—
Liabilities	—	—	—	1	—	—	—	—	—	—	—	1
Deferred credits or Surplus adjustments	—	—	—	5	—	—	—	—	—	—	—	—
Income and Expense:												
Deferred income	1	—	2	2	—	1	1	—	—	—	—	—
Vacation pay deduction	—	—	—	2	—	—	4	—	3	—	—	—
Depreciation, depletion, amortization	18	—	5	8	—	1	37	—	11	4	1	—
Other income and cost items	5	—	3	8	—	3	8	1	5	17	2	2
Nature of Change												
Principles of consolidation	7	—	3	9	—	2	7	—	3	3	—	3
Total	40	—	15	40	—	14	74	1	23	82	3	13
*Summary of Auditors' Approval or Disapproval	1962			1960			1955			1950		
A—Approved	40			40			74			82		
D—Disapproved	—			—			1			3		
N—Neither approved nor disapproved	15			14			23			13		
Total	55			54			98			98		

**Refer to Table 6 for reference to company numbers.

Examples of Qualified Opinions

The examples which follow were selected from the 1962 annual reports and are illustrative of the presentation of the qualified opinions indicated in Tables 6 and 7, including opinions on restated financial statements referred to in Table 5.

CONSISTENCY IN APPLICATION OF ACCOUNTING PRINCIPLES

Changes in Inventory Pricing

To the Stockholders and Board of Directors of Bulova Watch Company, Inc.:

We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1962 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm by correspondence amounts due from the United States Government, but we satisfied ourselves as to such amounts by means of other auditing procedures.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles. Except for the change in the method of valuing inventory (see note H), which we approve, such principles have been applied on a basis consistent with that of the preceding year.—*Report of Independent Accountants—June 12, 1962.*

Note H: On the basis of continued experience with the standard cost system, watch cases, which heretofore had been valued at metal content only, have, as of March 31, 1962, been valued at cost. Net income was increased by this change in valuation by approximately $526,000, or 2.3% of March 31, 1962 inventories.

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, 1962 and the related consolidated statement of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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, 1962 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 change explained in Note 6, which change we approve.—*Accountants' Report—March 29, 1963.*

Note 6: *Accounting Change*—In 1962 the company elected to file its federal income tax return on a consolidated basis. In connection therewith the method of pricing inventory of one subsidiary was changed from the last-in, first-out basis to the first-in, first-out basis to conform with the inventory valuation methods of the parent company and the other subsidiaries. The effect thereof was an increase in inventory valuation of $392,507, which amount is set forth as a "special item."

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, 1962 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 to the last-in, first-out method of valuing silver inventories as described on page 3. This change, which we approve, had the effect of reducing net income before federal income taxes by approximately $385,000, and net income by $185,000. 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 25, 1963.*

Financial Review, page 3

. . . Beginning in 1962, all silver in our inventories was valued on a Lifo basis. This has resulted in a charge against earnings before taxes of some $385,000 in 1962, and if raw silver prices remain at about present levels, will result in an even larger charge in 1963.

To the Board of Directors of
Leonard Refineries, Inc.:

We have examined the consolidated balance sheets of Leonard Refineries, Inc., and its subsidiaries as at March 31, 1962, and March 31, 1961, and the related consolidated statements of income and earnings employed 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.

In our opinion, the accompanying consolidated balance sheets and consolidated statements of income and earnings employed in the business present fairly the financial position of Leonard Refineries, Inc., and its subsidiaries at March 31, 1962, and at March 31, 1961, and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change in recording crude oil inventories described in the financial review, with which change we concur.—*Auditors' Report—April 27, 1962.*

Financial Review

Net income for the year was $736,132 compared with $1,660,241 for the preceding year, or $0.59 and $1.33 per share, respectively, based on the 1,247,407 shares of common stock outstanding at March 31, 1962. Crude oil in supply lines of all subsidiaries is included in March 31, 1962 inventories to conform with the prior-year practice of another subsidiary with respect to such inventories. The change increased net income for the current year by $72,000.

To the Shareholders and Directors of
The National Sugar Refining Company:

We have examined the statement of financial position of The National Sugar Refining Company as of December 31, 1962 and the related statements of earnings and earnings retained for general use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial position and statements of earnings and earnings retained for general use in the business present fairly the financial position of the Company at December 31, 1962 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, explained in Note 2 to the financial statements) on a basis consistent with that of the preceding year.—*Accountants' Report—January 29, 1963.*

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

The raw sugar base price of 5.65¢ a pound, which was established as of December 31, 1956, was adjusted to 6.00¢ a pound effective December 31, 1962. The adjusted base price is considered to be a more realistic inventory valuation basis in the light of increases in raw sugar prices which occurred during 1962. Adjustment of the base price resulted in increases of $175,000 in the valuation of the base stock inventory and $84,000 in net earnings for 1962.

Changes in the Accounting for Other Assets and Liabilities

To the Board of Directors of
Allis-Chalmers Manufacturing Company:

In our opinion, subject to the effect of the final settlement of the litigation referred to on page five, the accompanying statements present fairly the financial position of Allis-Chalmers Manufacturing Company and its consolidated subsidiaries at December 31, 1962, 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 changes, which we approve, in accounting for the investment in Allis-Chalmers Credit Corporation and for depreciation of machinery and small tools as described in notes 1 and 3 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We made a similar examination of the financial statements of Allis-Chalmers Credit Corporation as of December 31, 1962 and, in our opinion, the accompanying statement presents fairly the financial position of Allis-Chalmers Credit Corporation at December 31, 1962, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Public Accountants—February 6, 1963.*

Note 1: *Principles of Consolidation*—The results of operations of all the Company's domestic and Canadian subsidiaries, except certain finance subsidiaries, but including for the first time the results of Allis-Chalmers Credit Corporation, are included in the consolidated statement of earnings and earnings retained.

The financial positions of the Company's domestic and Canadian subsidiaries, except finance subsidiaries, have been consolidated with the parent company. The investment in Allis-Chalmers Credit Corporation is carried at cost plus earnings retained by the subsidiary. The investments in all other unconsolidated subsidiaries are carried at cost, and the Company's equity in the net assets of these subsidiaries exceeded the cost of the investments therein by $1,875,000 at December 31, 1962.

In order to provide proper comparisons with this year's statements, the data for 1956 through 1961 have been restated to include the appropriate information for Allis-Chalmers Credit Corporation.

Note 3: *Fixed Assets and Depreciation*—In 1962, as a result of an objective study of asset lives, depreciation policy, current and future capital additions, and retirement and replacement programs, the Company made the following changes in its policies relating to fixed assets and depreciation: (a) the method of accounting for small tools and fixtures was changed from the fixed complement method to the method whereby small tools and fixtures with a life of more than one year will be capitalized and depreciated on a straight-line basis. This change resulted in increasing net earnings after taxes, by approximately $1,800,000. (b) the estimated useful lives for depreciating machinery and equipment were shortened for financial and tax accounting purposes, which had the effect of decreasing net earnings, after taxes, by approximately $1,535,000. . . .

The Board of Directors,
Calumet & Hecla, Inc.:

We have examined the consolidated balance sheet of Calumet & Hecla, Inc. and subsidiaries as of December 31, 1962, 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 consolidated balance sheet and consolidated statement of income and retained earnings present fairly the financial position of Calumet & Hecla, Inc. and subsidiaries at December 31, 1962 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, of which we approve, in translating the accounts of Canadian subsidiaries into U.S. dollars as explained in note 1 to the financial statements.—*Accountants' Report—February 15, 1963.*

Note 1: *Principles of Consolidation*—The accompanying consolidated financial statements include those of the Company, all wholly-owned operating subsidiaries and Alabama Metallurgical Corporation, a majority-owned subsidiary.

As of April 1, 1962 the accounts of Alabama Metallurgical Corporation were consolidated with those of the Company. Prior thereto this subsidiary has been engaged in the development of facilities and techniques for production of magnesium metal from dolomite ore by a relatively new chemical reduction process. Near the end of 1961 the discovery of certain mineral impurities in its own dolomite reserves necessitated suspension of quarrying operations and further exploration for a source of dolomite suitable for commercial operation. By April 1, 1962, the necessary conditions had been met and the subsidiary was considered fully operational. The accumulated development and preproduction expenses have been capitalized in the consolidated accounts and are being amortized over a period not to exceed ten years, and the remaining balance is included with Charges Deferred to Future Operations. The inclusion of this subsidiary's accounts did not materially affect the consolidated net income for 1962.

Prior to 1962, the accounts of Canadian subsidiaries were consolidated at par of exchange. Due to the official action by the Canadian Government in devaluing its currency in 1962, it is deemed appropriate to recognize the resultant significant exchange differential in the Consolidated Accounts for this year. Accordingly, the accounts of all Canadian subsidiaries have been translated into U. S. dollars at applicable rates. The resulting charge is treated as a special item in the Consolidated Statement of Income and Retained Earnings.

To the Board of Directors and Stockholders,
Fairbanks, Morse & Co.:

We have examined the consolidated balance sheet of Fairbanks, Morse & Co. (an Illinois corporation) as of December 31, 1962, 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.

As outlined in Note 2 to the financial statements, the Company and its subsidiaries have made changes, to conform to present economic conditions, in the valuation of inventories and the treatment accorded in the financial statements to (1) engineering costs applicable to new products, (2) warranty expenses and (3) supplemental retirement payments to former employees. These changes have our approval. Otherwise, the accounting principles followed by the Company and its subsidiaries have been applied, in our opinion, on a basis consistent with that of the preceding year.

In our opinion, 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, 1962, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles.—*Auditors' Opinion—March 22, 1963.*

Note 2: Changes in valuation of inventories, and treatment of engineering costs applicable to new products, warranty expenses and supplemental retirement payments:

(a) Inventories— In connection with revised operating standards instituted by management with respect to inventory turnover, provision has been made for anticipated losses relating to the disposition of inventory quantities in excess of the recently established standards	$1,880,465
(b) Engineering costs applicable to new products— The previous policy of deferring engineering costs applicable to new products and amortizing such costs over a period not to exceed three years was revised so that all costs are to be charged to expense as incurred. Accordingly, previously accumulated costs have been written off	464,245
(c) Warranty expenses— Procedures have been established and provision made for recording estimated warranty expenses on the basis of related sales. Previously, charges for warranty expenses were recorded at the time valid claims were made by customers	586,915
(d) Supplemental retirement payments— Previously, payments to certain former employees for supplemental benefits pursuant to arrangements concluded at the time of retirement were recorded as payments were made. Provision has been made for the estimated supplemental retirement payments remaining to be paid to such former employees	328,426
	$3,260,051

These changes had no significant effect on the consolidated results of operations for the year ended December 31, 1962.

Board of Directors and Stockholders,
Holland Furnace Company:

We have examined the balance sheet of Holland Furnace Company as of July 31, 1962 and the related statement of loss and retained earnings for the seven months then ended, and the combined balance sheets of its wholly-owned subsidiaries, Heating Acceptance Corp. and Hofco Industries, Ltd., as of July 31, 1962. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were furnished financial statements of a foreign subsidiary together with a report thereon by other accountants; our opinion expressed herein, insofar as it relates to the amounts included for that subsidiary, is based solely upon such report.

Reflected in the Holland Furnace Company's equity in the net assets of its subsidiary, Heating Acceptance Corp., is an allowance for losses on repurchases of instalment paper sold with recourse. For the reason indicated in Note D of the Notes to Financial Statements, we are unable to form an opinion as to the adequacy of this allowance.

In our opinion, subject to the accuracy of the allowance described in the preceding paragraph, the accompanying statements present fairly (a) the financial position of Holland Furnace Company at July 31, 1962 and the results of its operations for the seven months then ended and (b) the combined financial position of Heating Acceptance Corp. and Hofco Industries Ltd. at July 31, 1962, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, in which we concur, described in Note F of Notes to Financial Statements of Holland Furnace Company.—*Auditors' Report—December 17, 1962.*

Note F: The investment in stock of Holland Hotel Company has been reduced to its related equity shown on the balance sheet of that company as of July 31, 1962, whereas in prior years the investment was shown at cost. Retained earnings were reduced by $119,360 to record the difference between cost and related equity as of January 1, 1962, and expense for the seven months ended July 31, 1962 has been charged for $5,692 representing the related share of the loss of Holland Hotel Company for the seven months.

Changes in Accounting for Deferred Income

To the Board of Directors,
Certain-teed Products Corporation:

We have examined the consolidated balance sheet of Certain-teed Products Corporation and subsidiaries as at December 31, 1962, 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 consolidated statement of income and retained earnings, together with the notes to financial statements, present fairly the consolidated financial position of Certain-teed Products Corporation and subsidiaries at December 31, 1962, 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 commented on in Note 1.—*Accountants' Report—February 20, 1963.*

Note 1: *Change in Accounting*—Customer installment notes received in connection with sales of houses by a wholly-owned subsidiary, Institute for Essential Housing, Inc., are sold by the subsidiary to the Company at a discount of 10% of the face amount, exclusive of time charges, of such notes. At the time of the intercompany sale, the discount is charged to income (reduction of sales) by the subsidiary. Whereas this intercompany discount, after providing for applicable Federal income taxes, previously was eliminated by a credit to income (sales) in consolidation, the Company this year adopted the policy of deferring the credit to income until such time as collections are received on the notes and the discount considered earned. At the same time, an adjustment was made to Retained Earnings for the purpose of applying this policy with respect to notes held as at the beginning of the year. As at December 31, 1962, the aggregate amount of the deferred discount (see Note 2), in the opinion of Management, was adequate to cover the aggregate of any future losses and costs related to the notes. Had this revised method of accounting been employed during the year ended December 31, 1961, net income for that year would have been $4,522,789, which is $1,387,836 less than previously reported.

To the Board of Directors,
R. G. LeTourneau, Inc.:

In our opinion, the accompanying statements present fairly the consolidated financial position of R. G. LeTourneau, Inc. and its subsidiary company at December 31, 1962, 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, except for the change in reporting the gain on assets sold in 1961, as described in the accompanying notes to the financial statements. 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 20, 1963.*

Note 1: During the year 1961, certain production machinery and equipment was sold, and the entire gain resulting was shown as income in Consolidated Statement of Operations for that year. The Securities and Exchange Commission has recommended that the gain be reflected as a reduction of equipment rental expense over the five year period during which the equipment is to be leased from the purchaser. Accordingly, the Consolidated Statement of Operations has been amended to eliminate from income the gain which resulted from the sale and to reflect reduction of equipment rental expense for the portion of the five year lease period included in the year 1961. These changes result in a reduction of retained earnings at December 31, 1961, of $2,600,464 and the establishment of deferred income from the sale of equipment of the same amount. The latter is being treated as a reduction of equipment rental expense over the remainder of the five year period at the rate of $521,235 per year.

Changes in the Accounting for Depreciation, Depletion, and Amortization

To the Board of Directors and Stockholders of
Consolidated Foods Corporation:

We have examined the consolidated balance sheet of Consolidated Foods Corporation and subsidiaries as of June 30, 1962, 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.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of the companies at June 30, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting method described in Note 2.—*Accountant's Certificate—August 25, 1962.*

Note 2: *Changes in Accounting Method*—It is the regular practice of the Corporation and its subsidiaries to accrue depreciation in the accounts and for federal income tax purposes by use of accelerated methods. However, during the year ended June 30, 1962, those subsidiaries engaged in retail drug store and super market operations adopted a policy of accruing depreciation in the accounts on the straight-line basis, while taking advantage of accelerated methods for federal income tax purposes. As a result of this change, depreciation deductions for income tax purposes in 1962 exceeded depreciation accrued in the accounts by $366,594. Deferred income taxes applicable to this difference amounted to $171,361 and a reserve for such taxes was provided by a charge to income in that amount.

The Board of Directors,
D W G Cigar Corporation:

We have examined the consolidated balance sheet of D W G Cigar Corporation and subsidiary as of December 31, 1962, and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements referred to above present fairly the financial position of D W G Cigar Corporation and subsidiary at December 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (of which we approve) in the method of providing for depreciation as set forth in Note 5 to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 15, 1963.*

Note 5: As of January 1, 1962, the company changed the method of computing depreciation of machinery, equipment, furniture and fixtures and amortization of leased machinery, from the item basis to the composite basis, and also made certain changes in the estimated useful lives to accord with the guidelines for its industry which were issued recently by the U. S. Treasury Department. As a result of these changes, the provision for depreciation and amortization for the year was increased by $47,766, and net income was reduced $22,928.

To the Stockholders and Directors of
The L. S. Starrett Company

We have made an examination of the consolidated balance sheet of The L. S. Starrett Company and its U. S. and Canadian subsidiaries as of June 30, 1962, and of the consolidated statements of capital surplus, income and retained earnings for the year ended at that date. 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, the accompanying consolidated balance sheet and related consolidated statements of capital surplus, income and retained earnings present fairly the financial position of the companies at June 30, 1962, and the results of their operations for the year ended at that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except as to the accounting treatment of patents purchased as set forth in Note C, to which we approve.—*Auditors' Report—August 15, 1962.*

Note C: In prior years the Company has followed the practice of charging off costs of the acquisition of patents to expense as incurred. To follow this practice in fiscal 1962 would have meant the write-off of $296,900 of patents acquired in the Webber Gage Company purchase. Principally because this sum was so substantial it was capitalized and will be amortized and charged to expenses in five annual instalments of $59,380, commencing with fiscal 1962.

To the Stockholders of
Wheeling Steel Corporation:

In our opinion, the accompanying statements present fairly the consolidated financial position of Wheeling Steel Corporation and its subsidiaries at December 31, 1962 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 a change from the double declining-balance method to the straight-line method of recording depreciation. As outlined on page 4, the effect of this change in method and of changes in rates to conform to the new depreciation guidelines and rules issued by the U. S. Treasury Department in 1962 (which changes have our approval) was to increase net income by approximately $600,000. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Auditors' Report—March 4, 1963.*

Financial Review, page 4

Depreciation: New depreciation guidelines and rules issued by the U. S. Treasury Department in 1962 permitted the use of shorter lives for the Corporation's depreciable property. In order to take advantage of the faster cash flow which will result from application of the new depreciation rules, the Corporation has revised the estimated lives of its facilities to conform to the new guidelines.

In 1961 and prior years, substantially all depreciable assets acquired after December 31, 1955 were depreciated by the double-declining balance method for both book and tax purposes. In 1962, with the adoption of the guidelines, the Board of Directors approved a decision to record depreciation on the books on a straight-line basis while continuing to claim depreciation for federal income tax purposes using the double-declining balance method. In accordance with generally accepted accounting principles, a charge has been made against earnings to provide for estimated additional future taxes which may become payable when depreciation based on the double-declining method will be less than that based on the straight-line method.

If there had been no change in the method of recording depreciation and no change in rates other than those which would have been made pursuant to the regular annual review of remaining lives, earnings for 1962 would have been $0.6 million less than those reported.

Board of Directors,
Leesona Corporation

We have examined the consolidated balance sheet of Leesona Corporation and subsidiaries as of December 31, 1962 and the related consolidated statements of income and income retained for use in the business for the year then ended. Our examination, except as to the foreign 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 reviewed reports of other independent accountants with respect to the foreign subsidiaries.

In our opinion, based upon our examination and upon the reports of the other independent accountants as mentioned above, the accompanying balance sheet and statements of income and income retained for use in the business present fairly the consolidated financial position of Leesona Corporation and subsidiaries at December 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in computation of depreciation as described in Note F to the financial statements.—*Accountants' Report —February 16, 1963.*

Note F: *Depreciation*—In 1961, the Parent Company used the straight-line method of depreciation for financial reporting purposes on new property additions subject to depreciation for the first time and used the declining balance method for income tax purposes. In 1962, the Company has used the declining balance method of depreciation for both financial reporting and tax purposes for such additions. The difference between the 1961 depreciation under the two methods amounting to approximately $130,000, less applicable federal income tax, has been charged to income retained for use in the business.

To the Board of Directors,
Publicker Industries Inc.:

In our opinion, the accompanying statements present fairly the consolidated financial position of Publicker Industries Inc. and its subsidiaries at December 31, 1962 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 computing depreciation as described in Note 2. Our examination of the statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Report of Independent Accountants—March 14, 1963.*

Note 2: *Depreciation*—Each year the Company evaluates its depreciation policies. In connection with this evaluation during 1962, the estimated useful lives of certain assets were extended (to conform to current Internal Revenue Service estimates for such facilities) and depreciation on certain other assets computed by the "straight-line" method was deemed more appropriate than the "sum of the years-digits" method previously used. The effect of these changes was to reduce, by approximately $620,000, depreciation charged to income in 1962.

Other Income and Cost Items

To the Board of Directors,
Cherry-Burrell Corporation:

We have examined the consolidated statements of financial position of Cherry-Burrell Corporation and subsidiaries as of October 31, 1962 and 1961 and the related consolidated statements of earnings and retained earnings for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Cherry-Burrell Corporation and subsidiaries at October 31, 1962 and 1961, and, except as to the omission of the pension plan provision for current service costs as stated in Note E of the Notes to Financial Statements, the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*December 14, 1962.*

Note E: The Company made no provision for current service costs under its pension plans during the year ended October 31, 1962. Revised actuarial studies indicated that the amount previously funded is in excess of amounts now deemed to be required. Had such a charge for current costs been made, the net loss for the year ended October 31, 1962 would have been increased approximately $141,000. Based on the revised actuarial studies the unfunded past service costs were reduced to $2,425,000 at October 31, 1962 compared to $2,519,000 a year earlier.

To the Board of Directors,
Langendorf United Bakeries, Inc.

We have examined the balance sheets of Langendorf United Bakeries, Inc. as of June 30, 1962 and July 1, 1961, and the related statements of income and surplus for the two fiscal years (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income and surplus present fairly the financial position of Langendorf United Bakeries, Inc. as of June 30, 1962 and July 1, 1961, and the results of its operations for the two fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, which we approve, as described in Note 6 to the financial statements.—*September 7, 1962.*

Note 6: *Deferred Social Security Taxes*—The company has adopted the policy, effective in the current fiscal year, of allocating ratably to costs and expenses the total estimated social security tax expense for the calendar year 1962. In prior fiscal year costs and expenses have been charged with these taxes as they accrued, which resulted in substantially higher charges to costs and expenses in the first half compared to the second half of the calendar year due to the limits of taxable wages being reached by the majority of the employees at varying dates prior to the end of the calendar year. This policy change results in deferred charges to future operations at June 30, 1962, and increased net income for the year then ended (after giving effect to applicable federal income taxes) of $146,290.

To the Board of Directors of
Rexall Drug and Chemical Company:

In our opinion, the statements on pages 18 to 21 present fairly the financial position of Rexall Drug and Chemical Company and its consolidated subsidiaries at December 31, 1962 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 in accounting for certain petrochemical expenses as described in Note 3 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants—March 5, 1963.*

Note 3: *Change in Accounting*—The Company changed its method of accounting for petrochemical pre-production expenses to charge off to 1962 earnings the entire unamortized balance of these expenses which were previously being amortized over a five year period. Future pre-production expense will be charged off as incurred. This change in accounting reduced 1962 net earnings by $540,000.

To the Board of Directors of
Richfield Oil Corporation:

In our opinion, the accompanying statements present fairly the consolidated financial position of Richfield Oil Corporation and consolidated subsidiaries at December 31, 1962, 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 changes, which we approve, in accounting policies described in Note 2. 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 11, 1963.*

Note 2: *Changes in Accounting Policies*—In 1962, the Corporation adopted the policy of charging intangible drilling costs on wildcat wells to income account as incurred; whereas in prior years all dry hole costs were charged to income in the year of abandonment. Under the new policy, if a wildcat well is completed as a producer, the intangible drilling expenditures previously charged to income will be capitalized and income account credited. The Corporation also initiated the policy of making provision during the estimated holding period for possible losses, net of income taxes, on surrender or other disposal of offshore undeveloped oil and gas leases. These changes resulted in a reduction of $2,650,000 in net income for the year 1962. If these changes had been made previously the effect on 1961 net income would not have been material.

To the Board of Directors and Shareholders of
Sunray DX Oil Company:

We have examined the consolidated balance sheet of Sunray DX Oil Company and subsidiaries as of December 31, 1962, and the related statements of consolidated income, earnings retained for use in the business, and capital in excess of par value of stock 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 1961 financial statements, similarly examined, have been restated, with our approval, to reflect the changes in accounting for lease rentals and deferred income taxes, as described in the Financial Review beginning on page 14.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Sunray DX Oil Company and subsidiaries at December 31, 1962 and 1961, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. —*Opinion of Certified Public Accountants—February 25, 1963.*

Financial Review, page 14

Changes in Accounting Policy: The following two changes in accounting policy became effective January 1, 1962 and are incorporated in the financial statements and ten-year financial summary in this report.

Prior to 1962, or financial statement purposes, rentals on undeveloped oil and gas leases were capitalized as paid and expensed as the leases were surrendered or became productive; for income tax purposes, such rentals were expensed as paid. To conform to more generally accepted accounting policy, such rentals are now expensed as paid for both purposes. This change in accounting policy had the effect of increasing reported income by $619,000 for 1962, decreasing reported income by $334,000 for 1961 and decreasing retained earnings at January 1, 1961 by $16,247,000.

Prior to 1962, the excess of depreciation and amortization of emergency facilities expensed annually for income tax purposes over the amount expensed for financial statement purposes was considered too small to justify providing a reserve for income taxes payable in future years, except by a subsidiary company prior to merger; however, the variation became material in 1962 due to the use of new guideline depreciation rates promulgated by the Treasury Department. The adoption of deferred income tax accounting represents a change in policy for the parent company and had the effect of decreasing reported income by $3,100,000 for 1962 and $1,262,000 for 1961 and decreasing retained earnings at January 1, 1961 by $9,387,000.

The Board of Directors and Stockholders,
Twentieth Century-Fox Film Corporation:

We have examined the consolidated balance sheet of Twentieth Century-Fox Film Corporation and subsidiary companies as of December 29, 1962 and the related statements of operations, paid-in surplus and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necesessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated operations, paid-in surplus and retained earnings present fairly the financial position of Twentieth Century-Fox Film Corporation and subsidiary companies at December 29, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (which we approve) in the method of applying general studio overhead to film productions as described in Note 2 of the notes to financial statements.—*Accountants' Report—March 20, 1963.*

Note 2: . . . In 1962, the application of general studio overhead to film productions in process was changed. Certain foreign costs formerly charged to general studio overhead are now considered as direct charges to the cost of foreign production. In addition, general studio overhead is now applied only to direct negative costs of domestic productions. In lieu of general studio overhead, foreign productions are charged a supervisory fee, which represents principally administrative services rendered by the studio in connection with such productions. The effect of the foregoing changes in accounting principles was to increase amortization of film costs and the loss for 1962 by approximately $2,500,000. . . .

Changes in Basis of Consolidation—Prior Year's Figures Not Restated

The Stockholders,
Beatrice Foods Co.:

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1962 and the related statements of earnings 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 to the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and surplus present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 28, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the changes explained in Note 4 to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—April 11, 1962.*

Note 4: During the year ended February 28, 1962, Beatrice Foods Co. acquired several other companies in transactions accounted for as poolings of interests. The comparative figures for the year ended February 28, 1961 have not been restated to include the results of operations of the acquired companies. Sales and net earnings during the last fiscal year of the acquired companies approximated $21,450,000.00 and $660,000.00, respectively.

Beatrice Foods Co. now considers that the acquisition of Dannon Milk Products, Inc. in 1959, which was at that time accounted for as a purchase of assets, was, in the light of developments in accounting practice since then, a pooling of interests. Accordingly, the balance of the related intangibles at March 1, 1961, which was being amortized by an annual amount of $100,000.00, has been eliminated from the accounts.

Changes in Basis of Consolidation—Prior Year's Figures Restated

To the Board of Directors and the Stockholders of
ACF Industries, Incorporated:

In our opinion, the accompanying statements present fairly the consolidated financial position of ACF Industries, Incorporated and its subsidiaries at April 30, 1962 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, which we approve, in the basis of consolidation, as explained 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.—*Opinion of Independent Accountants—July 3, 1962.*

Note 1: *Principles of Consolidation*—The consolidated financial statements include all subsidiaries of the Company. In previous years, the financial statements of SHPX First Corporation and its subsidiaries were presented separately and were not included in the consolidation. As a result of consolidating these subsidiaries, net assets and net income have been increased by $9,355,000 and $1,919,000, respectively, which amounts would previously have been shown in the separate financial statements of SHPX First Corporation and its subsidiaries. Prior years' audited figures have been restated on the same basis in the accompanying five-year statistical review.

At April 30, 1962 the financial position of ACF Industries, Incorporated and its subsidiaries, excluding the finance companies—SHPX First Corporation and its subsidiaries—was as follows:

Current assets	$110,102,000
Fixed assets, less depreciation	74,110,000
Investments in subsidiaries	2,986,000
Other assets	1,021,000
	$188,219,000

The Board of Directors and Stockholders of
The American Tobacco Company

We have examined the consolidated balance sheets of The American Tobacco Company as of December 31, 1962 and 1961 and the related consolidated statements of income and retained earnings 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.

As explained in Note 2 to the accompanying statements, on January 2, 1962, the Company exchanged the capital stock of its British subsidiary, J. Wix & Sons Limited, for units (equivalent to shares) of Gallaher Limited ordinary stock. In view of this exchange, the Company has restated its consolidated financial statements for prior years and amounts for J. Wix & Sons Limited have not been included on a consolidated basis as was done previously. On this basis, consolidated net income for the year 1961 is stated at $65,562,057 instead of $68,734,046 as previously reported.

In our opinion, the accompanying balance sheets and related statements of income and retained earnings present fairly the financial position of The American Tobacco Company and its consolidated subsidiaries as of December 31, 1962 and 1961, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, after giving retroactive effect to the change referred to in the preceding paragraph, in which we concur.—*Report of Independent Certified Public Accountants—February 1, 1963.*

Note 2: On January 2, 1962, effective as of the beginning of 1962, the Company concluded a transaction with Gallaher Limited, a cigarette and tobacco manufacturer of the United Kingdom, by which the capital stock of J. Wix & Sons Limited, the Company's wholly-owned British subsidiary, was exchanged for 7,200,000 ten-shilling units (equivalent to shares) of Gallaher Limited ordinary stock, representing approximately 13% of the outstanding ordinary stock of that company. The former subsidiary is now a wholly-owned subsidiary of Gallaher Limited.

As indicated in the President's Letter in the 1961 annual report, the accompanying financial statements for 1961 have been restated for comparative purposes; amounts for J. Wix & Sons Limited, which were previously included in consolidation, have not been included in the accompanying statements. Accordingly, consolidated retained earnings at December 31, 1960 have been reduced by $6,971,283 to eliminate the retained earnings of J. Wix & Sons Limited previously included in that account, and consolidated net income for the year 1961 is stated at $65,562,057 instead of $68,734,046 as previously reported.

The investment in Gallaher Limited is carried in the consolidated balance sheet at $5,450,994, representing the cost of the Company's investment in the stock of J. Wix & Sons Limited after deducting reserves established in the years 1947-1949, plus costs incurred in acquiring the Gallaher shares. The value of the Company's investment in Gallaher Limited, based upon a London Stock Exchange quotation, was approximately $29,500,000 at December 31, 1962.

Information as to the 1962 earnings of Gallaher Limited is not presently available. Other income includes $308,855 representing a dividend received from Gallaher Limited in 1962. The net income of J. Wix & Sons Limited was $3,171,989 in 1961; no dividend was paid in that year.

The Board of Directors and Stockholders,
Celanese Corporation of America:

We have examined the consolidated statement of financial position of Celanese Corporation of America and its domestic subsidiary companies as of December 31, 1962 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial position and consolidated statements of earnings and retained earnings present fairly the financial position of Celanese Corporation of America and its domestic subsidiary companies at December 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles. Except for the change, which we approve, of the inclusion of undistributed net earnings of foreign subsidiaries, as explained in Note 1 to the financial statements, such principles have been applied on a basis consistent with that of the preceding year.—*Report of Independent Certified Public Accountants—February 11, 1963.*

Note 1: *Principles of Consolidation*—The Consolidated financial statements include the accounts of the Corporation and its domestic subsidiaries after the elimination of all significant inter-company transactions and profits.

As of December 31, 1961, the investments in foreign subsidiaries were carried at cost. In 1962 these investments have been stated at cost plus undistributed net earnings and the net earnings of the foreign subsidiaries have been included in the consolidated net earnings. The net earnings of the foreign subsidiaries have been computed after the elimination of inter-company profits but without provision for United States taxes on such earnings except to the extent received by the Corporation. The Consolidated financial statements for the year 1961 have been restated to conform with the basis adopted in 1962.

To the Board of Directors,
Gustin-Bacon Manufacturing Company:

We have examined the consolidated balance sheet of Gustin-Bacon Manufacturing Company and Subsidiaries as of September 30, 1962, and the related consolidated statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of Gustin-Bacon Manufacturing Company and subsidiaries at September 30, 1962, 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, after giving retroactive effect to the inclusion, which we approve, of the accounts of a subsidiary not previously consolidated, as explained in Note 1 of the Notes to Consolidated Financial Statements.—*Auditors' Certificate—November 8, 1962.*

Note 1: The accompanying consolidated financial statements include the accounts of Gustin-Bacon Manufacturing Company and its wholly-owned subsidiaries, Cardinal Supply & Manufacturing Company, Gustin-Bacon Brake Company and Polystructures Incorporated. All inter-company accounts and transactions have been eliminated.

The financial statements for September 30, 1961 and for the year then ended have been restated to reflect the consolidation of Cardinal Supply & Manufacturing Company, which had not previously been consolidated, and certain other minor reclassifications. Gustin-Bacon Brake Company was incorporated by the parent company on June 11, 1962 and Polystructures Incorporated was acquired by the parent company on February 14, 1962. The consolidated statement of earnings includes the operations of these companies since the dates of acquisition.

To the Stockholders of
Ingersoll-Rand Company:

In our opinion, the accompanying statements present fairly the financial position of Ingersoll-Rand Company and its consolidated subsidiaries at December 31, 1962 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 after giving retroactive effect to the inclusion, which we approve, of the accounts of consolidated subsidiaries as explained 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. —*March 1, 1963.*

Note 1: The consolidated financial statements for the year 1962 include the accounts of Ingersoll-Rand Company and all of its domestic and foreign subsidiaries except three small subsidiaries and Ingersoll-Rand Financial Corporation (the investments in which are carried at underlying book values) and one foreign subsidiary located in Brazil. The financial statements for the year 1961 have been restated from those previously reported for that year to conform them to the same principles of consolidation stated herein.

Foreign properties have been translated at the approximate rates prevailing when acquired; foreign net current assets, other assets and liability reserves at the respective year-end quoted rates. Generally, income and expense items have been translated at the average rates of exchange prevailing during the period. Exchange losses of $412,633 in 1962 and $454,659 in 1961 resulted principally from the devaluation of the Canadian dollar in relation to the U. S. dollar.

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, 1962. 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 I, the accompanying balance sheet and statements of operations and retained-earnings deficit present fairly the financial position of Goebel Brewing Company at December 31, 1962, 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 25, 1963.*

Note 1: 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, 1962, was estimated at $4,895,000.

As indicated in Note B, bottles and cases in the hands of customers are valued for federal income-tax purposes at $202,915 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 $90,000 to December 31, 1962. 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, 1962 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 1 to the financial statements, the statements mentioned above present fairly the financial position of The Standard Tube Company at December 31, 1962 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 15, 1963.*

Note 1: The Federal income tax liability of the Company is settled for the years prior to 1957. Returns filed by the Company and a predecessor company for the years 1957, 1958 and 1959 have been reviewed by Internal Revenue Service and additional taxes paid. A matter remaining unsettled for a final determination of liability for these years relates to a contention with respect to net operating losses and basis of assets acquired from a predecessor company which involves a potential deficiency of approximately $727,000 (plus interest) principally applicable to the years 1958 and 1959. While this contention is no longer being advanced by the Internal Revenue Service, the conclusions of the Audit Division with respect to these years will not be final until approved by the Joint Committee on Internal Revenue Taxation. Tax counsel for the Company is of the opinion that the Company will not be subject to any substantial additional income tax liability with respect to this matter.

(b) Litigation

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, 1962 and 1961 and the related consolidated statements of income and retained earnings (deficit) for the three years ended March 31, 1962. 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 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 consolidated financial position of Gruen Industries, Inc. and Subsidiaries at March 31, 1962 and 1961 and the results of their operations for the three years ended March 31, 1962 in conformity with generally accepted accounting principles applied on a consistent basis. —*Auditors' Report—June 6, 1962.*

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 Stockholders and the Board of Directors,
H. K. Porter Company, Inc.

We have examined the consolidated balance sheet of H. K. Porter Company, Inc. and subsidiaries as of December 31, 1962 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus, with the explanation regarding antitrust litigation referred to in the third paragraph of financial notes on page two, present fairly the financial position of H. K. Porter Company, Inc. and subsidiaries at December 31, 1962 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 21, 1963.*

President's Letter

Page 2: As reported last year, the Company is a defendant in numerous civil suits seeking treble damages for alleged anti-trust violations in connection with sales of electrical apparatus. No provision has been made in the accounts for any such claims because it is presently not possible to predict their ultimate disposition. Management is still of the opinion that full disclosure of the facts will convince its customers that they have not been damaged in any way by the Company's engineering, pricing or service policies.

To the Board of Directors and Stockholders of
Richardson-Merrell Inc.

In our opinion, the accompanying statements, with the explanation in a note on page 19 regarding pending litigation, present fairly the consolidated financial position of Richardson-Merrell Inc. and its subsidiaries at June 30, 1962 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 Public Accountants—August 15, 1962.*

Financial Review

Page 19: A number of claims and lawsuits have been filed against the company for damages alleged to have resulted from use of these drugs. The company is presently unable to predict the outcome of such claims and lawsuits. However, the company carries a substantial amount of product liability insurance and it is the opinion of the management that losses, if any, in excess of insurance coverage would not have a material effect on the company's financial position.

To the Stockholders,
Westinghouse Electric Corporation:

We have examined the consolidated statement of financial position of Westinghouse Electric Corporation as of December 31, 1962 and the related consolidated statement of operations and income reinvested in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to any adjustments which may result from final determination of the antitrust cases referred to in Note 11 to the financial statements, the accompanying consolidated statement of financial position and statement of operations and income reinvested in the business present fairly the financial position of Westinghouse Electric Corporation at December 31, 1962 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—January 21, 1963.*

Note 11: *Antitrust Cases*—See page 24 for statement pertaining to present status of such cases. It is not feasible to predict what liability may result from the damage claims there mentioned and, accordingly, no provision with respect thereto has been made in the Corporation's accounts.

Financial Review

The Corporation is engaged in discussions with the Government and with electric utilities relating to the mutually satisfactory disposition of damage suits and claims resulting from the antitrust actions instituted in 1960 by the Department of Justice against 29 manufacturers of electrical equipment.

(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, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants—December 17, 1962.*

Notes to Financial Statements

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 $600,000 was charged to operations in 1962.

Litigation instituted on November 13, 1956 by a J. I. Case Company stockholder against the Company and several of its then directory seeking to have the merger with American Tractor Corporation declared illegal and void is still pending. During the year, a decision was received from the United States District Court for the Eastern District of Wisconsin holding that the action is derivative and requiring the plaintiff to post security for expenses. By the Court's order, the plaintiff was also afforded an alternative to limit the cause of action to certain specific asserted violations. The plaintiff has appealed this order to the Circuit Court of Appeals for the Seventh Circuit, and this appeal is presently pending. The latest developments do not substantially change the nature of the action and the Company is still of the opinion that the action is without merit.

Emerson Radio & Phonograph Corporation:

We have examined the consolidated balance sheet of Emerson Radio & Phonograph Corporation and subsidiaries as of October 31, 1962 and the related statements of consolidated income and consolidated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the effects, if any, on the financial statements of the matters mentioned in Note 2, the accompanying consolidated balance sheet and statements of consolidated income and consolidated earned surplus present fairly the financial position of the companies at October 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Opinion—January 14, 1963.*

Note 2: An appeal is presently pending from the termination of one of ERT Corporation's contracts by the Government for alleged default in failing to meet contract specifications. The Company and its special counsel in that matter are of the opinion that the Government's basis for termination is without merit. Costs incurred to October 31, 1962 under this contract and included in inventories in the accompanying balance sheet amounted to approximately $2,750,000, against which progress payments of approximately $680,000 have been received. It is not presently determinable what loss, if any, will be incurred on this contract. Emerson Radio & Phonograph Corporation has agreed to reimburse ERT Corporation for any loss which it may incur as a result of the termination of this contract, including the expenses of any administrative or legal proceedings in connection therewith....

National Research Corporation:

We have examined the consolidated balance sheets of National Research Corporation and wholly owned subsidiaries as at December 31, 1962 and 1961 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 subsidiaries at December 31, 1962 and 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles. Such principles have been applied on a consistent basis except that the consolidated financial statements for 1961 do not include the accounts of subsidiaries acquired in 1962 by pooling of interests (see Note B).—*January 30, 1963.*

Note A: Represents cost to National Research Corporation of original investment in Columbia-National Corporation (now a Division of Pittsburgh Plate Glass Co.) 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 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.

To the Directors and Stockholders of Paramount Pictures Corporation:

We have examined the consolidated balance sheet of Paramount Pictures Corporation at December 29, 1962 and the consolidated statement of income and retained earnings for the year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The company has invested substantial sums in the development of a color television tube and pay-television facilities. Recovery of the unamortized costs is dependent upon successful commercial applications of the two projects.

In our opinion, subject to the ultimate realization of the unamortized costs referred to above, the accompanying statements present fairly the consolidated financial position of Paramount Pictures Corporation and its subsidiary companies at December 29, 1962 and the results of their operations for the year, in conformity with generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year except for the change, which we approve, in the amortization of research and development costs as explained in Note E to the financial statements.—*Opinion of Independent Accountants—April 5, 1963.*

Note E: *Research and Development Costs*—Deferred research and development at December 29, 1962 comprises $4,379,000 for a color television tube and $3,728,000 applicable to pay television facilities. Current research and development is charged to expense as incurred and previously deferred balances are being amortized over ten years. The amortization started in 1961 for pay television costs and in 1962 for color tube costs. If the previous policy of deferring color tube expenditures (net of the reduction in taxes resulting from current deduction) had been followed in 1962, the net loss would have been $858,000 less than the reported amount.

Both projects are discussed in the letter to stockholders elsewhere in this report.

To the Board of Directors of Shoe Corporation of America

We have examined the accompanying consolidated balance sheet of Shoe Corporation of America and subsidiaries consolidated as of December 31, 1962, and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the uncertanties with respect to the Grayson-Robinson Stores, Inc. debentures, as explained in Notes 3 and 8, the financial statements mentioned above present fairly the consolidated financial position of Shoe Corporation of America and subsidiaries consolidated at December 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*Report of Independent Public Accountants—March 4, 1963.*

Note 3: Grayson-Robinson Stores, Inc. filed a Petition for an Arrangement in Proceedings under Chapter XI of the Bankruptcy Act on August 14, 1962 in the United States District Court, Southern District of New York. Grayson-Robinson as Debtor-in-Possession was authorized to operate its business and manage its property subject to the control of the Court. While the Company is mindful of the possibility that Grayson-Robinson may be unable to pay in full its unsecured debts, until an acceptable Plan of Arrangement is approved or the proceedings are otherwise disposed of by the Court, the loss, if any, to the Company with respect to the Debentures can not be determined with reasonable certainty. Accordingly, no provision for any loss has been reflected in the statements.

As a result of the Proceedings, Grayson-Robinson was not permitted to pay interest due the Company December 1, 1962. Consolidated income includes interest ($49,002 after federal income taxes) from the debentures to June 1, 1962 only.

Note 8: Under the terms of the various agreements relating to notes payable, there are certain restrictions with respect to the declaration or payment of dividends (other than dividends payable in shares of the Company) on the common shares. At December 31, 1962, under the most restrictive of these covenants, approximately $2,234,000 of consolidated earned surplus was free of such restrictions subject, however, to the uncertainties explained in Note 3.

(d) Other Contingencies

The Board of Directors and Stockholders, America Corporation:

We have examined the consolidated balance sheet of America Corporation and consolidated subsidiaries as of December 31, 1962 and the related statements of operations, capital surplus and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the final determination of Federal taxes on income as described in Note 5 and the final determination of liability arising from a film processing contract as described in Note 6, the accompanying consolidated balance sheet and statements of consolidated operations, capital surplus and retained earnings present fairly the financial position of America Corporation and consolidated subsidiaries at December 31, 1962 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—April 11, 1963.*

Note 5: *Federal Taxes on Income*—Consolidated Federal income tax returns are filed. At December 31, 1962, the Company estimates that the net operating loss carry-forward available for use in future years was approximately $2,000,000.

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. Counsel has advised that it is not known at this time whether any deficiency will be asserted for any of the years involved.

Note 6: *Contingent Liabilities and Commitments*—A subsidiary has guaranteed bank indebtedness of a customer to amounts not to exceed $1,250,000; such indebtedness secured by certain collateral, amounted to $1,248,000 at December 31, 1962. In addition, trade notes and accounts receivable aggregating $1,246,168 at December 31, 1962, were due from the customer and certain of its affiliates. The customer has indicated its intention to secure $350,000 of the receivables by pledging certain of the excess collateral of the aforementioned bank loan.

There are five long-term leases and a guarantee under a lease agreement, expiring between 1966 and 1978, with minimum annual rentals, net of subleases, of $151,705.

In 1961, a subsidiary had entered into a film processing contract which terminates in 1963. Because of a dispute, such subsidiary has not made all payments due under the contract and the Company does not believe such payments will be required. If the unrecorded liability of $345,000 at December 31, 1962 were recognized, $210,000 would be included in unamortized film processing contract costs in the balance sheet and $135,000 would be charged to amortization of film processing contract costs in the statement of consolidated operations.

In connection with the option granted to a third party for the purchase of all the capital stock of Gibbs Shipyards, Inc. (see Note 1), the company has unconditionally guaranteed the following:

(a) Payment of $665,000 on a real estate mortgage until the mortgaged properties are sold to reduce this indebtedness.
(b) Payment of notes amounting to $365,000 due the Trustee of Gibbs Corporation (former owner of certain assets acquired by Gibbs Shipyards, Inc.) until the option has been exercised.
(c) Lease agreement on certain equipment (balance of $212,500, due at December 31, 1962) entered into by Gibbs Ship-

yards, Inc. providing for monthly payments of $6,250 until the option has been exercised.

The Company is also a guarantor under a performance bond of $10,000,000 and payment bond of $2,500,000 pertaining to contract work undertaken by Gibbs Shipyards, Inc.

To the Directors and Stockholders of National Company, Inc.

We have examined the consolidated balance sheet of National Company, Inc. and subsidiary companies as of December 31, 1962, 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, subject to the future realization of the deferred charges described in Note 2, the accompanying financial statements fairly present the financial position of the companies at December 31, 1962, 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.—*Certificate of Auditors—February 23, 1963.*

Note 2: The parent company and National Radio Company, Inc. provide for amortization of product development costs based on sales of the specific products for which the costs were incurred. This policy has been followed by the parent over a period of years and by the subsidiary since acquisition. The balance sheet includes $547,905 of such charges applicable to future production, the majority of which is related to the advanced technical products of the parent company.

Servo Dynamics Corporation provides for sixty-month straight line amortization of research and experimentation expenditures applicable to its entire product line. The balance sheet includes $245,609 of unamortized research and experimentation expenditures.

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, 1962, 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.

We were supplied with reports of other accountants in respect to the following: (1) Joint ventures with gross profit of $3,351,154. These reports are qualified with respect to possible effect of final settlement of contingent items referred to in Note 8(c); (2) Bohn Aluminum & Brass Corporation, a significant subsidiary acquired during the year; (3) Van Norman Industries, Inc. as of December 31, 1961, merged on January 31, 1962.

In our opinion, based on our examination and the reports referred to in the preceding paragraph, the accompanying financial statements together with the notes to such statements, present fairly the consolidated financial position of Universal American Corporation and subsidiaries at December 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (see Note (1)) with that of the preceding year.—*February 26, 1963.*

Note 8: Commitments and Contingencies—(*c*) Income and costs including those pertaining to joint ventures are subject to settlement of claims, warranties and renegotiation. The results are recorded when resolved. Certain sales and contracts for 1962 are subject to renegotiation (prior years have been cleared). Management is of the opinion that no material adverse effect will result from settlement of the foregoing items.

(e) Separate Opinions Expressed on Financial Position and Results of Operations

To the Stockholders of Congoleum-Nairn, Inc.:

We have examined the consolidated balance sheet of Congoleum-Nairn Inc. (a New York corporation) and subsidiary companies as of December 31, 1962, 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, subject to final determination of the total costs and expenses of the program referred to in Note 2 to the accompanying financial statements, for which provisions were made in 1960 on an estimated basis, the accompanying consolidated balance sheet presents fairly the financial position of Congoleum-Nairn Inc. and its subsidiary companies as of December 31, 1962, and, in our opinion, the related statements of consolidated income and earned surplus present fairly the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Opinion—February 8, 1963.*

Note 2: As of December 31, 1960, the Board of Directors approved a program for consolidation and realignment of facilities and operations. Plant and equipment no longer required as a result of this consolidation of operations were written down as of that date, by means of reserves, to estimated realizable values, and provisions were made for other estimated costs and expenses due to the proposed consolidation of operations and changes in product lines. Costs and expenses amounting to $2,555,779 incurred since December 31, 1960, in connection with this program (which has not yet been completed), were charged to reserves provided in 1960, leaving reserves of $6,929,221 at December 31, 1962, available for completion of the program.

At December 31, 1962, the portion of these reserves not applicable to plant and equipment is included in the accompanying balance sheet as a non-current liability as management does not anticipate significant charges to the reserve in 1963. The corresponding item at December 31, 1961 has been similarly classified in the financial statements for purposes of comparability.

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, 1962, 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, subject to the possible effect of the 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, 1962, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Opinion—February 11, 1963.*

Balance Sheet

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 possible liabilities of the company for damages were not determinable as of December 31, 1962. 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 possible liabilities of the company, in connection therewith, were not determinable as of December 31, 1962.

To the Stockholders of
General Refractories Company:

We have examined the financial statements of General Refractories Company for the years ended December 31, 1962 and 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. The financial statements for the year 1961 have been restated to reflect applicable income tax adjustments made in 1962, as described in Note 3 to Financial Statements.

In our opinion, subject to the effect upon the balance sheets and statements of earned surplus of adjustments which will be required upon ultimate settlement of income tax liabilities, as explained in Note 2 to Financial Statements, the accompanying balance sheets and statements of income and earned surplus present fairly the financial position of General Refractories Company at December 31, 1962 and 1961 and the results of its operations for the year 1962 and 1961. In conformity with generally accepted accounting principles applied on a basis consistent with that of the respective preceding years.—*February 15, 1963.*

Note 2: As referred to in the Annual Report for 1961, the company in January 1962, in accordance with the provisions of a law enacted in September 1961, which is applicable to years only through 1960, filed amended federal income tax returns for the years 1954 through 1960 and paid additional taxes and interest for those years aggregating $205,102. During 1962 the Internal Revenue Service examined these amended returns and has proposed deficiencies of approximately $4,300,000 (exclusive of interest) principally as a result of disallowance of a portion of percentage depletion deductions and foreign tax credits. The proposed deficiencies are not acceptable to the company and at the present time it is not possible to predict the ultimate amount of deficiencies which may be payable by the company. Under these circumstances no change has been made in the balance of $925,000 remaining from the amounts provided during that period for additional income taxes.

Note 3: In the absence of final federal income tax regulations, it is not possible to determine for years after 1960 the amount of the company's percentage depletion deductions which may ultimately be allowed. Nevertheless, a highly restrictive Internal Revenue Service position with respect to mineral percentage depletion has become more evident during the past year. Consequently, in order to be more conservative for financial reporting purposes, the company has now made provision for income taxes for these years in amounts sufficient to cover the possibility of complete disallowance of percentage depletion deductions and accordingly has restated the financial statements for 1961 to reflect applicable income tax adjustments and the resultant decrease in income of $513,735.

Board of Directors,
U. S. Industries, Inc.

We have examined the consolidated balance sheet of U. S. Industries, Inc. and consolidated subsidiaries at December 31, 1962, and the related statements of consolidated income, additional paid-in capital, and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly (1) the consolidated financial position of the U. S. Industries, Inc. and consolidated subsidaries at December 31, 1962, and (2) with the comments in Note I regarding management's estimate (which we are not competent to evaluate) of the amount of product development costs allocable to 1962 operations, the consolidated results of their operations for the year then ended in conformity with generally accepted accounting principles. Except for the changes (in which we concur) described in Notes C and I, these accounting principles were applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 1, 1963.*

Note C: *Inventories*—Inventories, at the lower of cost (first-in, first-out method) or market, are as follows:

Finished products	$10,454,113
Work in process	7,780,682
Materials and supplies	4,818,782
Merchandise—in foreign subsidiaries (approximately $7,700,000 pledged as collateral)	9,784,753
	$32,838,330

In 1962 one of the divisions revised the basis of determining the factory burden used in computing product costs for inventory purposes in order to conform to the accounting practice followed at other manufacturing divisions of the Company. As a result of this change, the amount stated for inventories at the close of the year 1962 was $935,000 greater than would otherwise have resulted and net income for the year was increased by a similar amount.

Note I: *Research and Development*—Costs relating to research and development of new products, principally automation and educational science, for accounting purposes are accumulated to be amortized over future periods, while for income tax purposes such costs are recorded as deductions when incurred. In the opinion of management, there is no present reason to believe that current projects involving the development of new products will not be completed with successful results. However, management has elected as a matter of conservatism to make a change in the accounting practices followed heretofore so as to require that research and development costs be charged to income in the periods such costs are incurred. This change, which has the approval of the Board of Directors, became effective January 1, 1963; accordingly, the unamortized balance of product development costs amounting to $6,576,322 at December 31, 1962, was written off. (This amount included $2,057,500 classified in the balance sheet at the close of the preceding year in "future federal tax benefits available upon utilization of loss carry-over.") This balance of $6,576,322 remained after charging to income in 1962, an amount of $414,739 which was determined in part on scheduled amortization and on estimates of management. This method, obviously, was the only reasonable one available in the circumstances. The product development costs incurred in 1962 totalled $2,612,195.

DEVIATIONS FROM GENERALLY ACCEPTED PRINCIPLES OF ACCOUNTING

R. C. Allen Business Machines, Inc.

We have examined the consolidated balance sheet of R. C. Allen Business Machines, Inc. (a Michigan corporation) and its wholly owned subsidiary companies as of December 31, 1962, and the related consolidated statements 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, except for what is set forth in the note on "Inventories," the accompanying balance sheet and statements of income and retained earnings, together with the "Notes to Consolidated Financial Statements," present fairly the consolidated financial position of R. C. Allen Business Machines, Inc. and its wholly owned subsidiary companies at December 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*Accountant's Report—February 27, 1963.*

Notes to Financial Statements

Inventories: The amounts of consolidated inventories at December 31, 1962, have been determined generally by physical inventories. Of the total inventories at December 31, 1962, $947,352 is stated at the lower of cost (first-in, first-out) or market of materials, direct labor, and other direct costs, exclusive of overhead. The remainder of $498,371 representing typewriter division inventories, is stated at lower of cost (first-in, first-out) or market, including overhead. The initial typewriter division inventories were purchased in 1950, on a basis including overhead, and this basis has been consistently followed there-after in determining the cost of this division's inventories.

While the companies have consistently followed the practice of omitting overhead from costs with respect to their inventories (other than those of their typewriter division), such omission is not recognized as being in conformity with generally accepted accounting practice. If overhead had been included in the inventory valuations at December 31, 1961, and 1962, the inventories would have been approximately $515,000 and $375,000 higher respectively, and the 1962 net income would have been lower by approximately $140,000.

The Board of Directors and Stockholders,
J. J. Newberry Co.:

We have examined the consolidated balance sheet of J. J. Newberry Co. and subsidiaries as of December 31, 1962 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of J. J. Newberry Co. and subsidiaries at December 31, 1962 and, except for the effect of the method of accounting for the investment credit as set forth in Note 1, the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent, except for a change to the retail method of valuing store inventories with which we agree (the effect of which is reflected as a special credit in the statement of earnings and retained earnings), with that of the preceding year.—*Accountants' Report—March 27, 1963.*

Note 1: *Investment Credit*—Pursuant to the Revenue Act of 1962 the Company is entitled to claim an investment credit of $390,000 in its 1962 Federal income tax return. Management is of the opinion, however, that the maximum investment credit allowable in reporting current earnings should be based on deferred Federal income taxes payable as well as on Federal income taxes currently payable; it also believes no portion of such credit is properly allocable to the special credit reflected on a net of tax basis in the accompanying statement of consolidated earnings. Accordingly, $291,000 (46% of the investment credit of $630,000 computed under this method) has been applied in reduction of Federal income taxes charged to current earnings.

If the investment credit had been based on Federal income taxes currently payable and its absorption in net earnings been spread over the useful lives of the related assets as prescribed by the American Institute of Certified Public Accountants, net earnings for the year 1962 would have been reduced by approximately $270,000.

The Board of Directors and Stockholders,
North American Car Corporation:

We have examined the accompanying balance sheet of North American Car Corporation at December 31, 1962 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the Company has included in net income for 1962 48% of the investment credit resulting fom the acquisition of property during that year. In our opinion, generally accepted accounting principles require instead that this credit be reflected in income over the productive lives of the related property, which treatment would result in a reduction of $311,000 in reported net income for 1962.

In our opinion, the statements mentioned above present fairly the financial position of North American Car Corporation at December 31, 1962 and, except as stated in the preceding paragraph, the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 15, 1963.*

Note 1: Under provisions of the Revenue Act of 1962, the Company will obtain an "investment credit" against income taxes payable for 1962 in an amount equal to a specified percentage (maximum of 7%) of the cost of qualified depreciable property acquired and put into service during the year. An amount equal to 48% of such credit (after provision for applicable income taxes payable in future years) has been reflected in income through reduction in the provision for federal income taxes for the year, thereby increasing reported net income for the year by $311,000.

INFORMATIVE DISCLOSURES

The third standard of reporting referred to earlier in this section states:

> Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.

Statements on Auditing Procedure No. 31 of the committee on auditing procedure of the American Institute of Certified Public Accountants expresses the following comment on this standard.

> 40. Information essential for a fair presentation should be set forth in the financial statements (which include the related notes). When such information is set forth elsewhere in a report to shareholders, or in a prospectus, proxy statement, or other similar report, it should be referred to in the financial statements. When the client declines to disclose data considered essential to a fair presentation or to incorporate it by reference in the notes, the independent auditor should provide the necessary supplemental information in his report, usually in a middle paragraph, and appropriately qualify his opinion.
>
> 42. There may be instances where the independent auditor may wish to include in his report additional explanatory matter (which is not required for adequate disclosure) to highlight certain circumstances or to aid in the interpretation of the financial statements. Since such additional disclosure is not intended to qualify the scope of examination or the opinion on the statements, no reference thereto should be made in the opinion paragraph of the independent auditor's report.

Only in one report (*Co. No. 124) has the auditor found it necessary to qualify his opinion because of inadequate disclosure in the financial statements, while additional explanatory matter not intended as qualification was disclosed by the auditors in 27 reports (See Table 5) (*Co. Nos. 208, 356, 405, 449, 561, 571).

Illustrative examples of such presentations follow:

*Refer to Company Appendix Section.

Qualification Because of Inadequate Disclosure

To the Stockholders and the Board of Directors of Carnation Company:

We have examined the consolidated balance sheet of Carnation Company and its wholly owned subsidiaries as of December 31, 1962 and the statements of income and retained earnings for the year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Investments in affiliated companies at December 31, 1962 include investments in majority owned companies stated at aggregate cost of $2,114,682; predominantly the underlying assets of these companies are located in foreign countries. The equity of the consolidated group in the net assets of these companies at December 31, 1962 as shown by their books and converted at year-end official exchange rates was in excess of cost. Similarly, the equity in 1962 net income was in excess of the dividends totaling $673,750 received from two of the companies.

In our opinion, the accompanying statements, except for the omission of the information in the preceding paragraph, present fairly the consolidated financial position of Carnation Company and its wholly owned subsidiaries at December 31, 1962 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.—*March 4, 1963.*

Disclosure of Explanatory Matter

To the Board of Directors, The Anaconda Company:

We have examined the Consolidated Balance Sheet of The Anaconda Company and its consolidated subsidiaries as of December 31, 1962 and the related Statements of Consolidated Income and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of the Company and its subsidiaries and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, the accompanying Balance Sheet and Statements of Income and Surplus, together with the explanatory notes, present fairly the consolidated financial position of The Anaconda Company and its consolidated subsidiaries at December 31, 1962 and the combined results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*Accountants' Report—March 12, 1963.*

To the Shareholders and Directors of Bell & Gossett Company:

We have examined the balance sheet of Bell & Gossett Company as of November 30, 1962 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.

The comparative statements for the preceding year of Bell & Gossett Company and its then Subsidiary Companies were similarly examined by us.

As of November 30, 1962, all domestic subsidiaries of Bell & Gossett Company were merged into the Company. The statement of income presented herewith includes operating results of all former subsidiaries.

In our opinion, the accompanying statements present fairly the financial position of Bell & Gossett Company as of Nevember 30, 1962, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Certified Public Accountants—January 14, 1963.*

To the Stockholders and Board of Directors, The Curtis Publishing Company

In our opinion, the accompanying statements present fairly the consolidated financial position of The Curtis Publishing Company and its domestic subsidiaries at December 31, 1962 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. The accounts of two subsidiaries are maintained on a cash basis; however, memorandum entries have been applied to the cash basis accounts in the accompanying statements to state them on the accrual basis. 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 18, 1963.*

To the Stockholders of Foremost Dairies, Inc.

We have examined the consolidated financial statements of Foremost Dairies, Inc. and subsidiaries for the year ended December 31, 1962. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Reference is made to Note 4 to the financial statements regarding an agreement reached by the Company with the Federal Trade Commission requiring the divestment of certain operating properties.

In our opinion, the consolidated balance sheet and the statements of consolidated income and surplus present fairly the financial position of the companies as of December 31, 1962 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—April 8, 1963.*

Note 4: Federal Trade Commission Proceedings—As set forth in the accompanying letter to stockholders and employees, the Company has reached an agreement with the Federal Trade Commission requiring the divestment of properties which, in 1962, produced about one-fourth of the Company's net sales and net income. The Company has not yet finalized plans for such divestment, and the future effect upon the Company or its operations is therefore not now determinable.

The Board of Directors and Shareholders,
United Fruit Company:

We have examined the consolidated balance sheet of United Fruit Company and subsidiaries as of December 31, 1962 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of the European subsidiaries which are included in the consolidated statements were examined by other independent public accountants. The assets and sales of these subsidiaries constitute 15% and 26% respectively, of the related consolidated figures.

In our opinion, based on our examination and on the report of other independent public accountants, such financial statements present fairly the financial position of United Fruit Company and subsidiaries at December 31, 1962 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. Also, in our opinion, the accompanying statement of source and disposition of working capital (page 4) presents fairly the information shown therein.—*Accountants' Report—February 18, 1963.*

RELIANCE UPON OTHERS

In view of recent pronouncements on the clarification of reporting standards, perhaps the above caption is no longer appropriate, but it has been used as the title of the relative table since its inception and rather than make a change at this time it may be well to explain that currently "Reliance upon other auditors" has been expanded to include any reference to other auditors.

In this connection attention is drawn to *Statements on Auditing Procedure, No. 32—Qualifications and Disclaimers* published in September, 1962 by the committee on auditing procedure of the American Institute of Certified Public Accountants from which the following excerpts are presented:

> In reporting on financial statements, the independent auditor may not have examined the financial statements of one or more subsidiaries, divisions, or

TABLE 8: RELIANCE UPON OTHERS

Reliance upon or Reference to*	Scope Paragraph 1962	1960	1955	1950	Opinion or Scope and Opinion Paragraph 1962	1960	1955	1950
Other Auditors for Examination of:								
A: Consolidated domestic subsidiary	5	1	1	6	15	19	16	13
B: Consolidated foreign subsidiary	11	5	6	10	24	34	21	17
C: Consolidated domestic and foreign and/or unspecified subsidiaries	2	1	2	—	8	3	4	—
D: Unconsolidated foreign subsidiary and/or affiliated company	2	—	2	3	4	7	4	5
E: Unconsolidated domestic and foreign subsidiaries and/or affiliated company	1	—	—	1	5	4	1	1
F: Domestic branch or division	1	—	—	—	1	3	3	—
G: Foreign branch or division	3	1	1	1	—	1	2	2
H: Subsidiaries merged or liquidated	—	—	—	—	1	1	—	—
Miscellaneous	—	—	—	1	—	—	1	2
	25	8	12	22	58	72	52	40
Reliance								
I: Upon Client	1	1	3	7	—	—	2	1
J: Upon Independent Appraiser	—	1	2	2	—	—	—	—
Total	26	10	17	31	58	72	54	41

Number of Reports referring to:	1962	1960	1955	1950
Other auditors	72	74	58	51
Other auditors and client	1	—	4	9
Reliance upon client	—	1	1	3
Reliance upon independent appraiser	—	1	2	2
Not expressing reliance upon others	527	524	535	535
Total	600	600	600	600

*Refer to Company Appendix Section—
A: Co. Nos. 36, 186, 198, 357, 401, 434.
B: Co. Nos. 149, 176, 311, 375, 421, 460.
C: Co. Nos. 168, 310, 449, 497, 503, 526.
D: Co. Nos. 292, 316, 348, 468, 470, 594.
E: Co. Nos. 71, 255, 344, 351, 399, 462.
F: Co. Nos. 372, 556.
G: Co. Nos. 33, 280, 484.
H: Co. No. 571.
I: Co. No. 573.

branches included therein, but he may have received the reports of other independent auditors with respect to such statements. Similar situations are often present in the case of business combinations. In these situations, questions arise as to the extent of the responsibility of the independent auditor reporting on the consolidated or combined statements with regard to such reports of other auditors and the financial statements covered thereby. In such cases, the principal auditor is usually willing (after following certain procedures described later) to utilize the report of the other independent auditor for the purpose of expressing his opinion on the consolidated or combined statements, but he is unwilling (unless he otherwise states) to assume responsibility for the performance of the work (to the same extent as though he had performed that work himself) which served as a basis for the opinion of the other auditor. The committee considers such utilization reasonable in these circumstances (and in accordance with generally accepted auditing standards) and believes that the principal auditor may appropriately express an unqualified opinion on the fairness of the consolidated or combined statements without assuming responsibility for the report or work of the other independent auditor, provided the basis for his opinion is adequately described. This description should include a statement in the scope paragraph or in the opinion paragraph to the effect that in the formation of his opinion, amounts applicable to the entities examined by the other independent auditor were included solely upon the basis of the report of such auditor (see paragraph 8).

8. Any modifying phrases in the standard short-form opinion paragraph (or sentence) should be considered as qualifying the opinion in some manner; however, reference to the report of other independent auditors as the basis, in part, of the opinion, whether made in the scope paragraph or the opinion paragraph, is not to be construed as a qualification of the opinion on the fairness of presentation of the consolidated financial statements or consistency, but rather as an indication of the divided responsibility for the performance of the work.

33. The following language is considered appropriate where the principal auditor is utilizing the reports of other independent auditors:

(Scope Paragraph)

. . . We did not examine the financial statements of B Company, a consolidated subsidiary, which statements were examined by other certified public accountants whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for B Company, is based solely upon such report.

In our opinion, the accompanying consolidated financial statements present fairly . . .

As an alternative, reference to the report of the other independent auditor as the basis, in part, for the opinion expressed may be placed in the opinion paragraph rather than in the last sentence of the scope paragraph. An illustration follows:

(Opinion Paragraph)

In our opinion, based upon our examination and the aforementioned report of other certified public accountants, the accompanying consolidated financial statements present fairly . . .

35. In some instances the principal auditor may be willing to assume responsibility for the work of another auditor to the same extent as though he had performed the work himself. . . .

When the principal auditor assumes responsibility for such work, he need make no reference to the other independent auditor in either the scope or opinion paragraph of his report. If reference is made, he should state that he is assuming responsibility for such work.

In addition to the usual comparative figures presented in Table 8, the following supplementary tabulation has been prepared which indicates the form of report used by the auditors when expressing reliance upon or otherwise referring to examinations performed by other auditors:

Particulars	No. of Companies
Adopting the scope paragraph referred to in par. 33 above (*Co. Nos. 33, 66, 280, 327, 460, 566)	11
Adopting the opinion paragraph referred to in par. 33 above (*Co. Nos. 143, 186, 253, 310, 406, 526)	43
Using modified short-form report—(*Co. Nos. 64, 177, 273, 462, 470, 516)	11
Apparently assuming full responsibility (*Co. Nos. 41, 88, 96, 401, 547, 573)	8
Total	73

It may be presumed that in many more instances the principal auditors assumed responsibility for the work of other auditors, and in compliance with paragraph 35 quoted above did not make any reference to such work.

Table 8 discloses that 73 auditors' reports contained 84 references to the reliance upon others in connection with the examination of the accounts. The significant increase in references confined to scope paragraph alone—from 10 in 1960 to 26 in 1962, with the corresponding decline of references brought

*Refer to Company Appendix Section.

out in opinion, or opinion and scope paragraphs from 72 in 1960 to 58 in 1962 appears to be the effect of several auditors' adopting the form of report "considered appropriate" by *Statement No. 32.* As in prior years, the reliance upon or reference to other auditors occurred most frequently in connection with the examination of the accounts of consolidated subsidiary companies.

Examples

The following examples illustrate the manner in which the auditors' reports disclose reliance upon or refer to other auditors, or the client:

Reliance Upon or Reference to Other Auditors

Domestic Subsidiaries—Consolidated

To the Shareholders
Arvin Industries, Inc.

We have examined the consolidated statement of financial condition of Arvin Industries, Inc. and its wholly owned subsidiaries as of December 30, 1962, and the related consolidated statement of operations and retained earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Lok-Products Co., a consolidated subsidiary, which statements were examined by other certified public accountants whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for Lok-Products Co., is based solely upon such report.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Arvin Industries, Inc. and its wholly owned subsidiaries at December 30, 1962, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. *Auditors' Report—February 13, 1963.*

To the Board of Directors,
Keystone Steel & Wire Company

We have examined the consolidated statement of financial position of Keystone Steel & Wire Company and subsidiary companies as of June 30, 1962 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. We were furnished with the reports of other certified public accountants who examined the financial statements of Wire Specialties Co. and National Plasticrafters, Inc., subsidiary companies.

In our opinion, based upon such examination and such reports, the accompanying financial statements present fairly the consolidated financial position of Keystone Steel & Wire Company and subsidiary companies at June 30, 1962, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—July 27, 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, 1962, 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, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year.—*Report of Accountants—February 13, 1963.*

To the Stockholders and Board of Directors,
Crown Cork & Seal Company, Inc.:

In our opinion, based on our examination and the report mentioned below of other independent Chartered Accountants, the statements and notes appearing on pages 6 to 11 present fairly the consolidated financial position of Crown Cork & Seal Company, Inc. and its subsidiaries at December 31, 1962 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the English subsidiary, which statements were examined by other independent Chartered Accountants whose report thereon has been furnished to us.—*Opinion of Independent Certified Public Accountants—February 25, 1963.*

To the Shareholders of
The Stanley Works:

We have examined the consolidated balance sheet of The Stanley Works and its subsidiaries as of December 30, 1962, and the related statements of consolidated earnings and retained earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The accounts of a European subsidiary have been included in the consolidated financial statements as reported on by other independent accountants.

In our opinion, based upon our examination and upon the report of other independent accountants as mentioned above, the accompanying balance sheet and statement of earnings and retained earnings present fairly the consolidated financial position of The Stanley Works and its subsidiaries at December 30, 1962, 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.—*Report of Independent Auditors—February 19, 1963.*

Domestic and Foreign Subsidiaries—Consolidated

To the Shareholders of
International Paper Company:

We have examined the consolidated balance sheet of International Paper Company, a New York corporation, and subsidiary companies as of December 31, 1962, and the related statements of consolidated earnings, retained earnings and capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In the case of the Canadian and certain other subsidiaries whose accounts were not examined by us, we were furnished with reports of other auditors. We made a similar examination for the year ended December 31, 1961.

In our opinion, based upon our examination and upon the reports of other auditors referred to above, the accompanying consolidated balance sheet and statements of consolidated earnings, retained earnings and capital surplus, together with the schedules referred to therein, present fairly the consolidated financial position of the companies as of December 31, 1962, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—March 1, 1963.*

To the Board of Directors of
Simmons Company:

We have examined the consolidated balance sheet of Simmons Company as of December 31, 1962, and the 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. We did not examine the financial statements of the foreign and certain domestic consolidated subsidiaries, which statements were examined by other public accountants whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for these subsidiaries, is based solely upon such reports.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Simmons Company at December 31, 1962, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Independent Auditors' Report—February 28, 1963.*

Domestic and/or Foreign Subsidiaries—Unconsolidated

The Shareowners,
Atlas Chemical Industries, Inc.:

We have examined the consolidated balance sheet of Atlas Chemical Industries, Inc. and subsidiaries as of December 31, 1962 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Solar Nitrogen Chemicals, Inc. (50% owned by Atlas Chemical Industries, Inc.) have been examined by other independent public accountants and we have been furnished with their report.

In our opinion, based on our examination and on the report of other independent public accountants referred to above, the accompanying consolidated balance sheet and statements of consolidated earnings and retained earnings present fairly the financial position of Atlas Chemical Industries, Inc. and subsidiaries at December 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (of which we approve) in the method of providing for depreciation as set forth in note 3 of notes to financial statements, have been applied on a basis consistent with that of the preceding year—*Accountants' Report—January 28, 1963.*

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, 1962 and the results of their operations for the year, in conformity with generally accepted accounting principles applied, except for the change in computing depreciation as described in Note 3 to the financial statements, 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, 1963.*

Subsidiaries Merged or Liquidated

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, 1962, 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.

We were supplied with reports of other accountants in respect to the following: (1) Joint ventures with gross profit of $3,351,154. These reports are qualified with respect to possible effect of final settlement of contingent items referred to in note 8(c); (2) Bohn Aluminum & Brass Corporation, a significant subsidiary acquired during the year; (3) Van Norman Industries, Inc. as of December 31, 1961, merged on January 31, 1962.

In our opinion, based on our examination and the reports referred to in the preceding paragraph, the accompanying financial statements together with the notes to such statements, present fairly the consolidated financial position of Universal American Corporation and subsidiaries at December 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (see note (1)) with that of the preceding year.—*February 26, 1963.*

Branches or Divisions

To the Shareholders of
Harsco Corporation:

We have examined the consolidated balance sheet of Harsco Corporation and subsidiary companies as of December 31, 1962 and the related consolidated statements of income, paid-in surplus and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain consolidated foreign subsidiary companies and a foreign branch which statements were examined by other public accountants whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for such foreign subsidiaries and foreign branch, is based solely upon such reports.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income, paid-in surplus and retained earnings present fairly the financial position of Harsco Corporation and subsidiary companies at December 31, 1962 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 25, 1963.*

To the Board of Directors and Stockholders,
Revlon, Inc.:

We have examined the consolidated balance sheet of Revlon, Inc. and subsidiaries as of December 31, 1962 and the related statement of earnings and retained earnings for the year then ended. Our examination, which embraced the accounts of all companies except six foreign subsidiaries and three foreign branches (the aggregate assets of which are not material in relation to the consolidated totals), was made in accordance with generally 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 reviewed reports of other independent public accountants who have examined the accounts of the foreign subsidiaries and the foreign branches.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the consolidated financial position of Revlon, Inc. and subsidiaries at December 31, 1962 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 the basis of amortization of intangibles as explained in note 3 to which we take no exception.—*Accountants' Report—March 15, 1963.*

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, 1962, 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 subsidaries present fairly the financial condition as at June 30, 1962, and the results of operation for the year ended that date. They conform to generally accepted accounting principles and, except as to the change in basis of depreciation (as set forth in Note 6 herewith) which has our approval, are applied on a basis consistent with the preceding year.—*Auditors' Certificate—August 22, 1962.*

IDENTIFICATION OF FINANCIAL STATEMENTS

Both the recommended short-form and the modified form of auditors' 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 1962 included in this survey, that is 508 reports, listed the titles of the statements examined. However, 92 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 42 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. 94, 125, 127, 189, 351, 568). One auditor's report (*Co. No. 423) identified as examined a statement which was omitted in the presentation.

Of the total of 104 reports referring to the accompanying footnote or footnotes, 57 reports included references to specific footnotes rather than to the footnotes in general (*Co. Nos. 6, 370, 588).

Of the total of 497 reports using the recommended short-form, 82 reports listed the customary statement titles in the scope paragraph, including just a group reference to such statements in the opinion paragraph (*Co. Nos. 18, 101, 220, 362, 451, 505). Of course in the modified form, the statements are identified in the opening sentence only.

Table 9 also reveals an increase in report references to additional statements, viz.: from 18 in 1955 to 42 in 1962. This may be accounted for in most cases by the addition of "Statements of working capital" and/or "Source and disposition of funds statements" which have recently been assuming increasing significance.

Although 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, two additional illustrations from 1962 reports pertaining particularly to identification of financial statements follow:

To the Shareowners of
Falstaff Brewing Corporation:

We have examined the financial statements and the supplemental schedules of changes in working capital and source and use of funds of Falstaff Brewing Corporation and its subsidiaries for the year ended December 31, 1962,

*Refer to Company Appendix Section.

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

Statements Identified in Auditors' Reports* by:	1962	1960	1955	1950
A: Title listing of customary statements	390	396	478	469
B: Title listing of customary statements and specific mention of accompanying footnote(s)	82	96	44	66
Title listing of customary statements and specific mention of accompanying footnote(s) with:				
C: Title listing of additional statements	6	3	1	—
D: Group reference to additional statements	—	3	—	1
Title listing of customary statements with:				
E: Title listing of additional statements	27	17	9	12
F: Group reference to additional statements	3	4	6	7
	508	519	538	555
G: Group reference to customary statements	70	65	48	35
H: Group reference to customary statements and specific mention of accompanying footnote(s)	16	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	4	3	1	6
	92	81	62	45
Total	600	600	600	600
Number of Reports Referring to:				
Additional statements	42	32	18	27
Accompanying footnote(s)	104	113	57	70

*Refer to Company Appendix Section—
A: Co. Nos. 42, 134, 245, 399, 464, 589.
B: Co. Nos. 21, 137, 285, 317, 433, 521.
C: Co. Nos. 72, 225, 261, 292, 434, 468.
E: Co. Nos. 59, 165, 277, 346, 442, 597.
F: Co. Nos. 41, 320, 348.
G: Co. Nos. 35, 183, 226, 318, 424, 559.
H: Co. Nos. 10, 182, 304, 339, 467, 508.
I: Co. Nos. 16, 307.
J: Co. Nos. 126, 127, 177, 316.

listed in the accompanying table of contents. 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 condition of the companies at December 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change in the method of computing depreciation as explained in Note D to the financial statements, on a basis consistent with that of the preceding year, and the accompanying supplemental schedules of changes in working capital and sources and use of funds, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.—*Opinion of Independent Accountants—February 22, 1963.*

Table of Contents adjoining the report of auditors:

Table of Contents	Page
Financial Statements:	
Statement of Consolidated Income	12
Statement of Consolidated Retained Earnings and Paid-In Surplus	12
Statement of Consolidated Financial Condition	13
Details of Items in Statement of Consolidated Financial Condition	14
Notes to Financial Statements	15
Supplemental Schedules:	
Changes in Working Capital	16
Source and Use of Funds	16
A Ten Year Comparison—1953 to 1962, inclusive	17

The Board of Directors and Shareholders,
Universal Match Corporation:

We have examined the accompanying balance sheet of Universal Match Corporation and Consolidated Subsidiaries at December 31, 1962, the related statements of operations, shareholders' equity and source and disposition of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due from the U.S. government, as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the financial position of Universal Match Corporation and Consolidated Subsidiaries at December 31, 1962, the results of their operations and the source and disposition of their working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*February 12, 1963.*

REFERENCE TO COMPANY

All 600 of the survey auditors' reports contained the corporate name of the client and, although reference is usually made to consolidated subsidiaries their names are seldom given. Table 10 indicates that there

TABLE 10: NAME OF COMPANY

Reference by Use of*	1962	1960	1955	1950
Corporate Name of Company supplemented with—				
A: Names of consolidated subsidiaries	12	11	14	29
B: Names of consolidated and unconsolidated subsidiaries	—	—	—	1
C: Consolidated subsidiaries not named	492	473	423	387
Consolidated subsidiaries not named, and reference to—				
D: Unconsolidated subsidiaries named	13	14	2	5
E: Unconsolidated subsidiaries not named	2	3	8	12
F: Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	—	1	—	1
G: Affiliates, branches, etc.	7	4	2	3
H: "Corporation"**	—	—	1	1
	526	506	450	439
I: Corporate name of company	70	91	145	155
Corporate Name of Company, and reference to—				
J: Unconsolidated subsidiaries named	3	2	2	2
K: Unconsolidated subsidiaries not named	1	1	3	3
L: "Company"**	—	—	—	1
	74	94	150	161
Total	600	600	600	600
Number of Reports				
**Omitting corporate name of company	—	—	1	2
Referring to unconsolidated subsidiaries	19	21	15	24
Referring to affiliates, branches, or divisions, etc.	7	5	2	4
Referring to consolidated subsidiaries	526	506	450	459

*Refer to Company Appendix Section—
A: Co. Nos. 16, 66, 143, 357, 400, 401.
C: Co. Nos. 74, 152, 211, 307, 433, 599.
D: Co. Nos. 72, 105, 133, 308, 385, 591.
E: Co. Nos. 320, 399.
G: Co. Nos. 36, 71, 372, 462, 484, 573.
I: Co. Nos. 4, 173, 295, 331, 485, 520.
J: Co. Nos. 52, 227, 292.
K: Co. No. 69.

were 19 references to unconsolidated subsidiaries. Sixteen of these were named by the auditors.

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 1962 reports pertaining particularly to Table 10 are given below.

To the Stockholders and Board of Directors,
Montgomery Ward & Co., Incorporated:

We have examined the consolidated balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) and subsidiaries as of January 31, 1962, and the related consolidated statements of earnings and earnings reinvested for the 52-week period then ended. We have also examined the balance sheets of Montgomery Ward Credit Corporation, Montgomery Ward Realty Corporation, and M-W Properties Corporation (all Delaware corporations) as of January 31, 1962. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of the companies as of January 31, 1962, and the consolidated results of their operations for the 52-week period 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 14, 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, 1962, 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, 1962, 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 6, 1962.*

Notes to Financial Statements

In the accompanying financial statements, the accounts of only wholly-owned subsidiaries have been included with National Presto Industries, Inc.

PERIOD OF EXAMINATION

The recommended short-form of auditors' report calls for references as to period of examination in both the scope and opinion paragraphs. Table 11 discloses that all reports surveyed except one, where no period was mentioned in scope paragraph (*Co. No. 225), followed this normal procedure.

The following supplementary tabulation summarizes the length of the period of examination disclosed in auditors' reports as presented in Table 11:

Period of Examination	No. of Companies
One year	520
52-53 weeks	24
Two years or more in recommended short-form report (*Co. Nos. 144, 580)	47
Two years or more in modified short-form report (*Co. Nos. 10, 316)	7
Period of less than one year, because of the change of fiscal period (*Co. Nos. 292, 301)	2
Total	600

Should the period of examination cover two or more years, it necessitates slight changes in the wording of the auditor's report as will be noted from the following excerpts taken from *Statements on Auditing Procedure, No. 31—Consistency,* issued in October, 1961 and previously referred to in this section. 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.

The following examples illustrate the references in auditors' reports to periods of examination covering two years:

To Shareholders of Aldens, Inc.:

In our opinion, the accompanying financial statements, together with the notes thereto, present fairly the financial position of Aldens, Inc. and its consolidated subsidiaries at January 31, 1962 and January 31, 1961 and the results of

*Refer to Company Appendix Section.

TABLE 11: PERIOD OF EXAMINATION

Auditors Refer to:	1962	1960	1955	1950
One year in *scope and opinion* paragraphs	386	387	411	443
One year in *scope and opinion paragraphs,* with reference to examination of prior year contained in *scope* paragraph	43	46	43	31
One year in *opinion* paragraph—				
No period mentioned in *scope* paragraph	1	1	4	4
Modified short-form of report	88	87	79	60
Modified short-form of report, with additional comment referring to examination of prior year(s)	2	2	2	3
One year, with reference to *examination of prior year* in *scope* paragraph; two years in *opinion* paragraph	10	5	11	14
Two or three years in *scope and opinion* paragraphs	34	36	20	22
Two or three years in *opinion* paragraph only; in modified short-form of report	7	7	5	3
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)	6	5	3	3
Period of 52 or 53 weeks with two periods referred to in *scope and opinion* paragraph	3	3	—	1
Period of days stated simply as "period from October 3, 19xx to October 1, 19xx" in *scope and opinion* paragraph	2	—	1	—
Changes in Fiscal Years:				
Periods of more than one year in *scope and opinion* paragraphs	—	—	8	4
Period of less than one year in paragraphs	2	3		
Total	600	600	600	600

their operations for the fiscal years then ended in conformity with generally accepted accounting principles applied on a consistent basis during the two years.

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.—*Auditors' Opinion—March 23, 1962.*

To the Stockholders,
The Grand Union Company:

We have examined the consolidated balance sheets of The Grand Union Company and its Subsidiaries as of March 3, 1962 and February 25, 1961, and the related statements of income and retained earnings and of capital surplus for the fifty-three and fifty-two week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were furnished with financial statements of certain subsidiaries for the periods ended March 3, 1962 and February 25, 1961, together with the reports thereon of other accountants.

In our opinion, based upon our examination and upon the above mentioned reports of other accountants, the accompanying balance sheets and related statements of income and retained earnings and of capital surplus (pages 4 to 7) present fairly the consolidated financial position of The Grand Union Company and its Subsidiaries at March 3, 1962 and February 25, 1961, and the consolidated results of their operations for the fifty-three and fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis. —*Auditors' Report—April 16, 1962.*

To the Board of Directors and Stockholders of
Oxford Paper Company:

We have examined the consolidated balance sheets of Oxford Paper Company and Subsidiary Companies as of December 31, 1962 and 1961, and the consolidated statements of income and income reinvested 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.

In our opinion, the accompanying statements present fairly the consolidated financial position of Oxford Paper Company and subsidiary companies at December 31, 1962 and 1961, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied each year on a basis consistent with that of the preceding year.—*Auditor's Report—February 19, 1963.*

To the Board of Directors and Stockholders of
Philip Morris Incorporated:

We have examined the consolidated balance sheets of Philip Morris Incorporated and its Consolidated Subsidiaries as of December 31, 1962 and 1961 and the related consolidated statements of earnings and surplus for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and related statements of earnings and surplus present fairly the financial position of Philip Morris Incorporated and its Consolidated Subsidiaries at December 31, 1962 and 1961 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Opinion of Independent Certified Public Accountants—January 30, 1963.*

*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 20 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—1 report (*Co. No. 100).

Referring in the report to a specific footnote or president's letter where the event was described—9 reports (*Co. Nos. 6, 49, 176, 235, 292, 357).

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. 143, 299, 317, 337, 560, 571).

Expressing an opinion on pro-forma financial statements presented to give effect to the event—1 report (*Co. No. 434)—see succeeding topic, "Pro-Forma Statements."

The nature of the subsequent events referred to by the auditors in their reports may be summarized as follows:

Particulars	No. of Companies
Referring to acquisition or disposition of a subsidiary or business (*Co. Nos. 6, 49, 143, 299, 317, 434)	8
Referring to losses suffered or pending (*Co. Nos. 216, 292, 312, 560)	6
Referring to new financing (*Co. Nos. 176, 299, 561, 571)	4
Miscellaneous (*Co. Nos. 100, 235, 337, 560)	4

Examples of auditors' reports with reference to post balance sheet disclosures are as follows:

To the Shareholders and Directors of
American Viscose Corporation:

We have examined the consolidated statement of financial position of American Viscose Corporation and its subsidiaries as of December 31, 1962 and the statement of consolidated income and retained earnings for the year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of American Viscose Corporation and its subsidiaries at December 31, 1962 and for the year then ended have been presented in accordance with principles of accounting applicable to a going concern and accordingly no effect has been given to the proposed sale of the business and operating assets to FMC Corporation as referred to on page 3 of this Annual Report.

In our opinion, the accompanying statements present fairly the consolidated financial position of American Viscose Corporation and its subsidiaries at December 31, 1962 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.—*Opinion of Independent Accountants—January 28, 1963.*

Annual Report, Page 3: American Viscose Corporation entered into an agreement with FMC Corporation on January 21, 1963 providing for the sale by American Viscose of all its properties. assets and business, including investments in Ketchikan Pulp and in Avisun and excluding from the sale the common stock of Monsanto Chemical Company, cash in excess of $1,684,000, securities classified as a current asset in the accompanying statement of financial position, and credits and claims for refunds with respect to income taxes.

The purchase price to be paid by FMC Corporation is $116,-000,000 which is subject to adjustment, principally in connection with—the increase or decrease in net working capital as of the closing date or May 31, 1963, whichever first occurs, as compared with that at September 30, 1962—transactions with associated companies—and reimbursable capital expenditures. FMC Corporation will assume all obligations and liabilities of American Viscose except those with respect to income taxes and certain others relatively small in amount.

Board of Directors,
The Boeing Company:

We have examined the accompanying balance sheet of The Boeing Company as of December 31, 1962 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 page 21), the financial statements referred to above present fairly the financial position of The Boeing Company at December 31, 1962 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 March 11, 1963, in setting aside the sum of $3,250,000 for the year 1962 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.—*Accountants' Report—March 11, 1963.*

To the Stockholders and Board of Directors,
Crown Cork & Seal Company, Inc.

In our opinion, based on our examination and the report mentioned below of other independent Chartered Accountants, the statements and notes appearing on pages 6 to 11 present fairly the consolidated financial position of Crown Cork & Seal Company, Inc. and its subsidiaries at December 31, 1962 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the English subsidiary, which statements were examined by other independent Chartered Accountants whose report thereon has been furnished to us.—*Opinion of Indpendent Certified Public Accountants—February 25, 1963 except for Note A which is March 19, 1963.*

Note A: *Issuance of New Securities*—On March 19, 1963, the Company entered into agreements for the sale of $30,000,000 principal amount of 4⅜% Sinking Fund Debentures due in 1988 and 400,000 shares of Common Stock. The total proceeds from the sales of these securities, approximating $42,000,000, will be applied to the payment of existing long and short-term debt.

To the Stockholders and Board of Directors,
Webb & Knapp, Inc.

We have examined the consolidated balance sheet of Webb & Knapp, Inc. and Consolidated Subsidiaries at December 31, 1962 and the related consolidated statements of capital surplus and of income and deficit from operations for the year then ended.

The consolidated statements have been prepared from financial statements of Webb & Knapp, Inc. and Consolidated Subsidiaries which have been audited by us or by other firms of independent accountants who have submitted to us their certificates concerning the underlying statements which were examined by them.

*Refer to Company Appendix Section.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Certain required payments under notes, mortgages and leases becoming due since the balance sheet date have not been paid at April 3, 1963, a summary of which is presented in Note 2 of the Notes to Financial Statements.

Except as to the effect on the assets and the financial position of the corporations due to the non-payments referred to in the preceding paragraph, in all other respects in our opinion, based upon our examination and upon the opinion expressed in the certificates of the other firms of independent accountants pertaining to the financial statements examined by them, the consolidated balance sheet and the consolidated statements of capital surplus and of income and deficit from operations, together with notes relating thereto, present fairly the financial position of Webb & Knapp, Inc. and Consolidated Subsidiaries at December 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—April 3, 1963.*

Note 2: Subsequent Events—A summarization of certain required payments becoming due after December 31, 1962, which had not been paid at April 3, 1963, is as follows:

Rentals under leases	$ 1,952,052
Interest on notes and loans	726,509
Principal of notes and loans	7,210,788
Interest and amortization payments on mortgages	553,371
Total	$10,442,720

The above listing does not include unpaid amounts of certain liabilities which are recorded at December 31, 1962 such as real estate taxes, franchise taxes and other municipal taxes. Interest, where applicable on these amounts, has been accrued to December 31, 1962.

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.

Example

The Board of Directors and Stockholders,
Philadelphia and Reading Corporation:

We have examined the accompanying consolidated balance sheet of Philadelphia and Reading Corporation and subsidiaries at December 31, 1962 and the related consolidated statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the report of other certified public accountants with respect to their examination of the financial statements of Union Underwear Company, Inc., a major subsidiary, which financial statements are included in the accompanying consolidated statements.

In our opinion, based upon our examination and the report of other certified public accountants referred to above, the statements mentioned above present fairly the consolidated financial position of Philadelphia and Reading Corporation and subsidiaries at December 31, 1962 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 application of the pro forma adjustments at December 31, 1962 described in Note 1 to the financial statements and, in our opinion, such pro forma adjustments have been properly applied in the accompanying pro forma consolidated balance sheet.—*Report of Certified Public Accountants—February 15, 1963.*

Note 1: The accompanying pro forma balance sheet gives effect at December 31, 1962 to the sale on February 7, 1963 of the 80% interest in Chatham Reading Chemical Corporation. This transaction, which is mentioned in the President's letter, resulted in a profit of approximately $7.0 million after income taxes of $1.8 million. Proceeds of the sale of stock were $11.2 million. The cost of the stock per books, net of the operating losses since acquisition ($1.6 million), was $2.4 million.

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 1962 annual reports. Although there were many variations in the titles assigned, the word *report* was the usual term of reference. It was used in 328 annual reports in 1962, as compared with 213 in 1950. Against this it may be noted that the use of the word "certificate" has declined to 42 in 1962 from 119 in 1950. Also, the number of reports with "no title" has gradually declined to 82 in 1962, from 224 reports in 1950.

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Auditors' Report	1962	1960	1955	1950
Accountant's (or accountants') report (*Co. Nos. 7, 148, 244, 356, 422, 533)	180	178	134	114
Accountant's (or accountants') certificate (*Co. Nos. 144, 160, 231, 321, 400, 520)	6	8	59	64
Accountant's (or accountants') opinion (*Co. Nos. 32, 122, 235, 300, 481, 526)	39	45	7	3
Auditor's (or auditors') report (*Co. Nos. 12, 166, 266, 310, 417, 595)	68	77	72	49
Auditor's (or auditors') certificate (*Co. Nos. 45, 75, 317, 340, 421, 522)	29	45	45	43
Report of independent public accountants (*Co. Nos. 16, 197, 253, 324, 440, 541)	13	16	21	12
Opinion of independent public accountants (*Co. Nos. 84, 98, 146, 255, 493, 538)	15	17	15	7
Certificate of independent public accountants (*Co. Nos. 203, 456)	2	1	7	12
Report of independent certified public accountants (Co. Nos. 48, 327, 382, 491, 519, 597)	10	10	13	10
Opinion of independent certified public accountants (*Co. Nos. 176, 239, 435, 577)	4	5	5	4
Report of certified public accountants (*Co. Nos. 51,150, 236, 332, 499, 502)	24	21	6	5
Independent auditor's (or auditors') report (*Co. Nos. 33, 127, 249, 497, 547, 568)	9	9	10	7
Report of independent auditors (*Co. Nos. 450, 596)	2	4	4	3
Report of auditors (*Co. Nos. 27, 155, 393, 405)	4	6	6	8
Report of independent accountants (*Co. Nos. 247, 278, 355, 390, 438, 515)	18	16	6	5
Opinion of independent accountants (*Co. Nos. 2, 138, 273, 331, 462, 559)	49	4	3	1
**Various other (*Co. Nos. 111, 251, 308, 342, 496, 593)	46	42	33	29
	518	504	446	376
No title shown	82	96	154	224
Total	600	600	600	600

	1962 Reference to Report				
1962 Reference to Auditor's(s')	Report	Certificate	Opinion	Other Terms	1962 Total
Accountant's(s')	180	6	39	—	225
Auditor's(s')	72	29	30	3	134
Certified public accountant's(s')	24	—	4	—	28
Independent certified public accountant's(s')	10	2	4	—	16
Independent public accountant's(s')	13	2	15	—	30
Independent accountant's(s')	18	—	49	—	67
Independent auditor's(s')	11	—	4	—	15
Various other	—	3	—	—	3
Total	328	42	145	3	518
No title shown					82
Total					600

*Refer to Company Appendix Section.
**Includes (in 1962) 30 auditors' opinion.

The word "opinion" was used in 145 instances in 1962, compared with 15 in 1950. In this connection the following quotation from *Accounting Terminology Bulletins, Review and Résumé No. 1,* prepared by the committee on terminology of the American Institute of Certified Public Accountants in 1953 may be of interest:

> 42. The word *opinion* is also important. In the circumstances described it is not possible for the auditor to state as a literal fact that the statements are true, or that they have been prepared "in conformity with generally accepted accounting principles." All that the circumstances warrant is an expression of opinion; and although it is true that the auditor is expected to have qualified himself to express an opinion, both by his general training and by his examination in the particular case, yet his audit properly results in a statement of opinion, not of fact.

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 410 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 1962 (*Co. Nos. 292 and 301).

November—19 companies
October—36 companies
September—33 companies
August—15 companies
July—14 companies
June—25 companies
May—6 companies
April—6 companies
March—10 companies
February—10 companies
January—16 companies

Using the CPA Title

In the January, 1961 issue of *CPA*—membership bulletin of the American Institute of Certified Public Accountants—the following item appeared:

> As a matter of good public relations for the CPA himself and for the profession as a whole, the executive committee decided at its last meeting that all firms and practitioners legally entitled to do so should be urged to use "certified public accountant" in connection with the firm name on financial reports and letterheads.
>
> Tests made by the Institute have shown that opinion leaders in a business community know the difference between a CPA and a noncertified accountant, but that they frequently cannot tell whether accountants they know are certified or not. The reason appears to be the failure of many CPAs to identify themselves as they are entitled to, despite the clear benefits to be gained from being known as a certified public accountant.
>
> The Institute's public relations department has pointed out that the surest way for the public to learn to distinguish the CPA from other accountants, and to appreciate what he stands for, is by what people see when they look at CPAs around them. This recognition is retarded if they can't tell a CPA when they see one.
>
> The problem of legal restrictions on the use of the title by multi-office firms is under study by the committee on state legislation.

The preceding chapter discussed the 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 years 1961 and 1962.

Terminology Used	No. of Companies	
	1962	1961
Certified Public Accountants (*Co. Nos. 14, 110, 239, 321, 474, 520)	256	250
Auditors (*Co. Nos. 18, 153, 288, 333, 472, 511)	147	149
Accountants (*Co. Nos. 79, 134, 235, 344, 402, 483)	108	104
Independent Public Accountants (*Co. Nos. 29, 179, 253, 324, 493, 538)	35	32
Accountants and Auditors (*Co. Nos. 69, 108, 152, 224, 260, 350)	13	29
Other (*Co. Nos. 16, 183, 207, 387, 409, 534)	28	22
No designation (*Co. Nos. 124, 274, 301, 415, 470, 563)	13	14
Total	600	600

Location of Reference in Annual Report	No. of Companies	
	1962	1961
Auditors' letterhead or with signature (*Co. Nos. 38, 128, 246, 303, 456, 582)	216	240
Title of auditors' report (*Co. Nos. 57, 182, 289, 319, 471, 554)	212	213
With officers, directors, registrars, etc. (*Co. Nos. 2, 159, 287, 317, 443, 511)	139	119
President's letter or financial review (*Co. Nos. 50, 88, 277, 339, 478, 575)	19	14
No reference (*Co. Nos. 35, 170, 274, 304, 470, 555)	14	14
Total	600	600

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

*Refer to Company Appendix Section.

TABLE 13: ADDRESSEE OF AUDITORS' REPORT

Combined Addressee	1962	1960	1955	1950
The Company and Its:				
Directors	196	224	283	309
Directors and President	1	2	7	10
Directors and Shareholders	63	58	28	10
Directors and Stockholders	188	162	111	87
Directors and Shareowners	16	17	8	—
Stockholders	61	67	67	85
Shareholders	33	33	34	22
Shareowners	7	4	4	1
Single Addressee				
The Company	31	32	56	72
No Addressee	4	1	2	4
Total	600	600	600	600
Frequency of Reference to:				
Company—with other addresses	565	567	542	524
Company—with no other addressee	31	32	56	72
Directors	464	463	437	416
President	1	2	7	10
Stockholders	249	229	178	172
Shareholders	96	91	62	32
Shareowners	23	21	12	1

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.

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.

*Refer to Company Appendix Section.

TABLE 14: AUDITORS' SIGNATURE ON REPORT

Form of Signature	1962	1960	1955	1950
Firm name—printed or typed	344	363	387	452
Firm name—handwritten facsimile	247	231	206	145
Firm name—printed and handwritten facsimile	6	5	4	—
Firm and individual auditors' names—printed or typed	—	—	1	1
Individual auditors' names—printed or typed	1	1	2	2
No signature	2	—	—	—
Total	600	600	600	600

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 six companies that used both the printed form and the handwritten facsimile in 1962 were *Company Numbers 218, 249, 380, 537, 565 and 597.

Two reports although apparently presented on the auditor's letterhead were not subscribed to in the ordinary way (*Co. Nos. 214, 319).

Number of Accounting Firms Represented

There were 53 certified public accounting firms or individual practitioners represented among the 600 companies included in the current survey. This is a net decrease of three for the year 1962 and is accounted for by the elimination of five firms and the addition of two.

It was noted that 11 companies had made a change of auditors during the year (*Co. Nos. 3, 115, 129, 192, 335, 549). However, it may be mentioned that a change of auditors does not necessarily mean a change in the number of accounting firms represented.

APPENDIX OF 600 COMPANIES

List of 600 Companies on Which Tabulations are Based

Co. No.		*Month in which fiscal year ends
1.	Abbott Laboratories	12
2.	ACF Industries, Incorporated	4
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 Broadcasting-Paramount Theatres, Inc.	12
27.	American Can Company	12
28.	American Chain & Cable Company, Inc.	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 Zinc, Lead and Smelting Company	12
51.	Ametek, Inc.	12
52.	Ampco Metal, Inc.	12
53.	The Anaconda Company	12
54.	Anchor Hocking Glass Corporation	12
55.	Anchor Post Products, Inc.	12
56.	Anderson, Clayton & Co.	7
57.	Anheuser-Busch, Incorporated	12
58.	Apco Oil Corporation	12
59.	Archer-Daniels-Midland Company	6
60.	Arden Farms Co.	12
61.	Armco Steel Corporation	12
62.	Armour and Company	10
63.	Armstrong Cork Company	12
64.	Art Metal, Inc.	5
65.	The Arundel Corporation	12
66.	Arvin Industries, Inc.	12
67.	Ashland Oil & Refining Company	9
68.	Associated Brewing Company	12
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 B & S Company	9
76.	The Babcock & Wilcox Company	12
77.	Baldwin-Lima-Hamilton Corporation	12
78.	Barber Oil Corporation	12
79.	Basic Incorporated	12
80.	Basic Products Corporation	7
81.	Bates Manufacturing Company	12
82.	Bath Iron Works Corporation	12
83.	Bausch & Lomb Incorporated	12
84.	Bayuk Cigars Incorporated	12
85.	Beatrice Foods Co.	2
86.	Beaunit Mills, Inc.	3
87.	Beech Aircraft Corporation	9
88.	Beech-Nut Life Savers, Inc.	12
89.	Belding Heminway Company, Inc.	12
90.	Bell & Gossett Company	11
91.	Bell & Howell	12
92.	Bell Intercontinental Corporation	12

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
93. The Bendix Corporation	9
94. Bethlehem Steel Corporation	12
95. Bigelow-Sanford, Inc.	12
96. The Black and 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. Carnation Company	12
125. Carrier Corporation	10
126. J. L. Case Company	10
127. Caterpillar Tractor Co.	12
128. Celanese Corporation of America	12
129. The Celotex Corporation	10
130. Central Soya Company, Inc.	8
131. Century Electric Company	12
132. Certain-Teed Products Corporation	12
133. The Cessna Aircraft Company	9
134. Chain Belt Company	10
135. Champion Papers Inc.	12
136. Chemetron Corporation	12
137. Cherry-Burrell Corporation	10
138. Chicago Pneumatic Tool Company	12
139. Chock Full O'Nuts Corporation	7
140. Chrysler Corporation	12
141. Cities Service Company	12
142. City Products Corporation	12
143. City Stores Company	1
144. Clark Equipment Company	12
145. Cleveland Cliffs Iron Company	12
146. Clevite Corporation	12
147. Cluett, Peabody & Co., Inc.	12
148. The Coca-Cola Company	12
149. Colgate-Palmolive Company	12
150. Collins & Aikman Corporation	2
151. Collins Radio Company	7
152. Colonial Stores Incorporated	12
153. The Colorado Fuel and Iron Corporation	12
154. The Colorado Milling & Elevator Company	5
155. Columbia Broadcasting System, Inc.	12
156. Combustion Engineering, Inc.	12
157. Commercial Solvents Corporation	12

Co. No.	*Month in which fiscal year ends
158. Congoleum-Nairn, Inc.	12
159. Consolidated Cigar Corporation	12
160. Consolidated Foods Corporation	6
161. Consolidated Laundries Corporation	12
162. Consolidated Paper Company	12
163. Consolidation Coal Company	12
164. Container Corporation of America	12
165. Continental Baking Company	12
166. Continental Can Company, Inc.	12
167. Continental Motors Corporation	10
168. Continental Oil Company	12
169. Continental Steel Corporation	12
170. Cook Paint and Varnish Company	11
171. Copperweld Steel Company	12
172. Corn Products Company	12
173. Craddock-Terry Shoe Corporation	11
174. Crane Co.	12
175. Crown Central Petroleum Corporation	12
176. Crown Cork & Seal Company, Inc.	12
177. Crown Zellerbach Corporation	12
178. Crucible Steel Company of America	12
179. The Cuban-American Sugar Company	9
180. The Cudahy Packing Company	10
181. Cummins Engine Company, Inc.	12
182. The Cuneo Press, Inc.	1
183. The Curtis Publishing Company	12
184. Curtiss-Wright Corporation	12
185. Cutler-Hammer, Inc.	12
186. Dan River Mills, Incorporated	12
187. Dayco Corporation	10
188. Decca Records, Inc.	12
189. Deere & Company	10
190. Dennison Manufacturing Company	12
191. Detroit Steel Corporation	12
192. Diamond National Corporation	12
193. Diana Stores Corporation	7
194. Dictaphone Corporation	12
195. Walt Disney Productions	9
196. Douglas Aircraft Company, Inc.	11
197. The Dow Chemical Company	5
198. The Drackett Company	9
199. Dravo Corporation	12
200. Dresser Industries, Inc.	10
201. Drexel Enterprises, Inc.	11
202. The Duplan Corporation	9
203. E. I. du Pont de Nemours & Company	12
204. Dura Corporation	7
205. The Eagle-Picher Company	11
206. The Eastern Company	12
207. Eastern Stainless Steel Corporation	12
208. Eastman Kodak Company	12
209. Eaton Manufacturing Company	12
210. Elastic Stop Nut Corporation of America	11
211. The Electric Autolite Company	12
212. The Electric Storage Battery Company	12
213. Electrolux Corporation	12
214. Elgin National Watch Company	2
215. The Emerson Electric Manufacturing Company	9
216. Emerson Radio & Phonograph Corporation	10
217. Endicott Johnson Corporation	11
218. Erie Forge & Steel Corporation	4
219. Evans Products Company	12
220. Eversharp, Inc.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
221.	Ex-Cell-O Corporation	11
222.	Fairbanks, Whitney Corporation	12
223.	Fairchild Camera and Instrument Corporation	12
224.	Fairchild Stratos Corporation	12
225.	Falstaff Brewing Corporation	12
226.	Fansteel Metallurgical Corporation	12
227.	Fedders Corporation	8
228.	Federated Department Stores, Inc.	1
229.	The Firestone Tire & Rubber Company	10
230.	First National Stores Inc.	3
231.	M. H. Fishman Co., Inc.	12
232.	The Flintkote Company	12
233.	FMC Corporation	12
234.	Foote Mineral Company	12
235.	Foremost Dairies, Inc.	12
236.	Freeport Sulphur Company	12
237.	Fruehauf Trailer Company	12
238.	Gar Wood Industries, Inc.	10
239.	Garlock Inc.	12
240.	The Garrett Corporation	6
241.	General American Transportation Corporation	12
242.	General Aniline & Film Corporation	12
243.	General Baking Company	12
244.	General Box Company	12
245.	General Bronze Corporation	12
246.	General Cable Corporation	12
247.	General Cigar Co., Inc.	12
248.	General Dynamics Corporation	12
249.	General Electric Company	12
250.	General Mills, Inc.	5
251.	General Motors Corporation	12
252.	General Plywood Corporation	10
253.	General Signal Corporation	12
254.	General Refractories Company	12
255.	The General Tire & Rubber Company	11
256.	Genesco Inc.	7
257.	Gerber Products Company	3
258.	Giddings & Lewis Machine Tool Company	12
259.	The Gillette Company	12
260.	Gimbel Brothers, Inc.	1
261.	The Glidden Company	8
262.	Goebel Brewing Company	12
263.	Goldblatt Bros., Inc.	1
264.	The B. F. Goodrich Company	12
265.	The Goodyear Tire & Rubber Company	12
266.	The Grand Union Company	2
267.	Granite City Steel Company	12
268.	W. T. Grant Company	1
269.	The Great Western Sugar Company	2
270.	The Griess-Pfleger Tanning Co.	12
271.	Gruen Industries, Inc.	3
272.	Grumman Aircraft Engineering Corporation	12
273.	Gulf Oil Corporation	12
274.	W. F. Hall Printing Company	3
275.	Halliburton Company	12
276.	Hamilton Watch Company	1
277.	Harbison-Walker Refractories Company	12
278.	Harnischfeger Corporation	10
279.	Harris-Intertype Corporation	6
280.	Harsco Corporation	12
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

Co. No.		*Month in which fiscal year ends
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
292.	Holland Furnace Company	7
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.	Howell Electric Motors Company	12
299.	Hudson Pulp & Paper Corp.	8
300.	Hunt Foods and Industries, Inc.	6
301.	Hupp Corporation	9
302.	Hygrade Food Products Corporation	10
303.	Indian Head Mills, Inc.	11
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.	Jantzen, Inc.	8
315.	Johns-Manville Corporation	12
316.	Johnson & Johnson	12
317.	Jones & Lamson Machine Company	12
318.	Jones & Laughlin Steel Corporation	12
319.	Joslyn Mfg. and Supply Co.	12
320.	Joy Manufacturing Company	9
321.	The E. Kahn's Sons Company	12
322.	Kellogg Company	12
323.	Kelsey-Hayes Company	8
324.	The Kendall Company	12
325.	Kennecott Copper Corporation	12
326.	Keystone Steel & Wire Company	6
327.	Walter Kidde & Company, Inc.	12
328.	Kimberly-Clark Corporation	4
329.	Koppers Company, Inc.	12
330.	S. S. Kresge Company	12
331.	S. H. Kress & Company	12
332.	The Kroger Company	12
333.	Kuhlman Electric Company	12
334.	Langendorf United Bakeries, Inc.	6
335.	Lear Siegler Inc.	6
336.	Lehigh Portland Cement Company	12
337.	Lerner Stores Corporation	1
338.	Leslie Salt Co.	12
339.	R. G. LeTourneau, Inc.	12
340.	Libbey-Owens-Ford Glass Company	12
341.	Libby, McNeill & Libby	6
342.	Liggett & Myers Tobacco Company	12
343.	Eli Lilly and Company	12
344.	Lily-Tulip Cup Corporation	12
345.	Link-Belt Company	12
346.	Lockheed Aircraft Corporation	12
347.	Loft Candy Corporation	6
348.	Lone Star Cement Corporation	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
349.	P. Lorillard Company	12
350.	Lukens Steel Company	12
351.	Mack Trucks, Inc.	12
352.	Macke Vending Company	9
353.	R. H. Macy & Co. Inc.	12
354.	P. R. Mallory & Co., Inc.	12
355.	Manning Maxwell and Moore, Incorporated	12
356.	Marathon Oil Company	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.	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.	Metro-Goldwyn-Mayer, Inc.	8
376.	Midland-Ross Corporation	12
377.	Midwest Rubber Reclaiming Company	10
378.	Miller Manufacturing Company	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.	O'Sullivan Rubber Corporation	12
414.	Otis Elevator Company	12
415.	Outboard Marine Corporation	9
416.	Owens-Illinois Glass Company	12
417.	Oxford Paper Company	12
418.	Pacific American Corporation	2
419.	Paramount Pictures Corporation	12
420.	Parke, Davis & Company	12
421.	The Parker Pen Company	2
422.	Parkersburg-Aetna Corporation	12
423.	Peden Iron & Steel Co.	12
424.	Penn Fruit Co., Inc.	8
425.	J. C. Penney Company	1
426.	Pennsalt Chemicals Corporation	12
427.	Peoples Drug Stores, Incorporated	12
428.	Pepsi-Cola Company	12
429.	Permanente Cement Company	12
430.	Pet Milk Company	3
431.	Pfaudler Permutit, Inc.	12
432.	Chas. Pfizer & Co., Inc.	12
433.	Phelps Dodge Corporation	12
434.	Philadelphia and Reading Corporation	12
435.	Phillip Morris, Incorporated	12
436.	Phillips Petroleum Company	12
437.	Phoenix Steel Corporation	12
438.	The Pillsbury Company	5
439.	Piper Aircraft Corporation	9
440.	Pitney-Bowes, Inc.	12
441.	Pittsburgh Brewing Company	10
442.	Pittsburgh Plate Glass Company	12
443.	Pittsburgh Steel Company	12
444.	The Pittston Company	12
445.	Plough, Inc.	12
446.	Polaroid Corporation	12
447.	Poor & Company	12
448.	H. K. Porter Company, Inc.	12
449.	Pratt & Lambert, Inc.	12
450.	The Procter & Gamble Company	6
451.	Pullman Incorporated	12
452.	The Pure Oil Company	12
453.	Purolator Products, Inc.	12
454.	The Quaker Oats Company	6
455.	Quaker State Oil Refining Corporation	12
456.	Radio Corporation of America	12
457.	Ralston Purina Company	9
458.	The Rath Packing Company	9
459.	Raybestos-Manhattan, Inc.	12
460.	Rayonier Incorporated	12
461.	The Reliance Electric and Engineering Company	10
462.	Reliance Manufacturing Company	11
463.	Remington Arms Company, Inc.	12
464.	Republic Aviation Corporation	12
465.	Republic Steel Corporation	12
466.	Revere Copper and Brass Incorporated	12
467.	Rexall Drug and Chemical Company	12
468.	Reynolds Metals Company	12
469.	R. J. Reynolds Tobacco Company	12
470.	Rheem Manufacturing Company	12
471.	Richfield Oil Corporation	12
472.	Ritter Company, Inc.	12

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
473. H. H. Robertson Company	12
474. Rohm & Haas Company	12
475. Royal McBee Corporation	7
476. The Ruberoid Company	12
477. Jacob Ruppert	12
478. The Ryan Aeronautical Company	10
479. Safeway Stores, Incorporated	12
480. St. Joseph Lead Company	12
481. St. Regis Paper Company	12
482. Schenley Industries, Inc.	8
483. Scott Paper Company	12
484. Scovill Manufacturing Company	12
485. Screw and Bolt Corporation of America	12
486. Seaboard Allied Milling Corporation	12
487. G. D. Searle & Co.	12
488. Sears, Roebuck and Co.	1
489. The Seeburg Corporation	10
490. Servel, Inc.	10
491. Sharon Steel Corporation	12
492. Frank G. Shattuck Company	12
493. Shell Oil Company	12
494. The Sherwin-Williams Company	8
495. Shoe Corporation of America	12
496. Signode Steel Strapping Company	12
497. Simmons Company	12
498. Simonds Saw and Steel Company	12
499. Sinclair Oil Corporation	12
500. Skelly Oil Company	12
501. Smith-Corona Marchant Inc.	6
502. A. O. Smith Corporation	7
503. Snap-On Tools Corporation	12
504. Socony Mobil Oil Company, Inc.	12
505. Sonotone Corporation	12
506. A. G. Spalding & Bros. Inc.	10
507. Sperry Rand Corporation	3
508. Spiegel, Inc.	12
509. Sprague Electric Company	12
510. Square D Company	12
511. A. E. Staley Manufacturing Company	9
512. Standard Brands Incorporated	12
513. Standard Kollsman Industries Inc.	12
514. Standard Oil Company of California	12
515. Standard Oil Company (Indiana)	12
516. Standard Oil Company (New Jersey)	12
517. The Standard Oil Company (Ohio)	12
518. Standard Packaging Corporation	12
519. Standard Pressed Steel Co.	12
520. Standard Screw Company	12
521. The Standard Tube Company	12
522. Stanray Corporation	12
523. The L. S. Starrett Company	6
524. J. P. Stevens & Co., Inc.	10
525. Stewart-Warner Corporation	12
526. Stokely-Van Camp, Inc.	5
527. Struthers Wells Corporation	11
528. Studebaker Corporation	12
529. Sun Chemical Corporation	12
530. Sun Oil Company	12
531. Sundstrand Corporation	12
532. Sunray DX Oil Company	12
533. Sunshine Biscuits, Inc.	12
534. The Superior Oil Company	8
535. Swift & Company	10
536. Symington Wayne Corporation	12
537. Tecumseh Products Company	12

Co. No.	*Month in which fiscal year ends
538. Texaco Inc.	12
539. Texas Gulf Sulphur Company	12
540. Textron, Inc.	12
541. Thatcher Glass Manufacturing Company, Inc.	12
542. Thompson Ramo Wooldridge Inc.	12
543. Tidewater Oil Company	12
544. Time Incorporated	12
545. The Timken Roller Bearing Company	12
546. Tobin Packing Co., Inc.	10
547. The Torrington Company	6
548. Triangle Conduit & Cable Co., Inc.	12
549. Twentieth Century-Fox Film Corporation	12
550. U. S. Industries, Inc.	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 Elastic Corporation	12
557. United Engineering and Foundry Company	12
558. United Fruit Company	12
559. United-Greenfield Corporation	12
560. United Merchants and Manufacturers, Inc.	6
561. United Park City Mines Company	12
562. The United Piece Dye Works	12
563. United Shoe Machinery Corporation	2
564. United States Gypsum Company	12
565. United States Plywood Corporation	4
566. United States Rubber Company	12
567. United States Smelting Refining and Mining Company	12
568. United States Steel Corporation	12
569. United States Tobacco Company	12
570. United Whelan Corporation	12
571. Universal American Corporation	12
572. Universal-Cyclops Steel Corporation	12
573. Universal Leaf Tobacco Co., Inc.	6
574. Universal Match Corporation	12
575. Utah-Idaho Sugar Company	2
576. Vanadium-Alloys Steel Company	6
577. Veeder-Root Incorporated	12
578. VTR, Incorporated	12
579. Wagner Electric Corporation	12
580. Waitt & Bond, Inc.	12
581. Walgreen Co.	9
582. Walworth Company	12
583. Ward Baking Company	12
584. Warner Bros. Pictures, Inc.	8
585. Warner-Lambert Pharmaceutical Company	12
586. West Virginia Pulp and Paper Company	10
587. Westinghouse Air Brake Company	12
588. Westinghouse Electric Corporation	12
589. Weyerhaeuser Company	12
590. Wheeling Steel Corporation	12
591. The White Motor Company	12
592. Wilson & Co., Inc.	10
593. Woodall Industries, Incorporated	8
594. F. W. Woolworth Co.	12
595. Worthington Corporation	12
596. Wm. Wrigley Jr. Company	12
597. Xerox Corporation	12
598. The Yale & Towne Manufacturing Company	12
599. The Youngstown Sheet and Tube Company	12
600. Zenith Radio Corporation	12

*Months numbered in sequence, January through December.

INDEX TO TABLES

Section 3: Income Statement

Section 4: Retained Earnings and Capital Surplus

Section 5: Auditors' Report

SUBJECT INDEX

A

D

L

M

N

O

P

Q

R

W